



**CITY OF RIVIERA BEACH  
FINANCE AND ADMINISTRATIVE SERVICES**

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**FINANCE DEPARTMENT**

**INTER-DEPARTMENTAL COMMUNICATION**

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**DATE: MARCH 27, 2017**

**TO: JONATHAN E. EVANS, CITY MANAGER**

**FROM: RANDY M. SHERMAN, DIRECTOR OF FINANCE AND ADMINISTRATIVE SERVICES**

**SUBJECT: OCEAN MALL AGREEMENT**

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As of today, the total amount of principal due the City from the CRA for the Ocean Mall loan is \$10,194,621. Since 2009, the CRA has paid \$1,331,021 in interest. No principal payments have been made.

On October 21, 2009, the City and the CRA entered into a loan agreement where the City agreed to loan the CRA an amount not to exceed \$10,400,000 from the City's Insurance Fund. Restrictions were placed on the funds limiting their use to the construction and infrastructure improvements to the Ocean Mall and Municipal Beach properties as agreed to by the City, the CRA, and the Ocean Mall Redevelopment, LLC (OMRD). The CRA in turn agreed to provide a grant up to \$10,400,000 to the developer (OMRD) to make required infrastructure, parking and beach improvements in support of the project. On behalf of the CRA, the City advanced the loan proceeds to OMRD based on draw requests from OMRD for construction of the improvements based on inspection and approval of the requests by the City. The Ocean Mall and the Municipal Beach are owned by the City of Riviera Beach. The Ocean Mall project was catalytic in the development of other commercial properties in the area, including the Ritz Carlton, the largest tax increment revenue generating property in the CRA boundaries.

The Loan Agreement entered into in 2009 provided for the following terms:

1. 4.75% interest
2. Level payments of \$985,100 payable on March 31<sup>st</sup> of each year commencing on March 31, 2010

In April 2011, the First Modification to the Loan Agreement amended the terms to:

1. Reduction of the interest rate to 2% commencing July 1, 2012 until June 30, 2016
2. Amortize the debt over a 15 year period, payable on July 1st
3. A balloon payment on July 1, 2026
4. Level payments of \$985,100 payable on July 31<sup>st</sup> of each year commencing on July 31, 2017



In March 2016, the Second Modification of the Loan Agreement provided the following changes to the loan terms:

1. Defers all payments until October 1, 2023
2. Amortizes debt over a 15-year period
3. Provides for level payments of \$679,641.40 payable October 1<sup>st</sup> of each year commencing October 1, 2023

The City's Auditor and Financial Advisor reviewed the term changes and provided written comments. A summary of each response is below.

Auditor – Both the City and the CRA are required to disclose the loan modification as Troubled Debt in their respective audited financial statements. The CRA Executive Director has outlined the pressures being placed on the CRA's ability to meet all obligations of the CRA as currently constituted. The loan modification has been requested by the CRA and is being presented for consideration to provide cash flow relief to the CRA. Under Governmental Accounting standards, this meets the definition of Troubled Debt.

Financial Advisor – Credit or Rating Agency considerations are two part; quantitative and qualitative. Whereas both the City and CRA are governed by the same individuals, the Financial Advisor is more concerned about the quantitative measures since it is the governing bodies that have made the decisions that have placed the loan into a Troubled Debt status.

Entering into this Agreement deferred the full repayment of the Loan until 2036 and cost the City \$4,373,799 in lost interest.