MINUTES OF A MEETING OF THE
MICHIGAN CITY REDEVELOPMENT AUTHORITY
JULY 1, 2019

The Michigan City Redevelopment Authority met in a scheduled meeting in the Planning Department Conference Room, City Hall Building, 100 East Michigan Boulevard, Michigan City, Indiana, on Monday, July 1, 2019, at 4:00 p.m. local time; the date, hour, and place duly established for the holding of said meeting.

CALL TO ORDER

The meeting was called to order by Vice-President Nick Walz at approximately 4:04 p.m.

ROLL CALL

Members present:
William Gertner, Nicholas Walz

Members absent:
Sharon Wright

Staff present:
Redevelopment Commission President Don Babcock, Administrative Assistant Debbie Wilson

Others in attendance: Randy Rompola (Bond Counsel) from Barnes & Thornburg

A quorum was noted, and the meeting proceeded.

LEASE RENTAL REVENUE BONDS FOR CIVIC PLAZA PROJECT

Randy Rompola opened discussion referring to three resolutions before the Authority, two of which deal with the Civic Plaza project and one dealing with the refunding opportunity for the Lafayette/Barker project for bonds the Authority issued back in 2010.

Mr. Rompola began with the Civic Plaza project explaining that the Authority would be authorizing bonds to pay for the Civic Plaza project itself. The Redevelopment Commission has already acted to preliminarily approve a form of lease with the Authority and they have scheduled a public hearing at their meeting on July 8th. The Authority is being asked to approve the form of lease and approve of the issuance of bonds for the project.
Mr. Babcock briefly described the project noting that since Marquette Mall was opened in 1967, the Downtown has been challenged to be a vibrant community area. As part of the Lake Michigan Gateway Implementation Strategy (LMGIS) the Redevelopment Commission has been trying to revitalize the North End. The last two years have been spent on public outreach and input to design a Civic Plaza in the Downtown at 7th Street and Franklin Street. The Commission has acquired property over the last several years to accomplish this project. The financing for the project will go before the Common Council on July 16th to hopefully approve a bond for approximately $7 million to build the new Civic Plaza. Once bonding is in place, it is hoped that the project will begin late this year or early next year. Mr. Babcock stated that the Redevelopment Commission is trying to revitalize the Downtown and do it in such a way that this is primarily for the members of the community, but visitors would also get to benefit from it too.

Mr. Walz asked how the meeting went.

Mr. Babcock said it went very well with approximately 150 people in attendance, and there was a lot of positive support. There was also a joint workshop last week with the Redevelopment Commission and Common Council. Approximately 35-40 people were in attendance. The matter will now go before the Council on July 16th. Mr. Babcock said this is one of the steps in the process to make sure an appropriate amount of community input is allowed as well as following the law. Mr. Babcock pointed out that there will be a board to manage the Civic Plaza. The Plaza will have water features, a stage, public art, refreshments, with the idea of having a number of planned activities throughout a majority of the year. The board of directors will have a broad representation from the community including representatives from the Mayor’s office, City Council, Redevelopment Commission, Chamber of Commerce, EDC, and others. The Commission has a consultant, Dan Senftner, who is the Executive Director for Rapid City South Dakota and operates their plaza. Prior to that the Commission had input from Roger Brooks.

Mr. Gertner commented that he attended several of the meetings and the presentation at Blue Chip. He said he can’t think of a better use of the property and a way to generate an atmosphere Downtown that has been lacking over the past several years. He pointed out communities within our area have something similar. He said it makes sense for the property and the City.

Mr. Babcock added that the NICTD Double Track project is moving ahead which will improve time travel from Michigan City to Chicago down to a little over an hour, making Michigan City a much more competitive opportunity from Chicago. The Civic Plaza will fit well within that concept.

Randy Rompola explained that the resolution is initial action of the Redevelopment Authority. There will be a meeting later for the Authority with respect to the Civic Plaza project. Tonight, the Authority would approve of the issuance of bonds and authorize
their sale. The maximum is set at $8.8 million in the resolution, although it is anticipated that the amount will be somewhat less than that. There is a not to exceed interest rate of 6%, although it is expected to be lower. That forms the basis for the lease rental which is currently set at $975,000. There is language in the lease agreement providing that once the bonds are sold, the lease rental will be reduced to match whatever the debt service is on the bonds at whatever interest rate it is. For purposes of the approval process the parameters must be such that the Redevelopment Commission, Redevelopment Authority, and Common Council all are approving the same parameters for the project. Mr. Rompola stated that with Resolution 1-19 the Authority would be approving the execution of a lease to the Redevelopment Commission, although the Council must approve the lease before it is signed by the Authority. Summarizing the resolution, Mr. Rompola stated that the Authority would be approving the form of the lease, the lease has a term not to exceed 22 years, the maximum lease rental is $975,000, the bonds have the same term not to exceed 22 years (which could be reduced), and the bond amount is $8.8 million (which could be reduced).

