



## Legislation Text

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**File #:** ID 19-0561, **Version:** 1

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Resolution Making Certain Findings and Determinations Regarding the Proposed Financing of Parking and Firefighting Facilities and Requesting the Local Government Commission to Approve the Financing Arrangement

Council Priority: Create an Environment to Promote Economic Development Opportunities and Job Creation, and Maintain Infrastructure and Provide Sustainable Growth Opportunities

Department: Financial & Administrative Services

Council District: 1, 2 & 3

Public Hearing: August 20, 2019

Advertising Date/By: August 9, 2019

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**PURPOSE:** To hold a public hearing to authorize an increase in the bond issue amount of \$43 million previously approved on August 21, 2018, to \$82 million, to finance, (1) the land acquisition, design, site preparation and construction of the Eugene Street Parking Garage, (2) the land acquisition, design, site preparation and construction of the February One Parking Garage, (3) the land acquisition, design, site preparation, construction and equipping of fire facilities, and (4) related financing costs, including capitalized interest during construction.

The projects will be funded by two bond issues, the first occurring in October, 2019, of up to \$38 million, to finance the Eugene Street Garage Project and costs incurred to date for land acquisition, design and site preparation for the February One Garage Project. The second bond issue, of up to \$44 million, would take place January 2020, to finance construction of the February One Garage and the Fire Facilities.

Based on projected interest rates, the par amount of the two bond issues, net of issuance premiums, should not exceed \$76 million. Issuance of limited obligation bonds to finance these projects is subject to a public hearing and approval by City Council on August 20, 2019 and by the Local Government Commission on October 1, 2019.

**BACKGROUND:** On August 21, 2018, City Council held a public hearing and authorized the issue and sale of up to \$43 million limited obligation bonds to finance the February One Parking Garage and land and design costs of the Eugene Street Parking Garage. At this time, City Council will hold a public hearing to increase the total amount of limited obligation bonds to \$82 million include the total estimated cost of both parking garages as well as firefighting facilities, as described below:

*Eugene Street Parking Garage*

On July 17, 2018, the City Council authorized the City Manager to enter into an agreement with Kimberly-Horn and Associates for design services associated with the construction of the Eugene Street Parking Garage (District 3). It also approved the purchase of property at 201 N. Eugene Street from Guilford County for \$5,500,000 and authorized negotiation of an exchange of portions of land with a neighboring property owner including consideration received of \$2,300,000. On December 28, 2018, the City Council authorized the City Manager to enter into agreement with Samet Corporation for construction of the Eugene Street Parking Garage if the Guaranteed Maximum Price (GMP) did not exceed \$22,000,000; the agreed upon GMP is \$21,078,068. Total project cost estimated at \$26,910,000.

#### *February One Parking Garage*

On April 18, 2017, the City Council authorized the City Manager to enter into a Memorandum of Understanding with Elm Street Hotel, LLC to design and build a public/private parking structure in the 100 block of South Davie Street (District 3). This downtown development project will include a new hotel, retail space, parking structure and a renovated event center. Total project cost for land acquisition, design and construction of the February One Parking Garage estimated at \$31,240,000.

To finance the new parking facility projects, the City will issue taxable limited obligation bonds pursuant to a master trust agreement with U.S. Bank (bond trustee) and a bond purchase agreement with Wells Fargo Bank, N.A. The interest on this installment financing will have a 25-year term with a projected average interest rate not to exceed 4.50%.

#### *Fire Facilities*

At its May 20, 2019 meeting, the City Council established the 2019 Fire Facilities Bond Fund, to fund the replacement of Fire Stations Nos. 7 (District 2) and 56 (District 1), construct new firefighting training facilities and purchase an emergency alerting system for all 26 fire stations. Total project cost estimated at \$14,500,000.

To finance the new fire facilities project, the City will issue tax-exempt limited obligation bonds pursuant to a master trust agreement with U.S. Bank (bond trustee) and a bond purchase agreement with Wells Fargo Bank, N.A. The interest on this installment financing will have a 20-year term with a projected average interest rate not to exceed 3.50%.

**BUDGET IMPACT:** Annual debt service on the parking facilities will be included in the Parking Fund budget, estimated at \$2.25 million annually. Increases in monthly parking fees and property and sales tax revenue generated from related downtown development will fund the new debt service.

Annual debt service on the fire facilities will be included in the Debt Service Fund budget, estimated at \$1.1 million annually. Current revenues in the Debt Service Fund are sufficient to fund the new debt service.

**RECOMMENDATION / ACTION REQUESTED:** The Finance and Legal Departments recommend approval of the attached resolution authorizing the filing of applications with the Local Government Commission requesting approval of the issuance of taxable limited obligation bonds for new parking facilities and tax-exempt limited obligation bonds for new fire facilities.