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**PUBLIC RESOURCES ADVISORY GROUP**

**MEMORANDUM TO:** George Tablack, CFO and Director, Department of Finance and Administration, Broward County  
**FROM:** Public Resources Advisory Group ("PRAG")  
**SUBJECT:** Convention Center Hotel Bond Anticipation Loan  
**DATE:** May 23, 2019

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In order to allow development of the convention center hotel, in August of 2016 the County spent approximately \$30 million to acquire the Portside Property Leasehold interest to make the space available for the convention center hotel. In addition, since that time the County has incurred approximately \$10 million in other costs associated with pre-development work in connection with the convention center hotel.

Under federal tax laws, if a local government formally indicates its intention to reimburse itself with tax-exempt debt for qualified capital costs, the local government has up to three years to incur the reimbursement debt. Prior to the Portside Property Leasehold acquisition, the County passed a resolution indicating its intent to reimburse itself for the Portside lease and other capital costs associated with the convention center hotel, and may incur the reimbursement debt no later than August 2019. Because the County is not ready to incur permanent financing for the convention center hotel, PRAG recommends that the County reimburse itself with interim financing to be refinanced as part of the long-term bond issue for the convention center hotel expected to be issued later in 2019 or in early 2020.

PRAG evaluated both a capital markets bond anticipation note as well as direct bank loan for the interim financing, and determined that a bank loan would be more efficient due to the lower issuance costs and the greater repayment flexibility associated with a bank loan.

PRAG and the County developed a competitive request for proposals for a tax-exempt bank loan and distributed the RFP to a broad range of local, regional and national lenders, including all of the members of the County's underwriter pool and the County's operating bank.

The loan was structured as a \$40 million tax-exempt bond anticipation loan maturing on October 1, 2020 but eligible for prepayment with no penalty beginning October 1, 2019. All payments would be due at maturity and the loan would be secured by the proceeds of the permanent bond issue as well as the County's Covenant to Budget and Appropriate legally available non-ad valorem revenues. If the hotel bond issue did not close by October 1, 2020 the County would have to refinance or renegotiate the loan.

The County received proposals from seven lenders:

- Bank of America, N.A.
- Citi
- J.P. Morgan
- Morgan Stanley
- Pinnacle Public Finance
- Synovus
- Wells Fargo

Three lenders provided a fixed rate option only, two provided a variable rate option only and two provided both fixed and variable rate options. The lowest fixed rate option was an indicative rate of 2.26% from Wells Fargo. The lowest variable rate option was from Bank of America, N.A. with a variable rate formula of 80% of 1 Month Libor plus 24 basis points. Currently the fixed and variable rate options reflect basically the same rate. Because the variable rate structure reflects greater risk to the County and the fixed rate option provides greater budgeting precision for the convention center hotel project costs, we believe the fixed rate structure provides greater benefit to the County.

**INDEPENDENT FINANCIAL ADVISORS**



The indicated fixed rate from Wells Fargo was 23 basis points lower than the next-lowest fixed rate proposal, providing savings, after differences in legal fees, of \$74,500 per year. We have reviewed all of Wells Fargo's proposed terms and comments to the draft Resolution and we believe they are reasonable. Wells Fargo has committed to close the loan in June. The fixed rate provided by Wells Fargo was an indicative rate. They have provided the index to establish the rate, which will be locked approximately two days before the closing.

After review of the responses, discussion among the County and PRAG as financial advisor, and evaluation of the financial benefits, County staff and PRAG are jointly recommending the acceptance of Wells Fargo's bank loan proposal.