Mr. Babcock pointed out that it is anticipated the tax increment stream coming in over the next 20 years will easily make this payment without it being a burden on any other portion of the city.

Expanding on Mr. Babcock's comment, Mr. Rompola added that the bonds are anticipated to be paid from tax increment revenues, but to be able to market the bonds in the bond market and get the lowest interest rate possible, this financing structure provides for a tax backup in the event that the TIF revenues weren't ever there. He said that is not how it is being structured, and even with the coverage of these bonds and another potential bond there is still 140% coverage in the later years. The bond market will typically look for 110%-125%. The bonds are being structured solely to be paid from TIF revenues; the only reason for the backup is to get a lower interest rate.

Mr. Walz stated that he is glad to see there is provision for a negotiated sale as well.

Mr. Rompola added that there is both a provision for a public sale and a negotiated sale, so depending on where the market is at the time there is the ability to go either direction. He stated that if these bonds are sold by themselves he thinks Baker and Tilly would suggest a public sale because the debt is strong enough and secure enough that it would do well in the market. He said if these bonds were sold at the same time as the Lafayette/Barker Bonds, then it would be a negotiated sale to take advantage of the size of the issuance.

Mr. Babcock asked if any adjustment would have to be made to the resolution if the Commission wants to pay the bonds off early.

Mr. Rompola replied that there would not. The resolution authorizes the bonds to be optionally redeemable, so they can be paid off early at the ten-year point. Municipal
investors are buying bonds because they like the safety and security of knowing the bonds will be outstanding for a period of time. Going any shorter than 9-10 years, a premium would be paid with a higher interest rate. He added that if development takes off even more and more tax increment is being generated, that money can be set aside to defease the debt by paying it solely out of that fund and pay it off earlier.

The chair entertained a motion.

*Motion by Mr. Gertner – seconded by Mr. Walz approving RESOLUTION 1-19 OF THE MICHIGAN CITY REDEVELOPMENT AUTHORITY APPROVING A PROPOSED LEASE AND AUTHORIZING ISSUANCE OF MICHIGAN CITY REDEVELOPMENT AUTHORITY LEASE RENTAL REVENUE BONDS OF 2019 (CIVIC PLAZA PROJECT) AND ALL MATTERS RELATED THERETO. Voice vote was as follows: (Ayes) William Gertner, Nicholas Walz – 2; (Nays) None – 0. With a vote of 2 ayes and 0 nays, the MOTION CARRIED.*

Mr. Rompola explained that Resolution 2-19 relates to a separate project, stating that in 2010 there was a financing the Redevelopment Authority issued for the Lafayette/Barker project involving construction of a stormwater outfall for the first phase of a stormwater project. It was a $9,530,000 bond with $6,655,000 currently outstanding. Baker Tilly (TIF financial consultants) suggested the potential for refunding the bonds. This year the rates have come down and they recommended proceeding. They estimate on current interest rates (with conservative built in) that net present value savings (all expenses of issuing refunding bond built in) would be about $600,000 or $55,000-$56,000/year over the life of the issue which would free up that much money on an annual basis to pay for other projects. Mr. Rompola pointed out that the Redevelopment Commission has already adopted an initial resolution allowing for the refunding to proceed. If the Authority adopts a resolution today, it would then go before the Common Council.

Mr. Babcock asked if the term would remain the same.

Mr. Rompola replied that it would. The bonds are currently payable in 2033. Like the Civic Plaza resolution, the parameters are set out for the maximum amounts. The amount of this bond is for an amount not to exceed $7 million. Mr. Rompola explained that currently there is about $6,215,000 of principal on the outstanding bonds. If the refunding bonds are issued, the day of the closing a notice would be sent to the current trustee to notify the current bond holders that the bonds will be redeemed in 30 days. The new bond principal amount would include the outstanding principal amount, the 30 days of interest, and expenses; being issued at a lower interest rate.

