

NMTC UNWIND OPTIONS

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Now that the NMTC financing is over, how does the City of Riviera Beach want the Riviera Beach Event Center operations structured?

How was the NMTC Financing Structured?

- The City leased the land under the Riviera Beach Event Center (the “Event Center”) to Riviera Beach Event Center, LLC (“RBEC”)
- The Riviera Beach CRA (“CRA”) funded a recoverable grant to Riviera Beach CDE (“CDE”) to enable the CDE to fund a leverage loan to KCDC-RBCDE NMTC Investment Fund, LLC (“Investment Fund”) in the amount of \$4,761,400
- The CDE funded a leverage loan to the Investment Fund in the amount of \$4,761,400
- The CRA became the Master Tenant of the Event Center, and is responsible for the operations and maintenance of the Event Center

WHAT OCCURRED TO UNWIND THE NMTC FINANCING

- The Investment Fund exercised its Put rights and paid off the leverage loan to CDE in exchange for 100% ownership interest in the Investment Fund
- Transfer of Investment Fund ownership caused redemption of Investment Funds' interest in NDC New Markets Investments LXXXIV, LLC with distribution of \$6,790,000 mortgage loan to RBEC
- Exercise of Put and resulting redemption causes exit of all non-Riviera Beach parties from the NMTC financing

NOW, WHO OWNS WHAT?

- The City owns the land under the Event Center subject to a ground lease to RBEC
- RBEC owes the CDE \$6,790,000 in mortgage loans
- The CDE owes the CRA a recoverable grant in the amount of \$4,761,400
- The CRA is the Master Tenant of the Event Center, and is responsible for the operations and maintenance of the Event Center

QUESTIONS TO ADDRESS

- Which entity is in the best position to undertake the long-term operations, marketing and maintenance of the Event Center; the City, the CRA or a third party?
- Is there any reason to transfer the ownership of the underlying property to another party?
- Does it make sense to transfer the ground lease from RBEC to the CRA, regardless of who ultimately manages the Event Center, or simply leave the current leases in place?

WHAT TO DO WITH THE DEBT

- RBEC owes \$6,790,000 to the CDE, which represents a result of the cancellation of the \$4,761,400 leverage loan
- The CDE owes a recoverable grant to the CRA in the amount of \$4,761,400
- Assignment of the \$6,790,000 mortgage loans by the CDE to the CRA in repayment of the recoverable grant would close the original funding circle.
- The CRA can then cancel, satisfy and terminate the mortgage loans to eliminate the current debt on the Event Center property

ANSWERS RESULT IN DIRECTION

- Once the decision is made as to long term responsibility for the Event Center, the corresponding transfers can be structured
- Unless there is a need to preserve some or all of the current debt, all of the debt can be extinguished
- The recoverable grant was a mechanism to infuse CRA equity into the NMTC financing, so an elimination of the related NMTC debt places the parties into their original position

OPTION 1 DIRECTION CRA RETAINS MANAGEMENT

To achieve this option, the following steps would be taken:

- RBCDE transfers and assigns the \$6,790,000 mortgage notes to RBCRA in satisfaction of the \$4,761,400 recoverable grant
- RBCRA and RBEC, LLC agree to terminate the Master Lease and assign the ground lease in exchange for canceling the \$6,790,000 mortgage notes
- City and RBCRA amend the ground lease to reflect new terms going forward

OPTION 2 DIRECTION CITY TAKES OVER MANAGEMENT

To achieve this option, the following steps would be taken:

- RBCDE assigns the \$6,790,000 mortgage notes to RBCRA in satisfaction of recoverable grant
- RBCRA and RBEC, LLC agree to terminate the Master Lease in exchange for the cancellation of the \$6,790,000 mortgage notes
- RBEC, LLC and the City agree to terminate the ground lease

OPTION 3 DIRECTION

RBCDE TAKES OVER MANAGEMENT

To achieve this option, the following steps would be taken:

- RBCDE and RBEC, LLC agree that RBEC, LLC transfers the ground lease to RBCDE in exchange for the cancellation of the \$6,790,000 mortgage notes
- RBCDE and RBCRA agree to cancel the recoverable grant in exchange for the termination of the Master Lease
- City and RBCDE execute a new or amended ground lease to reflect the terms going forward

EFFECT OF OPTIONS ON THE CITY, RBCRA AND RBCDE – ONGOING EXPENDITURES

- Under Option 2 and Option 3, RBCRA is relieved of all ongoing operational, maintenance and marketing expenses for the Event Center under the Master Lease, and either the City or RBCDE assumes these expenditures
- Under Option 1, RBCRA retains the responsibility and obligation for these ongoing expenditures as the direct lessee of the City
- If the land was not purchased by the City with the proceeds of a tax-exempt bond, or if so, the bond is no longer outstanding, under any of the options, the party in control of the Event Center can transfer these operational costs to a third-party manager, which could be a for-profit entity
- If the land was purchased with bond proceeds, a qualified management contract can be used

QUESTIONS

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