



LAKE WORTH
COMMUNITY REDEVELOPMENT AGENCY
 29 SOUTH J STREET
 LAKE WORTH, FLORIDA 33460-3787
 www.lakeworthcra.org

Phone: (561) 493-2550

Fax: (561) 493-2549

MEMORANDUM

TO: CRA Chair, Vice Chair and Members of the Board

FROM: Joan Oliva, Executive Director

DATE: December 5, 2016

SUBJECT: Property Acquisition Loan Agreement

EXPLANATION

In 2005, the CRA authorized the issuance of \$8M in revenue bonds. These funds were matched, in part with TIF funds, to pay for the development of the Gateways project. The project included substantial capital improvements to both 6th Ave South and 10th Avenue North. The projects were concluded in 2010. Annual debt service payment began in 2007 and ended in 2015 with a final payment of \$1.7M dollar. All payments were made from tax increment payments received from the City and County.

The CRA continues its important reinvestment into our once distressed neighborhoods using federal dollars from the NSP-2 program. We are now looking to shift our focus in an effort to revitalize our commercial corridors. To this end, we have produced grant programs to assist with new businesses. We also hired Retail Strategies to connect property owners to retail investment opportunities and provide technical assistance to owners and possible investors in the CRA district. We have some success to date, but there is still much to be done. At this time, Staff feels there is an opportunity for the Agency to play a larger role in the redevelopment of our commercial areas. This could include the CRA assisting with property acquisition and assemblages, making larger lots available for redevelopment.

There are many steps for the Staff and Board to consider to make this a reality. . This involves strategically researching the best locations for investment, identify partnerships and market those opportunities. It also includes hiring an experienced broker with governmental experience and setting up a system for property transactions and final approvals by the Board.

However, before all this can happen, funding has to be in place for the Agency to purchase properties. With a significant increase in district property values, Staff reached out to several financial institutions

to see if a credit facility was available in the short term. A copy of the proposal is included as Exhibit "A." Communication was made with several banks but only one submitted a proposal. A copy of the proposal from PNC Bank is included for your review as Exhibit "B." The Exhibit includes a summary of terms and conditions by PNC for Board review. An important note to make is that due to the timing of the transaction, no fees will be due to PNC at the time of closing except for costs related to closing. However, a sinking fund will need to be created to help pay off future debt.

RECOMMENDATION

Staff recommends the Board carefully review the Summary of Terms and Conditions provided by PNC bank and consider passing a resolution in favor of the issuance of a \$4M bond. If approved the City of Lake Worth Commission will have to also approve the issuance at their next regular meeting, December 13, 2016.

Exhibit "A"

Invitation for Proposals

The Lake Worth CRA is seeking interested financial institutions interested in providing a bond or other type of credit facility with which the LW-CRA will use to purchase property for the purpose of carrying out redevelopment projects. A brief summary of general terms is provided below to serve as a general outline for proposers. Additional conditions should be listed in detail when responding to this request.

Issuer: Lake Worth Community Redevelopment Agency, Lake Worth, Florida

Purpose: Proceeds will be used to purchase property within the Lake Worth CRA district.

Investment Facility: A bond or other credit facility equal to the lesser of \$4M or the total amount being drawn during the draw period.

Draw Period: Up to 24 months with one draw per month allowed until the earlier of twenty-four months from closing or the date when \$4M is drawn.

Investment Term: Ten years from closing

Collateral: Lien on CRA TIF revenues

Responses: Due in writing by September 30, 2016

Please address responses to:
Mona Feigenbaum , Accounting Manager
mfeigenbaum@lakeworth.org
29 S. J St., Lake Worth, Fl 33460

General Information

The Lake Worth City Commission adopted Resolution 47-89 in 1989, creating the Lake Worth Community Redevelopment Agency. The CRA is a quasi-public agency that operates under Florida State Statute 163, Part III. A Community Redevelopment Plan was produced in 1989 to outline the community's desired public and private improvements along with a funding program, including the use of tax increment funds. In 2001, the boundaries of the CRA were expanded to include all of Dixie Highway and the areas including and surrounding 6th and 10th Avenue, also known as the "Gateways." The primary source of funding is provided through tax increment financing. Tax increment revenues are deposited into a redevelopment trust fund. The taxable value of all real property in the redevelopment area is determined at a particular year, also known as the "base year." Contributing taxing authorities, such as the City and County, continue to receive ad valorem taxes. Any increase in ad valorem revenue above the base year value is deposited into the redevelopment trust fund and used to carry out redevelopment activities.

