

THE BOND BUYER

Minneapolis green bond deal a step toward climate designation

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Minneapolis will offer its first green bonds Tuesday as part of a \$112 million sale, of which the majority will pay for facilities designed to support the city's green and climate initiatives.

The proceeds from the \$97 million capital improvement green bond series will finance an east side storage and maintenance facility and a new public service building, said Mike Abeln, the city's director of investments, capital, and debt management.

In addition to the "green" designation, the city is working to achieve a designation of the public service building as meeting the Climate Bonds Standard under the Climate Bonds Initiative for a future financing, Abeln said.

The city will take competitive bids Tuesday on the two general obligation series. The other is for \$15.7 million of library referendum refunding bonds. Ehlers & Associates Inc. is advising the city.

The new city building will house some police operations and consolidate other department operations that interact with the public, with accessibility to public transportation. It is expected to reduce trips city employees make between city facilities and it will house a bicycle storage and service center but no vehicle parking.

"The public service center is expected to attain a LEED Gold or higher certification with a design that emphasizes natural sources of light, energy efficiency, green roof elements, and solar energy arrays on the structure," an offering statement supplement distributed Friday says. "In addition, the city is in the process of demolishing a parking ramp in connection with the construction of the public service center and estimates that 90% of the demolished materials will be recycled."

The east side facility will house the operations of the solid waste and recycling program and vehicle maintenance.

The green bond designation is based on the green and sustainable elements of the projects that the city has targeted under its “Green Bond Framework” which complies with the Green Bond Principles [established by the International Capital Market Association](#) in June.

The city received an opinion from Kestrel Verifiers, an accredited verifier of green, climate, and social bond principles, that its framework and the projects conform with green bond principles.

“The city is very proactive on climate awareness and trying to be good stewards of the environment” in adopting the policies, Abeln said. An added benefit he hopes for is that the designation might appeal to new investors who have not before participated in city deals resulting in “some basis points” being shaved off yields with additional underwriters submitting bids.

Under its sustainability initiatives adopted under a climate action plan that includes strategies for reducing greenhouse emissions, the city intends to measure progress toward achieving its goals and aims to identify areas it’s not meeting its objectives.

Managers of city-owned buildings are required to track and report energy and water use. The city adopted a plan this year to target that 100% of its enterprise electricity use come from renewable resources by the end of 2022.

Ahead of the sale, Fitch Ratings affirmed the city’s AA-plus rating and S&P Global Ratings affirmed its AAA. The state’s largest city, with an estimated population of 422,000, has about \$530 million of outstanding GOs.

The rating “reflects the city's strong revenue growth prospects driven by a rising population and income levels, broad independent revenue-raising ability, and solid budgetary flexibility,” Fitch said.

The rating also now benefits from recent state legislative changes that have reduced the share of statewide plan net pension liabilities attributable to the city and other reforms expected to improve the near-term health of Minnesota's pension systems. The city participates in three state funds. The city's combined net pension liabilities for the three was \$581 million in 2017.