



RIVIERA BEACH COMMUNITY REDEVELOPMENT AGENCY

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MEMORANDUM

TO: Honorable Chair and Members, CRA Board of Commissioners
 City of Riviera Beach, Florida

FROM: Tony T. Brown, Executive Director, Riviera Beach CRA

DATE: February 17, 2016

SUBJECT: The Agency is requesting that the Ocean Mall Debt between the City and CRA be restructured to enhance the Agency's financial capacity to fund the next phase of improvements at the Marina District, namely the construction of a parking garage and buildings for the development of Restaurant Row.

Request

The Agency is requesting that the Ocean Mall Debt between the City and CRA be restructured to enhance the Agency's financial capacity to fund the next phase of improvements at the Marina District, namely the construction of a parking garage and buildings for the development of Restaurant Row. Specifically the Agency is requesting a second modification of the Loan Agreement between the City and CRA which originated on October 21, 2009 (City Resolution No. 135-09) and modified on April 27, 2011 (City Resolution No. 52-11). Approval of the request will modify the principal balance of \$10,194,621 as follows:

1. Rate of Interest: Zero percent (0%) retroactive to July 1, 2015 and continuing through the term of the loan until the balance of principal is repaid.
2. Deferral of Principal Repayment: Principal payments of \$679,641.40 shall be paid annually, with the first principal payment commencing on October 1, 2023 until paid (15 installment periods). In essence, the City is agreeing to extend the deferral period from July 1, 2011 to September 30, 2023. The Ocean Mall principal payments will begin following the last installment payment due on the 2006 Note to Wachovia Bank.

	Adopted Budget FY 2015	Amended (2) Budget FY 2015	Approved Budget FY 2016
Debt Service			
Wachovia Note	634,592	634,592	634,592
Ocean Mall (City of Riviera Beach)	208,000	208,000	-
Marina (City of Riviera Beach)	-	-	463,905
Capital IMP (BB&T Series 2011 & 2013)	2,803,902	2,803,902	2,802,073
Total Debt Service	3,646,494	3,646,494	3,900,570

Purpose

In 2010, the Agency and the City began structuring several agreements for improving the Marina and Ocean Mall by assigning the CRA as the responsible party to fund or repay infrastructure improvements designed to improve city-owned property, eliminate blight and expand the tax base. The analyses justifying the inter-local agreements assumed that the Agency's financial capacity would increase as the primary beneficiary of the billion dollar improvements made by Florida Power & Light to its Riviera Beach Energy Center. The revenue that was expected to inure to the sole benefit of the CRA was instead received by the City and County governments.

The CRA Board of Commissioners and the City of Riviera Beach City Council assessed the Agency's cash flow and long term capital needs for redevelopment projects and directed the City to restructure repayment terms for the Ocean Mall, providing debt relief until the 2006 Note with Wachovia Bank is repaid. Thus, the terms requested below reflect the directive given to the City and CRA staffs at the time of the budget workshops on August 26, 2015 and September 9, 2015 (excerpt of minutes are attached).

Analysis

In FY 2016 (beginning 10/1/2015), the Agency's debt increased to \$44.6 million from \$38.6 million a year ago, due in part to the Marina Debt Service allocated to the Agency from the City's \$22 million Public Improvement Revenue Bond, Series 2014. The Marina Debt Service Allotment (\$463,905) is an additional payment to the Marina Upland Ground Lease payments of \$1,150,628. In FY 2014, we expected the FPL revenues to absorb these new commitments and thus the financial burden for the Marina's development was to be a sole responsibility of the CRA. As reported earlier, the tax benefits inured to the City and County, and not solely to the CRA as originally projected. The series of inter-local agreements under consideration by the CRA Board at its February 24, 2016 Board meeting is re-aligning the capital and program responsibilities between the City and CRA to ensure that the Agency has sufficient financial capacity to continue public improvements at the Marina and attract private development.

From the City's perspective, keeping the CRA loan agreements and Marina Ground Lease agreement in place allows the City to remain in compliance with Revenue Bond covenants to budget and appropriate from legally available non-ad valorem revenues of the City. The City's Financial Advisor, The PFM Group, opined in a memo dated January 25, 2016 to the City of Riviera Beach, Florida, that "a reduction in the fund balance will not immediately result in a negative rating action." The PFM memo also projected that the non-ad valorem debt outstanding, including the bond issue that fully funded the City's pension fund would drop from 2.32x to 2.26x, assuming a drop in revenues by \$500,000. This drop would not trip the anti-dilution test of 2.0x. PFM also further opined that the future issuance of a stormwater revenue bond and Utility Special District revenue bond "would not be materially impacted by an agreement reached by the CRA and the City, excepting possible marketing ramifications stemming from a decline in the overall financial health of the City." As we know, the City experienced the largest increase in tax assessed property values of any City in Palm Beach County, growing by nearly 33 percent. According to Florida Power & Light, they paid the City \$6.9 million in property taxes alone.

The CRA proposes to maintain its commitment to lease and operate the Marina Upland properties, and approval of this item will reduce debt service by \$208,000 in FY 2016 and by \$985,100 each year from FY 2017 to FY 2023. The reduction in debt service requirements improves the Agency's cash flows to meet other operating obligations. The CRA will be the source of over \$2.2 million in non-ad valorem revenues to the City in FY 2016, inclusive with the approval of this request. Further, the CRA has projected operating losses of up to \$1.5 million associated with the upland Marina Enterprise, which if remained the responsibility of the City, the City would be required to absorb these losses and not the Agency. Further, reversal of the Marina Upland Lease would prove more detrimental to the anti-dilution test and this alternative action would be more detrimental to the City.

Recommendation

Approval is recommended as requested.

