

## **Short-term Financing to Support Limited Obligation Bonds (LOBs) Projects - \$75 Million**

For nearly 20 years, Durham County has used short-term variable rate financing through Bond Anticipation Notes (BANs) for a period of time up front (approximately 2 to 3 years depending on how quickly the funding is spent) with the issuance of long-term fixed rate debt, GO Bonds or LOBs, to pay off the BANs. Durham was the first jurisdiction in North Carolina to use this finance strategy typically seen in the private sector. The method is more efficient in managing project funding and eliminates the risk of negative arbitrage occurring due to slower than expected actual spending patterns. In addition, the short-term variable rates have been low and thus very favorable. Using this cash management strategy requires staff to sequence projects based on shovel-readiness with cash flow needs estimated throughout the time of each of the projects. This strategy has saved the County millions of dollars in interest by mitigating premature borrowing.

The updated Capital Improvement Plan (CIP) continues the use of short-term financing for a period of time up front. The County plans to continue with this funding strategy for capital projects as long as the short-term variable rates remain low and favorable. This cash management approach will be essential for funding the Capital Improvement Plan as endorsed by the BOCC during the Joint BOCC/BOE meeting on February 4, 2020.

Due to COVID-19, financial markets have seen significant activity and stress. However, the County's solid financial position will allow for a planned June 2020 short-term LOBs Draw-Down to support Durham County, Durham Public Schools and DTCC related projects. Planned capital improvement projects not included in the \$75 million short-term financing over the next two years will issue limited obligation bonds.

The Capital Improvement Plan (CIP) included \$370.5 million in limited obligation bonds over the next 10 years. The overall capital improvement plan includes projects over the next 10 years totaling \$918 million. The debt service required to support the projects may change due to the timing of projects ("shovel readiness"), construction costs, cash flows, market conditions, and/or interest rates. The County's Financial Advisor, DEC Associates, Inc. evaluated the CIP presented to the Board in February 2020 and determined the plan was affordable based on the timeline. He also recommended a sensitivity analysis occur when LOBS are issued or when the County moves forward with a bond referendum. The sensitivity analysis will determine if the debt service projections require refinement due to project readiness. The section shows the budget summary information and project descriptions for projects including in the \$75 million bank financing.



**PNC Financing:**

<b><u>Project(s):</u></b>	<b><u>Taxable</u></b>
	\$ 15,000,000
300 Block Parking Deck	<u>\$ (15,000,000)</u>
	<u>\$ -</u>
	<b><u>Tax-Exempt</u></b>
	\$ 60,000,000
Snow Hill Pump Station	\$ (19,200,000)
RTF Project	\$ (18,324,721)
DPS Project List this past winter	\$ (6,500,000)
DTCC Land Purchase	\$ (2,900,000)
Additional funding for DPS capital projects to be approved by Bond Counsel and the County	<u>\$ (12,000,000)</u>
Remaining balance; a portion to be used for debt issuance costs	<u>\$ 1,075,279</u>
	<b>Total Issuance</b> <u>\$ 75,000,000</u>

**300 E. Main Structured Parking Deck & Affordable Housing Redevelopment      \$15,000,000**

Both the 300 and 500 E. Main St. Deck(s) will provide a parking solution that will address the need for additional parking for the public doing business with Durham County and employees of Human Services Facility, Administration I, the newly renovated Administration II and the Main Library. The deck(s) are intended to be constructed on the 300 and 500 blocks of East Main Street and will also serve the demands of the overall redevelopment of these (2) sites supporting affordable and market-rate housing, commercial/retail spaces and amenity spaces. The 300 and 500 Blocks of East Main St. are key sites located in the thriving downtown Durham market, an area that has experienced transformative adaptive reuse and infill development since the early 2000's. In addition to providing a parking solution, the County intends to leverage these County-owned parcels, currently used as surface parking lots to increase residential and commercial density in the East Main Street corridor. The (2) new parking structures will also recognize incorporation of options for multiple modes of transportation and coordination with the City of Durham's Comprehensive Parking Plan. The Durham Board of County Commissioners strongly supports the redevelopment of these sites and its potential to transform downtown through the creation of additional market-rate and affordable housing units in a walkable, diverse, mixed-income and mixed used setting. The 300 E. Main St. Structured Parking Deck is first in the schedule and currently the catalyst for the overall development.

This project also includes the Development Finance Initiative – Affordable Housing project included in the CIP which identifies the Loans and Grants required for the overall development.

**Phase**

Design Development of the 300 E. Main St. Deck and Affordable Housing Component

Design of the 410 W. Chapel Hill St. (Displacement Parking Location)

Preliminary Activities i.e. additional geotechnical evaluations and approvals (Site Plan under review)



**Budget****300 E. Main St. Deck - \$21M plus loans/grants**

Grant - \$1,730,000

Loan - \$2,640,000

**500 E. Main St. Deck - \$30-35M plus loans/grants**

Grant - \$1,480,000

Loan - \$3,630,000

**Timeline**

300 E. Main St. Deck Construction

October/November 2020 – April/May 2022

500 E. Main St. Deck Construction

May/June 2022 – December 2023

**Snow Hill Pump Station****\$19,200,000**

The Snow Hill Road pump station is owned and operated by the City of Durham. The pump station is the critical “pinch point” preventing new development/expansion of the Treyburn Business Park. Durham County retained Hazen and Sawyer (an engineering firm) to complete a study that concluded with a technical memorandum evaluating the short term and long-term solutions to increase wastewater capacity at the pump station in January 2019. It was determined that a new pump station and force main would be required to increase wastewater capacity in the Treyburn Business Park which will allow for new and expanded economic development projects in this area of Durham County. The new station is being designed and constructed with the intention of serving development for the next 20 years. The County has elected to utilize the Design/Build process to expedite the delivery of this project.

