STAFF REPORT

MEETING DATE: April 5, 2021

**RECOMMENDATION**

Adopt Resolution No. \_\_\_\_ approving a site lease and a lease agreement; making certain determinations relating thereto; and authorizing certain other actions in connection therewith.

**BACKGROUND**

In May of 2019, the District contacted the CSDA Finance Corporation (“CSDAFC”) with an inquiry for financing. CSDAFC contacted Brandis Tallman to obtain information regarding financing options to make improvements to the District’s Pool Facility. Based on the small financing amount, it was determined that a direct placement method of sale would be the most appropriate approach for the District’s financing when ready. In spring of 2020, the District contacted Brandis Tallman to explore financing. Brandis Tallman distributed a Lender RFP to obtain direct placement proposals from banks at the height of the economic shutdown due to the COVID-19 pandemic. Most lenders took a pause from the market at that time and the interest rates that were proposed were not aggressive. The District decided to wait for the market to return and the timeline for the project was pushed back as well. Throughout the year, Brandis Tallman held conference calls with the District to update them on market conditions and gauge progress on the District’s timing. In January 2021, the District stated that they would be ready to pursue financing in early spring and a low interest rate environment coincided with the decision to move forward. On February 26, 2021, Brandis Tallman, a Division of Oppenheimer & Co. Inc. (“Oppenheimer”) distributed a lender request for proposal. On March 17th, Sterling National Bank bid a 20-year fixed interest rate of 2.63%. Based on the financing term, pricing, and zero costs of issuance, Sterling National Bank was selected as the lender.

**SUMMARY OF LEGAL STRUCTURE AND DOCUMENTS**

The financing will be structured as a lease/leaseback utilizing the District’s statutory authority to lease real property. The District’s obligation under the Lease Agreement to make lease payments to CSDAFC will be secured by an annual appropriation from the District’s general fund. The documents for the lease/leaseback financing are summarized below.

*Site Lease*: Pursuant to the site lease, the District leases property to the CSDAFC, as counterparty, in order to facilitate the financing of the project. The District will then lease the property back from CSDAFC pursuant to the lease agreement described below.

*Lease Agreement:* Under the Lease Agreement, the District agrees to lease the property back from CSDAFC and make lease payments to CSDAFC (representing a principal component and an interest component). The lease agreement describes certain covenants, representations and warranties of the District and CSDAFC, as well as, among other things: (i) the terms and conditions related to the deposit and application of funds, (ii) the term of the financing and (iii) provisions related to the lease payments. CSDAFC will assign its right, pursuant to an assignment agreement, to receive the lease payments as well as the right to enforce payment of the lease payments to Sterling National Bank. As consideration for such assignment, Sterling National Bank provides the funding for the project.

*Memorandum of Lease*: This document memorializes and facilitates the recording of the lease agreement.

**PRELIMINARY FINANCING RESULTS**

District staff requested a 20-year financing for the project. Below is a summary of the preliminary financing results per the term sheet provided by Sterling National Bank:

|  |  |
| --- | --- |
| **Term** | **20-Year Direct Placement** |
| Par Amount | $1,250,000 |
| Total Estimated Costs of Issuance | $50,000 |
| Interest Rate | 2.63% |
| Average Annual Lease Payments | $80,822 |
| Total Debt Service | $1,616,443 |

**NEXT STEPS**

The next steps following the adoption of Resolution No. \_\_\_ are as follows:

Week of 4/12 Finalize and execute financing documents

Tuesday, 4/20 Close transaction; fund lease

**RESULT OF RECOMMENDED ACTION**

If the Board adopts Resolution No. \_\_\_, staff will work with the financing team to finalize and execute the legal documents, and close and fund the transaction on Tuesday, April 20th.