



Legislation Text

File #: 0811-2019, Version: 2

The Franklin County Convention Facilities Authority (FCCFA) presently owns a convention facility known as the “The Greater Columbus Convention Center” (Existing Convention Facility) and a 532 room full service hotel (Existing Hotel), providing meeting space, restaurants, and support facilities for Columbus visitors. Under the Cooperative Agreement dated as of January 1, 2010 (Cooperative Agreement) with the Franklin County Board of Commissioners and the FCCFA to support the financing of the Existing Hotel, the City of Columbus (City) pledged to transfer to the FCCFA an amount equal to the Hotel-Motel Excise Tax, as defined in Columbus City Code Chapter 371, generated by the Existing Hotel to pay debt service on bonds issued by the FCCFA.

Additionally under the Cooperative Agreement, the City pledged to transfer to the FCCFA up to \$1.4 million from the City of Columbus Parking Meter Fund to pay debt service on the Existing Hotel in the event the FCCFA and Franklin County (County) were unable to meet their respective obligations. To date, performance of the Existing Hotel has surpassed projections, the revenue generated from the Existing Hotel has exceeded that required to meet debt service, and significant reserve funds have accrued. As such, the \$1.4 million remains on account with the City.

Columbus has attracted large national and international conferences and sporting events, and continues to be a destination for business and leisure travel. To provide an adequate number of full service hotel rooms necessary to attract additional and larger conferences, conventions, and sporting events, the FCCFA has proposed the construction of an expansion (Hotel Expansion) to the Existing Hotel. The Hotel Expansion would add approximately 470 full service guest rooms and an estimated 54,100 square feet of convention meeting space, restaurants, and support facilities, at an estimated cost \$210 million. The Hotel Expansion would increase the capacity of the Existing Hotel to 1,000 full service guest rooms attached to the Existing Convention Facility. Columbus City Council passed Ordinance 1323-2018 on May 21, 2018, to support a Memorandum of Understanding with the FCCFA and Franklin County

Funding for the Hotel Expansion will be the responsibility of the FCCFA, which will issue one or more series of Hotel Expansion Bonds. The FCCFA proposes to lease the Hotel Expansion to the County and City pursuant to certain lease agreements, and to sublease the Hotel Expansion back from the County and City. The lease/sublease arrangement will enhance the marketability of the Hotel Expansion Bonds, allowing the FCCFA to reduce financing costs associated with the Hotel Expansion.

Future debt service payments will be the responsibility of the FCCFA utilizing revenue generated by the Hotel Expansion and other pledged revenues. It is presently contemplated that the Lease Revenue Bonds will be secured by the agreement of the City and County, severally, to support the payment of a portion of the annual debt service on the Lease Revenue Bonds in the event that the FCCFA does not have sufficient funds in any given year to pay debt service on the Lease Revenue Bonds.

The respective support obligations of the City and the County will be subject to annual appropriations by Columbus City Council and the Franklin County Board of Commissioners and will only be utilized in the event debt service cannot be paid in full by the FCCFA. Under no circumstances are the City and the County responsible for the cost of the construction of the Hotel Expansion.

Under the First Supplement to the Cooperative Agreement (First Supplement), subject to adoption of a future ordinance (s), the City will also pledge to transfer to the FCCFA an amount equal to all Hotel-Motel Excise Taxes, as defined in City Code Chapter 371, generated by the Hotel Expansion to the FCCFA, to pay debt service on revenue obligations issued by the FCCFA to finance the Hotel Expansion.

In addition, the First Supplement will establish the expectation that the FCCFA, the City, and the County will pursue strategies that might allow for debt to be retired early and/or reduce the City and County's financial commitment should performance of the Hotel Expansion exceed projections.

This ordinance will authorize the Director of Finance and Management or the Mayor to execute the First Supplement on behalf of the City and to approve additions, changes or amendments to such document, which would not substantially amend or increase the duties of the City as set forth in the version of the Cooperative Agreement currently on file.