Mr. Walz advised that the interest rate is set the date of notice.
Mr. Rompola confirmed that was correct explaining that the new interest rate would be locked in when closing on the new bonds and the old bonds would be paid off 30 days later.

Mr. Rompola summarized that this resolution authorizes refunding bonds to be issued in an amount not to exceed $7 million, a not to exceed interest rate of 5%, and authorizes the bonds to be sold at a public sale or negotiated sale depending on where the market is at the time. It also authorizes the documents to be entered into, one being an amendment to the original 2010 lease. He explained that when the new bonds are sold the lease rentals would be reduced which is where the savings would be realized. The lease the Redevelopment Commission pays to the bond trustee on behalf of the Authority would be reduced to match the debt service on the issuance.

Mr. Gertner asked the rate currently being paid.

Mr. Rompola replied that the rates range from 4.1%-5%. The current rates (with cushion) would be 1.7%-3%. The percentage savings is 9.37%. Government Finance Officers Association (GFOA) recommends refunding a debt with 2% or greater savings.

Mr. Rompola pointed out that by doing all of this does not mean the bonds will automatically be sold. It would come down to where the interest rates are when it gets to the point of going into the market to sell the bonds. If interest rates go up significantly, they would not sell; this just provides the option to do so if interest rates are down.

Mr. Rompola summarized that the resolution authorizes a lease amendment to be entered into and either a new indenture or supplemental indenture to the indenture previously done to just provide for the issuance of the refunding bonds. Regarding the inquiry by Mr. Babcock for shortening the debt service, Mr. Rompola said it would reduce the annual savings because of paying more principal off, so it is still a possibility.

Mr. Babcock stated that instead of absorbing the savings per year, it could be paid off sooner.

Mr. Rompola confirmed that was correct stating that the bond could be shortened by a few years with the annual savings over the life of the bond, but there is also the possibility of ending up with a higher rate. Mr. Rompola said it would be up to Baker Tilly to give their advice on what looks right in the market at the time.

To sum it up, Mr. Rompola stated that this resolution authorizes the refunding bonds – all subject to Council approval. The Redevelopment Commission already acted to start the process. It is now before the Authority, then goes onto the Council.

Mr. Babcock asked if there is another hearing at the Redevelopment Commission level.
Mr. Rompola replied that there is not; there may be one more meeting, but not a public hearing.

The chair entertained a motion.

Motion by Mr. Gertner – seconded by Mr. Walz approving RESOLUTION 2-19 OF THE MICHIGAN CITY REDEVELOPMENT AUTHORITY AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF MICHIGAN CITY LEASE RENTAL REVENUE REFUNDING BONDS, AUTHORIZING THE EXECUTION OF AN ADDENDUM TO LEASE AND APPROVING CERTAIN MATTERS RELATED THERETO (LAFAYETTE/BARKER PROJECT REFUNDING). Voice vote was as follows: (Ayes) William Gertner, Nicholas Walz – 2; (Nays) None – 0. With a vote of 2 ayes and 0 nays, the MOTION CARRIED.

Mr. Rompola went back to the Civic Plaza project referring to Resolution 3-19. He explained that because the financing is structured as a lease, the Redevelopment Authority needs to own something to lease it to Redevelopment Commission. The parcels making up the Civic Plaza are presently owned by the Redevelopment Commission, so this resolution would authorize the Redevelopment Authority to acquire those parcels from the Redevelopment Commission at no cost. There is a provision in state law where governmental bodies can transfer parcels for no consideration if they adopt identical resolutions. By adopting this resolution today, the Authority is authorizing to take title from the Redevelopment Commission and then lease it back to the Redevelopment Commission as the completed project. The Redevelopment Commission is scheduled to adopt a similar resolution in September to provide for that transfer of the parcels to the Redevelopment Authority. Mr. Rompola explained that when closing on the financing for the Civic Plaza there will be a deed from the Redevelopment Commission to the Authority for those parcels. He said it would be like the Ohio Street project where in that case the title was in the name of the Civil City transferring the City’s interest in the road right of way to the Authority who in turn leased it to the Redevelopment Commission for the Ohio Street project.

Mr. Babcock stated he would assume the Redevelopment Commission would have the rights to use the parcels for the Civic Plaza.

Mr. Rompola confirmed that was correct, stating that the Commission would be totally responsible; the Authority will have no responsibility with respect to the property. It would be the Redevelopment Commission’s responsibility to maintain insurance. He said if there are short-term users who want to reserve the plaza for an event, they would request that from the Redevelopment Commission. The Authority would not be in the business of constructing the plaza or operating the plaza.

