



Department Source: Law

To: City Council

From: City Manager & Staff

Council Meeting Date: August 17, 2020

Re: Supplemental Memo - Amendment of B195-20 to Update Bond Pricing and Remove Refinancing of the Parking Structure from the Special Obligation Refunding Bonds, Series 2020B Transaction

## Executive Summary

On Monday evening, Council will be presented with an amended bill which will include the results of the bond sale (which occurs on Monday) and will remove approximately \$5,000,000 from the transaction associated with the Short Street Parking Structure. This memo will explain the removal of the Short Street Parking Structure bonds from the transaction.

## Discussion

The Special Obligation Refunding Bonds, Series 2020B is currently structured as a refinancing of two prior water and light bond transactions (Series 2012D and Series 2012E) and the Short Street Parking Structure (Series 2012A2). In addition to inserting the figures from the bond sale, the amended bill presented to Council Monday evening will remove refunding of the Short Street Parking Structure bonds from the Series 2020B transaction. As explained below, the Short Street bonds will be brought forward as a separate transaction in September.

In general, federal tax laws prohibit the use of tax-exempt financing for private use. Accordingly, the original financing of Short Street was structured as part taxable and part tax-exempt due to the desire to enter into two (2) long-term leases within the parking structure with NorthLight (the live/work condominiums on the north side) and Broadway Lodging, LLC (the Broadway Hotel). In 2012, the difference between tax-exempt bond financing and taxable bond financing was significant enough to make the added burdens associated with managing the tax-exempt bonds advantageous. In addition, at that time the City did not foresee the possibility it may have a desire to enter into any additional long-term parking space leases with additional entities (for example, Broadway Tower II or The Atrium).

Due to current economic conditions, the pricing of tax-exempt versus taxable bonds is comparable so the timing is right to remove the operational restrictions imposed by the current tax-exempt structure. In the new transaction, the Short Street bonds will be transitioned to a completely taxable bond structure during the refunding process. This is important because staff will no longer need to monitor and limit usage to ensure no more than 10% private activity use as defined by the IRS while still resulting in significant enough financial savings to make the refunding advantageous.

Removal of Short Street bonds will reduce the principal amount of the bond refunding transaction authorized by B195-20 from \$54 million to \$49 million. The \$5 million Short Street bond refunding will be brought forward as a separate taxable refunding in September. Updated supplemental materials associated with the refunding which reflect the removal of



# City of Columbia

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the Short Street bonds from the transaction are included in the Council packet as "Supplement to Preliminary Official Statement" along with updated separate term sheets for the current transaction and the parking structure transaction.

In addition to removal of the Short Street Parking Structure from the refunding, the amended bill presented to Council with the amendment sheet on Monday night will reflect the results of the bond sale on Monday.

If you have any questions or would like additional information, do not hesitate to reach out in advance of the meeting.

## Fiscal Impact

Short-Term Impact: Over the next three years, estimated savings are \$2.1 million.

Long-Term Impact: It is estimated that this refunding issue will save approximately \$7.8 million through year 2034 (\$7.2 million net present value).

## Strategic & Comprehensive Plan Impact

### [Strategic Plan Impacts:](#)

Primary Impact: Operational Excellence, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

### [Comprehensive Plan Impacts:](#)

Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

## Legislative History

Date	Action
08/03/2020	R98-20 – Authorizing the public sale of Special Obligation Refunding Bonds, Series 2020B.
08/03/2020	B195-20 – Introduction of an ordinance authorizing the issuance of Special Obligation Refunding Bonds, Series 2020B.

## Suggested Council Action

Motion to amend B195-20 per the amendment sheet and passage of the ordinance as amended.