November 9, 2017

Representative Lynn Jenkins
1526 Longworth House Office Building
Washington, D.C. 20515

Re: Tax Cuts and Jobs Act – Proposed Bond Reforms

Dear Representative Jenkins,

The City of Lawrence is strongly opposed to any changes in the tax-exempt nature of municipal bonds. Tax exempt municipal bonds are the primary funding mechanism for state and local government infrastructure projects.

Each year, the City of Lawrence has numerous municipal bond issuances. Most recently, the City is expanding our wastewater treatment plant capacity by building a new plant along the Wakarusa River south of Lawrence. This project is the most expensive infrastructure project ever initiated by the City with a total estimated cost of $70 million dollars. The costs for the project are being financed by Lawrence ratepayers and users of our utilities through the issuance of municipal bonds.

Section 3602 of the proposed Tax Cuts and Jobs Act, would repeal the tax-exempt status of advance refunding of municipal bond issuances that are issued more than 90 days before the redemption of the refunded bonds are due. Bond refunding is done for the primary purpose of saving taxpayers dollars. They can significantly reduce the issuer’s interest cost. Our latest estimate is the advance refunding of bonds issued for this project alone, planned for December of 2017 will save the ratepayers a net present value of $268,374. Our savings in 2016 from two advance refundings saved ratepayers a net present value of $5,577,648.

Additionally, we have concern that the tax reform legislation as proposed explicitly repeals the historic tax credit (HTC) and the new markets tax credit (NMTC) – see sections 3403 and 3406 of the bill. The City of Lawrence and numerous Lawrence developers and homeowners have utilized the historic tax credit to assist with historic preservation. Notable Lawrence structures, including the Castle Tea Room on Massachusetts Street, the historic Poehler Lots in the Warehouse Arts District and a number of structures in beautiful downtown Lawrence have been saved due to this tax credit incentive. City buildings, including downtown’s Fire Station 1 and the Santa Fe...
Station plan to utilize these tax credits. While Lawrence hasn’t yet utilized the new markets tax credit, we have been interested in pursuing this as a possible economic development tool. The former Farmland industrial property, now VenturePark business park is within a highly qualified census tract that would make it eligible for NMTCs to assist companies with job creation.

The City of Lawrence urges the House Ways and Means Committee to remove these sections from the bill and to preserve the existing system pertaining to municipal bonds, historic tax credits and new market tax credits. Stability in the municipal bond market rests on the tax exemption for municipal bonds and market stability is key for securing the lowest possible interest rates and is essential to local economic growth.

Sincerely,

[Signature]

Thomas M. Markus
City Manager

cc: Mayor and City Commissioners