The chair entertained a motion.
Motion by Mr. Gertner – seconded by Mr. Walz approving RESOLUTION 3-19 OF THE MICHIGAN CITY REDEVELOPMENT AUTHORITY APPROVING THE TRANSFER OF INTERESTS IN CERTAIN PROPERTY FROM THE CITY OF MICHIGAN CITY REDEVELOPMENT COMMISSION TO THE MICHIGAN CITY REDEVELOPMENT AUTHORITY AND ALL MATTERS RELATED THERETO. Voice vote was as follows: (Ayes) William Gertner, Nicholas Walz – 2; (Nays) None – 0. With a vote of 2 ayes and 0 nays, the MOTION CARRIED.

ENGAGEMENT LETTER WITH BARNES & THORNBURG FOR REFUNDING LAFAYETTE/BARKER BONDS
Mr. Rompola stated that the engagement letter was set up for approval by both the Redevelopment Commission and Authority. The Redevelopment Commission has already approved it.

Mr. Babcock commented that the Commission has been well-served by Mr. Rompola and stated that he is recognized widely around the state for his expertise.

The chair entertained a motion.

Motion by Mr. Gertner – seconded by Mr. Walz approving an engagement letter with Randolph Rompola of Barnes & Thornburg, LLP for legal services for the refunding of the Lafayette/Barker Bonds. Voice vote was as follows: (Ayes) William Gertner, Nicholas Walz – 2; (Nays) None – 0. With a vote of 2 ayes and 0 nays, the MOTION CARRIED.

GENERAL DISCUSSION
(None)

PUBLIC COMMENT
Tom Smith spoke regarding the refinancing of the Lafayette/Barker Bonds asking if it is for the Redevelopment Commission or if it goes to the city taxpayers and if it is being co-signed.

Mr. Rompola replied that the Lafayette/Barker Bonds are being structured the same way as the Civic Plaza to get the lower interest rate. He confirmed that it was originally structured that way and it will stay that way. He stated that there is not a tax being levied and it is anticipated there would not be a tax levied in either case. He explained that this financing technique is common in Indiana because all the governmental issuers are trying to get the lowest interest rate possible, so whether it is tax incremental revenues or income taxes, bonds are issued with that backup, so they can get the benefit of the best rating in the marketplace. He said he has practiced in this area for 28 years and in that time, he knows of only one bond that went on the tax levy and it wasn’t because it had to; it was because that mayor and city determined they had other projects they wanted to use tax increment for. By using the tax levy, it would free up the
increment for other projects. Mr. Rompola said his firm, along with Baker Tilly, are not here to try and pull a fast one on the public; they are here to structure a bond that will survive the test of time. He added that they would not want their name associated with a bond that had to go on the levy because there wasn’t enough revenue.

Mr. Babcock added that is also the reason why the Commission had an analysis done to make sure there is enough bond coverage and that there is a high level of assurance that there is not going to be a negative impact on the taxpayers in the community. He said both projects are based on the tax increment generated over the years, primarily Blue Chip Hotel being the big drive, but other assets in the North End contributing to the tax increment as well. The hope and charge of the Redevelopment Commission is to increase everyone’s property values, so the whole community is better off.

Mr. Smith asked if the NIPSCO property is in the TIF.

Mr. Babcock replied that it is not in a TIF District adding that the pollution control equipment would not qualify to generate tax increment. On the other hand, he said if it was a brand-new project, putting a generating station in a TIF District would be a big plus and would similar to Blue Chip generating a lot of tax increment.

Mr. Walz commented that when the Double Track project is complete, it would be his fear/hope that these communities along the way won’t be recognized because they will be very different, spurring a lot of infrastructure improvements.

From a historical perspective, Mr. Rompola recalled that when Blue Chip was initially being thought of and constructed, Lighthouse Mall Outlet was let go from the TIF. Originally it was just the Outlet in the TIF District, but when the casino came into the picture the decision was made to release the Outlet from TIF so that the taxpayers could see the benefit of that development. There was some increment that was let go at that time.

**ADJOURNMENT**

The chair entertained a motion to adjourn.

Mr. Gertner moved to adjourn – seconded by Mr. Walz and unanimously approved.

Vice-President Walz declared the meeting adjourned at approximately 4:45 p.m.

Craig Phillips, Asst. Secretary-Treasurer