



Memorandum

File #: 17-00257

Community Redevelopment Agency 4/10/2017

LEGISLATIVE ACTION ITEM

SPONSOR: Jewel Cannada-Wynn, Chairperson

SUBJECT:

NEW MARKET TAX CREDIT UNWIND

RECOMMENDATION:

That CRA authorize the CRA Chairperson to execute all documents and take all action necessary associated with unwinding the New Market Tax Credit transaction, included but not limited to executing an Interlocal Agreement with the Community Maritime Park Associates, Inc. (CMPA) and the CRA to terminate the Project Support Payments to the CMPA.

SUMMARY:

In order to finance the development and construction of the public improvements at the Maritime Park, the City of Pensacola issued Redevelopment Revenue Bonds in December 2009. Approximately \$39.8 million of the bond proceeds were loaned by the City to CTA Investment Fund, LLC (the "Investor") and combined with other funds of the Investor to make equity investments in three separate Community Development Entities (CDEs) to take advantage of New Market Tax Credits (NMTC) under Section 45D of the Internal Revenue Code of 1986 and Section 288 of the Florida Statutes.

With these funds, the CDEs made mortgage loans to the CMPA on May 27, 2010 totaling approximately \$54 million to finance the public use portion of the Maritime Park. The loans have required monthly interest payments which have been paid from Project Support payments received by the CMPA from the CRA. Effective July 1, 2017, monthly principal payments will begin and continue through final maturity in 2040 unless the NMTC structure is collapsed.

The City entered into a "put and call" agreement with U.S. Bancorp Community Development Corporation (USBCDC), the owner of 100% of the Investor. The agreement allows the USBCDC to "put" its interest in the Investor to the City. If USBCDC exercises this option, the City will pay a purchase price of \$1,000 plus any transfer or closing costs. In the event the "put" is not exercised, the City can exercise a "call" option to purchase the ownership interest in an amount equal to the fair value of the interest.

The "put and call" option becomes exercisable after May 27, 2017, seven (7) years after the NMTC transaction originated. Per conversations with USBCDC, it is contemplated that the "put" option will be exercised therefore City Staff has been consulting with NMTC attorneys in preparation of the exit strategy. Once the "put" option is exercised, the City will own the CTA Investment Fund and its interest in the CDEs. The City will have the option to cause the CDEs to distribute to the City the loans from the CDEs to the CMPA and

following such distribution, to forgive the loans to the CMPA.

Upon loan forgiveness, the NMTC structure will be collapsed and the compliance requirements will no longer be in effect. At that time a Supplemental Interlocal Agreement will be executed to terminate the Project Support payments from the CRA to the CMPA so that the CRA can make such payments to fund debt service on the Redevelopment Revenue Bonds. Finally the CMPA's CDE Management Reserve bank accounts funded during origination of the NMTC transaction to pay the CDE annual loan servicing will be exhausted when the final payment is paid to the CDEs on May 1, 2017.

At the CMPA Board of Trustees Meeting on March 22, 2017 the Trustees unanimously approved the following action:

That the CMPA Board of Trustees authorize Chairman Reeves to execute all documents and take all action necessary associated with unwinding the New Market Tax Credit transaction, included but not limited to executing an Interlocal Agreement with the City and Community Redevelopment Agency to terminate the Project Support payments. Further that the Board authorize the Chairman to distribute CMPA's assets to the City as outlined in CMPA's Articles of Incorporation and wrap up the financial affairs of the CMPA.

City Council will be considering the following at the City Council meeting on Thursday, April 13, 2017:

That City Council authorize the Mayor to execute all documents and take all action necessary associated with unwinding the New Market Tax Credit transaction. This includes but is not limited to executing an Interlocal Agreement with the Community Maritime Park Associates, Inc. (CMPA) and the Community Redevelopment Agency (CRA) to terminate the Project Support Payments to the CMPA. Further, as provided in the CMPA Articles of Incorporation, that the City accept the CMPA's distributed assets. In addition, that upon NMTC unwind, when the City owns the CTA Investment Fund that City Council authorize the Mayor to forgive the loans made to the CMPA.

PRIOR ACTION:

March 27, 2006 - CRA approved an Interlocal Agreement between the City and the CRA providing for financial assistance in the development, design, constructing and equipping of infrastructure and public improvements at the Community Maritime Park.

March 27, 2006 - CRA approved authorizing the Community Development Director to execute any and all necessary documents on behalf of the CRA in obtaining the NMTC financing.

FUNDING:

Budget: \$100,000

Actual: \$100,000 (estimated)

FINANCIAL IMPACT:

The funds for the estimated transfer and closing costs associated with the NMTC unwind transaction are

appropriated in the CRA Fiscal Year 2017 Budget.

CITY ATTORNEY REVIEW: Yes

4/4/2017

STAFF CONTACT:

M. Helen Gibson, AICP, CRA Administrator
Richard Barker, Jr., Chief Financial Officer

ATTACHMENTS:

None

PRESENTATION: No