Additionally, the City is concerned with the creation of living-wage jobs, which help residents support their families, afford stable housing, and access more opportunity. Living-wage jobs are also critical to maintaining a healthy city budget, which is increasingly supported by income taxes and which suffers when wages are stagnant or low. Due to the City's interest in family-supporting jobs, any party employing staff at the completed Hotel Expansion shall pay its employees no less than \$15 per hour and shall execute a lawful neutrality agreement.

This legislation is being submitted for approval under Section 44-1(b) of the Columbus City Charter. Request is being made to waive second reading for passage due to the fact that the FCCFA is preparing to issue Bonds to finance the Hotel Expansion described herein, which the Hotel Expansion Bonds are to be secured, in part, by the revenues provided for by this Ordinance.

Fiscal Impact: There are no immediate costs to the City associated with *First Supplement To The Cooperative Agreement Dated As Of January 1, 2010*. The City's commitment is contingent upon annual appropriations and subject to authorization by Columbus City Council.

To authorize the Mayor or the Director of Finance and Management to execute and deliver, on behalf of the City, the First Supplement To The Cooperative Agreement Dated As Of January 1, 2010 with the Franklin County Convention Facilities Authority and Franklin County pertaining to the construction of a convention center hotel expansion. (\$0.00)

Section 44-1(b) of the City Charter.

WHEREAS, the Franklin County Convention Facilities Authority (FCCFA) presently owns a convention facility known as the "The Greater Columbus Convention Center" ("Existing Convention Facility") and a 532-room full service hotel connected thereto (Existing Hotel), providing meeting space, restaurants, and support facilities for Columbus visitors. Under the Cooperative Agreement dated as of January 1, 2010 (Cooperative Agreement) among the FCCFA, the City and the County of Franklin (County), the City and the County provide resources to support the financing of the Existing Hotel, if required; and

WHEREAS, Columbus has attracted large national and international conferences and sporting events, and continues to be a destination for business and leisure travel. To provide an adequate number of full service hotel rooms required to attract additional and larger conferences, conventions, and sporting events, the FCCFA has proposed the construction of an expansion (Hotel Expansion) to the Existing Hotel. The Hotel Expansion would add approximately 470 full service guest rooms, and an estimated 54,100 square feet of convention meeting space, restaurants, and support facilities, at an estimated cost \$210 million. The Hotel Expansion would increase the capacity of the Existing Hotel to 1,000 full service guest rooms, attached to the Existing Convention Facility. Columbus City Council passed Ordinance 1323-2018 on May 21, 2018 to authorize a Memorandum of Understanding with the FCCFA and the County; and

WHEREAS, funding for the Hotel Expansion will be the responsibility of the FCCFA which will issue one or more series of bonds to finance the project. One such series of bonds (the "Lease Revenue Bonds") will be supported by the

City and the County by means of a proposed lease/sublease, pursuant to which the FCCFA will lease the Hotel Expansion to the County and City and sublease the Hotel Expansion back from the County and City. The lease and sublease will allow the FCCFA to reduce the financing costs associated with the Hotel Expansion, and will be consistent with the First Supplement To The Cooperative Agreement Dated As Of January 1, 2010 (the "First Supplement") authorized hereby; and

WHEREAS, future debt service payments will be the responsibility of the FCCFA utilizing revenue generated by the Hotel Expansion and other pledged revenues. It is presently contemplated that the Lease Revenue Bonds will be secured by the agreement of the City and County, severally, to support, subject to appropriation of funds by Columbus City Council and the Franklin County Board of Commissioners, respectively, the payment of a portion of the annual debt service on the Lease Revenue Bonds in the event that the FCCFA does not have sufficient funds in any given year to pay debt service on the Lease Revenue Bonds; and

