



## CITY COUNCIL INFRASTRUCTURE SUBCOMMITTEE AGENDA REPORT

**Meeting Date:** 2/8/2022

**From:** Stuart Schillinger, Assistant City Manager

**Subject:** Update on Loan for the Bank of America Land Purchase

### **Community Goal/Result**

Fiscally Prudent

Economic Development

Community Building

### **Purpose**

Purchase property at the corner of Old County Road and Bayshore to ensure community values are taken into account in determining the future development of the site, likely for commercial purposes and/or housing.

### **Recommendation**

Provide feedback to staff concerning whether the City should enter into a 20 or 25 year term loan agreement.

### **Background**

On December 9, 2021 the City Council approved the purchase of the old Bank of America building located at the corner of Old County Road and Bayshore Drive. The purchase price was \$4,250,000. The purchase will close around February 21, 2022. The City Council directed staff to use bond financing to pay for the purchase of the property.

### **Discussion**

Staff requested our Financial Advisor (Marty Johnson) to conduct a limited RFP process and as a result Oppenheimer and Company was engaged to sell the City's debt instrument. Based on advice from our Financial Advisor and Rick Brandis of Oppenheimer the City is looking to pursue a private placement. The advantage of the private placement is it will open up the bidding process to banks which currently offer an overall lower cost than public offerings. The private placement will also allow the City to work directly with the entity to develop the best repayment schedule for the City.

The City is looking to wrap the pay back of this debt instrument around existing General Fund debts. This will allow the City to pay even debt service amounts over the length of the repayment taking into account existing debt. Currently the City has an outstanding bond issue from 2017 which is set to be paid off in 2029. The annual payment for this bond is \$155,000.

We will structure the new debt so there are level payments throughout the length of the new loan by having lower principal payments up front and higher principal payments later.

The City is considering two options a 20 year debt instrument or a 25 year debt instrument. The 20 year debt instrument will result in combined level payments of approximately \$372,000 through 2042. This includes the current outstanding 2017 debt. The 25 year debt instrument will have level payment of approximately \$335,000 through 2047. The savings in reduced interest by going with a 20-year term is approximately \$1,000,000 over the life of the bonds.

Staff would recommend placing a 20 year term debt instrument with payments wrapping around the existing 2017 bonds.

### **Fiscal Impact**

The final annual payment will be determined when the placement is made. The annual cost to the City will be about \$372,000 for the length of the bond. This will be an additional \$220,000 through 2029 and then the full \$372,000 until 2042. The funds will be budgeted in the City's General Fund.

### **Measure of Success**

The community ends up with a use on the property that is acceptable to it.

*Stuart Schillinger*

Stuart Schillinger, Assistant City Manager

*Clay L. Holstine*

Clay Holstine, City Manager