

LRB-FISCAL REVIEW SECTION ANALYSIS

JUNE 15, 2004 AGENDA

ITEM 1, FILE 031752

ZONING, NEIGHBORHOOD & DEVELOPMENT COMMITTEE

EMMA J. STAMPS

File #031752 is a resolution authorizing the proper city officials to enter into a Development Agreement for Tax Incremental District No. 55 (Holt Plaza) in the 14th Aldermanic District. (DCD)

This update appends the June 3, 2004 Fiscal Analysis

Background

1. The land proposed for the Holt Plaza redevelopment is not free-and-clear; Mifflin has an outstanding first mortgage debt of \$5,604,000 with a prepayment penalty stipulation. The original mortgage for \$6,400,000 at 7.40% interest matures 6/1/2019.
2. In April 2004, the Common Council adopted Resolution 031665, approving the Project Plan and creation of TID No. 55, Holt Plaza with the understanding that DCD and the developer continue to seek an acceptable financing commitment that would not require taxpayers to pay the developer's primary mortgage prepayment penalty, and that a term sheet would be added to the file.
3. Originally, the DCD and developer estimated that the project would require up to \$2,140,000 in city assistance to pay the estimated \$1,665,000 prepayment penalty against the first mortgage and most of the \$492,000 city capitalized interest and administrative costs.
4. The estimate does not cover unanticipated improvements such as vacation of existing public rights-of-way, site clearance, environmental remediation, and reimbursement of owners of abutting property for costs directly related to the project.
5. The TID is expected to retire in 2021 but could run until 2026.

Discussion

Several differences in the Project Plan, authorized in Resolution 031665, the Term Sheet drafted June 2, 2004, and the Term Sheet drafted June 14, 2004 are as follows:

- The Developer is referred to as MSSD in the Term Sheet drafted 6/14/2004 and as Mifflin Care Center, Inc. elsewhere in Files 031665 and 031752
- The estimated maximum city contribution is \$1,800,000 plus interest charged on the construction loan, according to the Term Sheet drafted 6/14/2004, and as \$2,000,000 or \$2,140,000 elsewhere in Files 031665 and 031752
- The latest term sheet draft included a condition that at least 85% of the square footage must be used for commercial purposes
- Actions, approvals and submissions for compliance refer to a "June 13, 2004 communication from Developer's counsel"; the communication was not on file at the time of this writing

The Term Sheet, drafted June 14, 2004, also includes the following language:

The amount of the monetary obligation shall be equal to the actual prepayment penalty incurred by Developer upon prepayment of the existing first mortgage on the property plus \$145,000 in actual Developer expenditures, plus an amount not to exceed \$140,000 in City administration costs.

This analysis does not address the following, due to several items not being on file at the time of this writing:

- Actual prepayment penalty amount
- Comptroller's recommendation based on recent events and discussions
- City Attorney's review
- Whether an amendment to the Project Plan, authorized in Resolution 031665, is required based on the term sheet drafted 6/14/04

Fiscal Impact

Adopting File 031752 authorizes an expenditure up to \$1,800,000 for TID No. 55 (Holt Plaza) and interest at a per annual rate equal to the construction rate, less applicable TID audit costs (up to \$7,000 per annum) on a Developer financed loan. Interest accrues beginning the date of the expenditure (which could be upon payment of the prepayment penalty by the Developer).

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