

Lowell Metro District Bond Refinancing City Council Work Session

April 10, 2023

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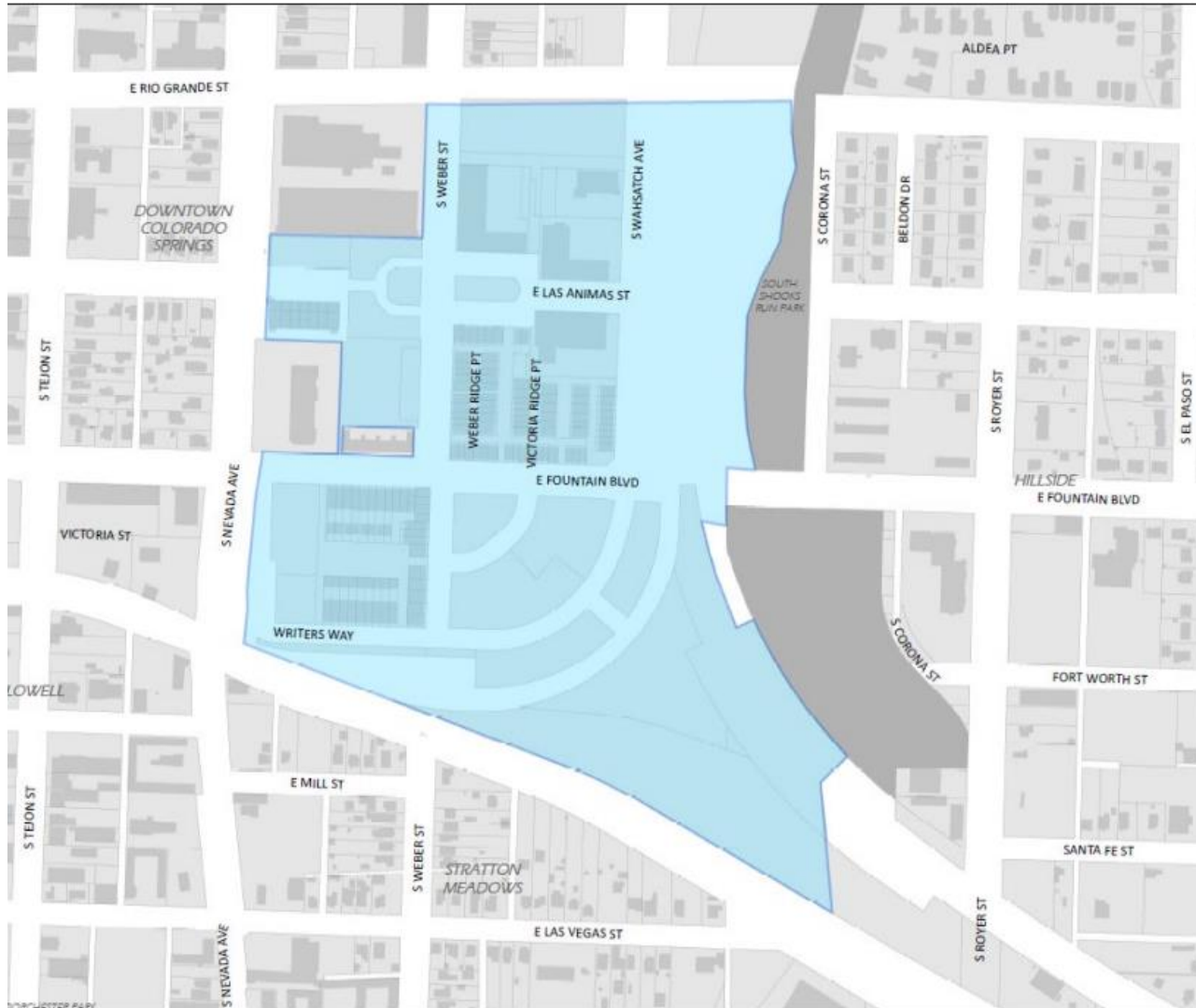


Summary



- Refinancing of existing 2004 metropolitan district debt, which is distressed
 - Prior urban renewal area
 - Challenging development and refinancing history
 - Pre- 2002 metropolitan district service plan
 - Existing bonds “distressed” and projected to never pay off
- Senior bank loan and subordinate bonds, both arm’s length and tax exempt
 - Proceeds used to pay off part of the balance of existing debt
 - With the remaining obligations to be forgiven
- 2063 discharge date
 - where there currently is no discharge date
- Agreed to and supported by resident/business owner board of directors
- **Back to back scheduling proposed – unique circumstances**

District Boundaries



District Background and History



- 1988 -urban renewal area designation
 - Expired in 2013
- 2002 – Lowell Metropolitan District created
- 2004- Metropolitan District debt issued
- 2009- development activity more or less halted for over a decade
- 2019- District board has been populated by residents or taxpaying business representatives since that time.

Recent Development Status



- Remaining parcels being developed with multi-family uses

2004 Bonds



- Original Principal Amount- \$9,300,000
- 7.25% interest rate
- About \$11,172,987 remaining
 - \$7,940,000 principal
 - \$3,270,978 outstanding interest
- 2033 original maturity
 - Now potentially no end date

Refinancing Summary



- Senior Series A 2023 commercial bank loan
 - 4.5% estimated interest rate
 - \$3,665,000 (but with an intent to maximize the proportional loan amount)
- Subordinate Series B bonds
 - 8.5% estimated interest rate
 - \$2,806,000 (but with an intent to minimize this proportion)
 - Intent to refinance in 5 years or thereafter, if conditions a favorable
- Balance of remaining debt (about \$ 5.3 Million) would be written off
- Tax-exempt; 30 year terms in both cases
- 40-year discharge dates (2063)
- 5-year call provisions
- Gallagher- adjusted debt service mill levy of 49.490 mills (originally 40)

- March 28, 2023
- Clarifying Questions
- Question why this option was not pursued earlier (under a potentially lower interest rate scenario)
 - Response: although bonds have been callable for some time and communication has occurred, due to the amount of debt outstanding, this was only possible with this single bondholder's recent concurrence (they will be taking a major write-off)

Supporting Materials



- City Council resolution
- District transmittal letter
- Forms of the loan and bond indentures
- Draft PLOM
- Form of District counsel opinion

Next Steps



- 1 Year to Issue/Close from date of Council authorization
- April 11, 2023 hearing (**back to back**)
- At Least **Six** Affirmative Votes Required
 - City Charter 7-100(a) -> exceeds 10% of total assessed valuation