

THE BOND BUYER

P3 supports lease-revenue bonds to build city projects in Salinas, California

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Salinas, California, is financing new library and police station buildings through lease-revenue bonds sold through a public-private partnership.

A nonprofit created to build the projects will issue \$48.6 million in tax-exempt bonds for the police station and \$19.35 million for the library.

The Salinas Public Facilities Inc. bonds, rated A-plus by S&P Global Ratings, will be sold Thursday in two competitive auctions.

The bonds will be paid off through rent collected from the city by the nonprofit, which is overseen by the Seattle-based Public Facilities Group.

In March, the Salinas City Council entered into 30-year leases for the two projects. Under the agreements, the city will lease the library for \$850,000 a year and the police station for \$4.8 million annually.

The rent will cover all debt service but not obligate any city funds for the project, according to the preliminary official statement.

John Finke, president of Public Facilities Group, said the public-private partnership insulates the city from any financial risks while providing more efficiency.

“Our experience is with a more private approach (where) we can make decisions faster, we can deliver equal and higher quality,” he said.

A developer has already been hired to construct the projects starting in September.

The \$18.8 million library will replace an existing structure at a 1.25-acre city-owned site with a two-story, 21,076-square-foot building. It is expected to be completed by December 2019.

The police project will be built on a 6.5-acre city-owned site and will consist of a two-story, 44,352-square-foot main building and a one-story, 24,878-square-foot support building. The expected completion date is January 2020.

Located 100 miles south of San Francisco, Salinas has a general fund operating budget of \$114 million.

Although no city funds are pledged to the projects, the city plans to pay the police building rent with a portion of revenue from a half-cent city sales tax, according to a staff report to the city council. The tax plus library user fees will help cover the library lease payments, the report stated.

The bond counsel for the sale is Straddling Yoca Carlson & Rauth of Newport Beach, California. Stilel, Nicolaus and Co. Inc. of San Francisco is the financial advisor.