WHEREAS, the support of the City and the County will only be utilized in the event that debt service cannot be paid in full by the FCCFA, and will not be an indebtedness of the City or the County, and neither the general credit of the City nor the County is or will be pledged to the payment of the principal of or premium, if any, or interest on the bonds issued by the FCCFA for the Hotel Expansion, and the owners and holders of the bonds will not have the right to have any excises or taxes levied City or County for the payment of the principal of or premium, if any, or interest on the bonds. Under no circumstances will the City and the County responsible for the cost of the construction of the Hotel Expansion; and

WHEREAS, under the Cooperative Agreement as amended and supplemented by the First Supplement (First Supplement), and consistent with the Memorandum of Understanding dated as of May 31, 2018 among the FCCFA, the City and the County, the City will also pledge and agree to transfer to the FCCFA all Hotel-Motel Excise Taxes (as defined in City Code Chapter 371) generated by the Hotel Expansion to the FCCFA, to pay debt service on revenue obligations issued by the FCCFA to finance the Expanded Hotel; and

WHEREAS, the City has been engaged in cooperative efforts with the FCCFA and the County to facilitate the acquisition, construction, installation and equipping of a full-service convention center Hotel Expansion on High Street, in Columbus, Ohio adjacent to the existing Columbus Convention Center and across High Street from the Existing Hotel. The expansion of the Existing Hotel will increase the number of convention-quality hotel rooms and convention space available in the City in order to attract more and larger conventions, resulting in substantial public and economic benefits to the City, the FCCFA and the County; and

WHEREAS, The City is concerned with the creation of living-wage jobs, which help residents support their families, afford stable housing, and access more opportunity and which also enable employers to retain employees, to invest in their professional training, and to enjoy the business benefits of a professionalized work. Living-wage jobs are also critical to the maintaining of a healthy city budget, which is increasingly supported by income taxes and which suffers when wages are stagnant or low; and

WHEREAS, this Ordinance is being passed under Section 44-1(b) of the Columbus City Charter and shall go into effect immediately after its passage and approval by the Mayor due to the fact that the FCCFA is preparing to issue bonds to finance the convention center hotel described herein, which bonds are to be secured, in part, by the revenues provided for by this Ordinance; now, therefore,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBUS:

Section 1. That the form of the First Supplement presently on file with the Director of the Department of Finance and Management is hereby approved and authorized with changes therein and completions thereto not inconsistent with this Ordinance and not substantially adverse to the City and which shall be approved by the Mayor or the Director of the Department of Finance and Management, or either of them individually executing the First Supplement, subject to the approval as to form by the City Attorney. The Mayor or the Director of the Department of Finance and Management are

each authorized to execute and deliver to the FCCFA the First Supplement, provided further that the approval of changes and completions thereto by those officials, and their character as not being substantially adverse to the City, shall be evidenced conclusively by the execution of the First Supplement by the Mayor or the Director of the Department of Finance and Management. This Council further authorizes the Mayor or the Director of the Department of Finance and Management and the City Auditor to execute any other agreements and to take all other actions and do all other things necessary and consistent with this Ordinance in order to accomplish the purposes of this Ordinance.

SECTION 2. That, to ensure that the jobs created by the Hotel Expansion project pay a living wage, the existing hotel operating agreement between the FCCFA and the operator of the Hotel (as such agreement may be amended or replaced from time to time to provide for the operation of the Hotel as expanded, the “Hotel Operating Agreement”), shall be amended to obligate the operator to pay its employees a wage rate in an amount of no less than \$15 per hour, to be effective upon the opening of the Hotel Expansion.

SECTION 3. That the City hereby requests the Board of Trustees of the FCCFA take a vote within 60 days of passage of this legislation to consider amending the Hotel Operating Agreement to allow for the execution of a lawful neutrality agreement with any Section 501(C)(5) organization which seeks such an agreement with the operator.

SECTION 4. That in accordance with Section 44-1(b) of the Charter of the City of Columbus, this Ordinance shall take effect and be in force from and immediately after its passage and approval by the Mayor, or ten (10) days after passage if the Mayor neither approves nor vetoes the same.