



## Legislation Text

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### City of Alexandria, Virginia

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#### MEMORANDUM

**DATE:** NOVEMBER 4, 2015

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Introduction and First Reading. Consideration. Passage on First Reading of an Ordinance Authorizing the Issuance of a Tax Revenue Bond in the Maximum Amount of \$58,000,000 to the Virginia Transportation Infrastructure Bank to Finance, in Part, Construction of a New Metrorail Station and the Execution and Delivery of Certain Documents Related Thereto.

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**ISSUE:** Consideration of an ordinance to authorize the issuance of a tax revenue bond to the Virginia Transportation Infrastructure Bank for the purpose of financing, in part, the Potomac Yard Metrorail Station.

**RECOMMENDATION:** That City Council: (1) Authorize finalizing the Virginia Transportation Infrastructure Bank (VTIB) loan agreement by passing on first reading on November 10, and scheduling for public hearing, second reading and final passage on November 14, 2015; an ordinance (Attachment 1) authorizing the issuance of a bond in an amount up to \$58.0 million to finance a portion of the Proposed Potomac Yard Metrorail Station, and (2) Direct the City Manager to obtain City Council authorization prior to requesting a drawdown of any of the \$58,000,000 in loan proceeds from VTIB.

**BACKGROUND:** The proposed ordinance authorizes the issuance of up to \$58.0 million in a tax revenue bond which will be sold to VTIB. Repayment of this revenue bond, will be supported by the Tier I Potomac Yard Special Tax District, as well as a subject-to-annual-appropriation support agreement of the City in the event such Tier I Special tax district revenues are insufficient. In December 2014, City Council ratified an application to the Virginia Transportation Infrastructure Bank (VTIB) for a \$50 million loan to assist in funding a portion of the construction of the proposed Potomac Yard Metro Station. The VTIB loan is comprised of a \$50 million base amount plus approximately \$8 million for capital interest and issuance costs.

VTIB is a special non-reverting, revolving loan fund that is a sub-fund of the Virginia Transportation Trust Fund under the purview of the Commonwealth Transportation Board (CTB). The purpose of VTIB is to provide financial assistance to localities, private entities and other eligible borrowers to assist in financing transportation projects within the Commonwealth. VTIB is very selective in its lending decisions, as VTIB is intended to help fund projects of transportation significance in the Commonwealth. CTB approved this loan on January 14, 2015.

This authorization of bond issuance is proposed at this time in order to meet VTIB's schedule of putting the necessary documents and approvals in place by the end of January, 2016. Actual drawdowns of the VTIB loan would not occur until early in 2017 when the design build contract for the Potomac Yard Metrorail Station is scheduled to be awarded by WMATA. No drawdown of the VTIB loan could occur until City Council specifically authorizes the City Manager to undertake a drawdown of the VTIB loan proceeds which would likely occur in the months preceding the design build contract award.

The VTIB loan, which was approved in January 2015 by the Commonwealth Transportation Board, is structure to be repaid by a pledge of Potomac Yard Tier I Special Tax District revenues, with a subject-to-annual-appropriation support by the City in the event such tax district revenues are insufficient. This repayment structure (once Special Tax District revenues reached a sufficient revenue level) would create a self-funded debt structure that would enable the credit rating agencies to consider excluding the VTIB loan from the calculation of City debt ratios. Only the Tier I Special Tax District revenue stream is proposed to be pledged for this loan, as the Special Tax District is already fully in place, and, based on independent analysis, is anticipated to provide sufficient revenues to more than cover the VTIB debt service. The City will also issue general obligation bonds which will be repaid from net new Potomac Yard revenues, Tier II Special Tax district revenues, and developer contributions.

**DISCUSSION:** In January 2015 the loan application was approved by the Commonwealth Transportation Board and the City was awarded a \$50 million loan. The terms of the agreement reflect a 30-year loan with an interest rate of 2.17 percent. For comparison, the City's most recent General Obligation bonds were issued at an interest rate of 2.75 percent. In May 2015, City Council adopted a Resolution of the Locally Preferred Alternative (Alternative B) and identified the VTIB loan proceeds as a portion of the funding plan. The proceeds from the issuance and sale of the Bond shall be used to pay a portion of the costs of the project and related capitalized interest and financing costs. As a result, the total cost of the bond, including principal, capitalized interest and cost of issuance is expected to not exceed \$58 million. The bond will be issued as a single tax-exempt bond and will evidence the loan from VTIB. The approval of this ordinance will authorize the City Manager and the Finance Director, as the Authorized Officers, to work with Davenport and Company, LLC, the City's financial advisor, to execute the delivery of the Bond and to execute and deliver the Financing Agreement with the Virginia Transportation Infrastructure Bank.

**FISCAL IMPACT:** The fiscal impact of the planned \$50 million bond issuance plus up to \$8 million for capitalized interest and other costs to finance a portion of the Potomac Yard Metrorail Station will result in no debt service until at least FY 2023 and increasing to level debt service (\$3,600,000) beginning in FY 2027.

**ATTACHMENTS:**

Attachment 1 - Ordinance Cover

Attachment 2 - Ordinance Authorizing the Issuance of a Tax Revenue Bond in the Maximum Amount of \$58,000,000 to the Virginia Transportation Infrastructure Bank to Finance, in Part, Construction of a New Metrorail Station and the Execution and Delivery of Certain Documents Related Thereto

Attachment 3 - Draft Virginia Transportation Infrastructure Bank Tax Revenue Bond Form

Attachment 4 - Draft Virginia Transportation Infrastructure Bank Financing Agreement

**STAFF:**

Laura Triggs, Deputy City Manager  
Kendel Taylor, Director of Finance  
Morgan Routt, Acting Budget Director  
Lee Farmer, Project Manager, TES