**Phase**

Design and Preliminary Activities i.e. surveying, geotechnical evaluations, approvals, ROW discussions and etc.

**Budget**

Pump Station - \$15.2 M

Force Main - \$4M

**Timeline**

Pump Station – June 2020 – July 2021

Force Main – November 2020 – September 2021



**Research Triangle Foundation****\$18,321,721**

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On September 28, 2015, the BOCC approved an Agreement for Park Center Phase I (now “Hub RTP”) Public-Private Projects. The Agreement provides for the County to invest \$20 Million dollars in partnership with Research Triangle Foundation (RTF) who will support the balance of project costs that currently exceed \$75 million. County funds will be used as a match to Research Triangle Foundation funds on eligible expenses such as infrastructure needed for Phase I of RTP’s new mixed-used community. Hub RTP is an exciting new plan for RTP, designed to reboot the Park and ignite job growth by creating a mixed-use urban district and providing services that were not previously available. While the project is anticipated to include office space, retail, residential, a hotel, a conference center and a grocery store, Durham County funds are limited to be spent on Open Space and Infrastructure to include: Parking, Site Work, Utilities, Interior Roadways, Bike and Pedestrian Pathways, Stormwater, Stream Gardens and Central Park.

In February of 2019, the agreement was revised to reflect an increase of nearly \$22 million in project scope to Hub RTP with no additional County funds being allocated. The revised project scope includes new and expanded public amenities such as a splash pad in the Central Park, a vehicular and pedestrian connection between Park Center East and the Frontier, a pedestrian bridge, increased jogging, biking and walking paths, more open space and a dog park.

RTI International, a nonprofit research institute, assessed the GDP and number of jobs that the revised project will produce between 2019-2028 as well as the tax contributions to Durham County through property, sales, income and transit taxes. After stabilization and not including multiplier effects, Park Center East is anticipated to produce 4,200 direct on-site jobs and a direct construction investment of \$1.07 billion. During that 10-year window, Park Center East is expected to contribute approximately \$69 million in total tax contribution to Durham County with \$34.8 million coming in property taxes, \$21 million in sales tax, \$4.7 million in transit tax and the remainder coming through a variety of taxes such as business licenses, services charges and rental income.

**DTCC Building and Land Purchase****\$2,900,000**

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Durham Technical Community College will request a budget realignment from an existing project to create a new project to purchase a building and land located to support student services during the BOCC May 13, 2020 meeting. In 2018 the county authorized \$4 million in Pay-as-You-Go funds to supplement funds approved in the 2016 bond referendum for construction of the Applied Technologies building and renovation of the Newton Industrial Education Center. Those two efforts are part of a single project that is currently underway. Since getting approval for the PAYGO funding, construction prices have dropped, and the bids for the Applied Technology building came in approximately \$2 million under budget.

DTCC’s original request was to use PAYGO funds to support the purchase. It was determined it was best to finance the building and land purchase considering the short-term interest rates. Thus, the \$2.9 million needed to support the building and land purchase has been included in the short-term financing. Therefore, the County is requesting the County release \$2.9 million of the \$4 million that was originally earmarked for the Applied Technology building. The college will return any unused portion of the original pay-go funding to the county at the conclusion of the Applied Technology/ Newton renovation project.

This building and property are currently occupied by Crocodile Creek, Inc. a toy importer and distributor. The current owner has periodically suggested interest in selling the property and that the college has a right of first refusal because the building originally housed Newton Instrument Co, which was founded by George Newton



(a founding trustee of the college). The college owns property adjacent to this building to both the east and the west, and the main campus is located directly across Lawson St.

DTCC has identified a potential use for the building after some renovation. Students have expressed need for an on-campus health clinic and fitness center. DTCC has had preliminary discussions with a major health care system in our community who has indicated a willingness to consider establishing such a facility and naming it in honor of the late MaryAnn Black, who served on Durham Tech's Board of Trustees for several years, including five as chair.

DTCC has signed a non-binding letter of intent indicating willingness to acquire the building later this year for a purchase price of \$2.9 million, contingent on the approval of the Durham Tech Board of Trustees and the North Carolina State Board of Community Colleges, and the completion of an environmental assessment. (An appraisal completed last fall places the market value at \$3.21 million.)

**Timeline:** May and June 2020 building and land purchase

### **Durham Public Schools**

**\$6,500,000 and 12,000,000**

The FY 2019-20 CIP allocated \$10 million in LOBs to Durham Public Schools support ongoing existing building capital needs throughout the system. A reimbursement resolution occurred in November 2019 for \$6.5 million of the \$10 million. For the short-term financing, \$6.5 million will be initially allocated with an additional \$3.5 million available when projects are identified. The current CIP includes \$29.3 million for DPS to occur over the next two years in limited obligation bond funding. The current debt service supports the planned LOBS projects. For these projects, the LOBs would be issued up front instead of using LOB financing. In FY 2022, the current CIP includes \$178.8 million in general obligation bonds for Durham Public Schools. In total, \$466.3 million is allocated for Durham Public Schools capital projects from 2020-2029. This amount is consistent with the February 4, 2020 joint BOCC-BOE meeting.