The Lake Worth CRA is governed by a seven member volunteer Board appointed by the City Commission. The Board serves the area by implementing Redevelopment Plan objectives and promoting redevelopment activities. The Redevelopment Plan provides a workable program, consistent with community needs, to afford maximum opportunities for private participation in undertaking redevelopment activities in the district. The agency has many powers at its disposal to carry out redevelopment activities including the ability to acquire and sell property, provide incentives to attract and promote private development, to apply and utilize grant funding innovations and the construction of public capital improvements.

The CRA has undertaken substantial public infrastructure projects over the past several years and has leveraged funds thus attracting private investment to provide increased levels of service to accommodate existing and future needs. The CRA strives to improve the economic vitality of the district and quality of life of the citizens of the City of Lake Worth.

For more information on the CRA including annual reports, please visit www.lakeworthcra.org
For copies of CAFR's please visit <http://www.lakeworth.org/city-hall/finance/budget/archives/>

Mona Feigenbaum

From: Mona Feigenbaum
Sent: Monday, September 12, 2016 11:08 AM
To: 'Stephen.b.lenehan@baml.com'
Subject: Invitation for Proposal
Attachments: Invitation for Proposal - Bond.docx

Good Morning Stephen,

Please see attached Invitation for Proposal.

Please let me know if you have any questions.

Thanks,

Mona C. Feigenbaum
Accounting Manager
Lake Worth Community Redevelopment Agency
29 South J Street
Lake Worth, Fl 33460-3787
mfeigenbaum@lakeworth.org

Mona Feigenbaum

From: Mona Feigenbaum
Sent: Monday, September 12, 2016 11:13 AM
To: 'Wendi.Boyen@regions.com'
Subject: Invitation for Proposal-Bond
Attachments: Invitation for Proposal - Bond.docx

Good Morning Wendi,

Attached is an Invitation for Proposal that our office is interested in.

Please let me know if you have any questions.

Thanks,

Mona C. Feigenbaum
Accounting Manager
Lake Worth Community Redevelopment Agency
29 South J Street
Lake Worth, FL 33460-3787
mfeigenbaum@lakeworth.org

Mona Feigenbaum

From: Mona Feigenbaum
Sent: Monday, September 12, 2016 11:14 AM
To: 'tyrus.Sanders@regions.com'
Subject: Invitation for Proposal-Bond
Attachments: Invitation for Proposal - Bond.docx

Good Morning Tyrus,

Attached is an Invitation for Proposal that our office is interested in.

Please let me know if you have any questions.

Thanks,

Mona C. Feigenbaum
Accounting Manager
Lake Worth Community Redevelopment Agency
29 South J Street
Lake Worth, FL 33460-3787
mfeigenbaum@lakeworth.org

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MEMO TO FILE

Re: Invitation for Proposal – Bond

9/12/2016 - an e-mail was sent to Steven Lenehan at Bank of America and Wendy Boyen and Tyrus Sanders at Regions Bank with the Invitation to Bid – Bond.

No responses were received by the cut-off date, September 30, 2016.

On October 11, 2016, I followed up with Steven Lenehan at Bank of America because we do our banking with this bank. Per my phone conversation with Steve, Bank of America will not be submitting a proposal due to the dollar amount and drawdown period that was requested.

Mona C. Feigenbaum



TERM SHEET LETTER

December 1, 2016

Lake Worth Community Redevelopment Agency
Attention: Joan Oliva, Executive Director
29 South J Street
Lake Worth, FL 33460

Re: Bond of Lake Worth Community Redevelopment Agency (the "Issuer")

Dear Ms. Oliva:

You have requested that PNC Community Development Company, LLC ("PNC") purchase an up to \$4,000,000 Lake Worth Community Redevelopment Agency Bond (the "Investment Facility"), the proceeds of which will be used by the Issuer to purchase properties located in the Community Redevelopment Area (CRA) of the City of Lake Worth, Florida for economic development within the CRA. The repayment of the Investment Facility will be supported by a first lien on the tax increment financing (TIF) revenues of the CRA and a guaranty from the City of Lake Worth.

PNC is pleased to present a term sheet to provide the Investment Facility for the purposes set forth above as more fully described in the attached Memorandum of Terms and Conditions (the "Term Sheet").

The Term Sheet includes only a description of the principal terms of the Investment Facility. The definitive terms of the Investment Facility will be documented in a Resolution to be adopted by the Issuer and the other agreements, instruments, certificates and documents called for by the Resolution or which PNC may otherwise require (together with the Resolution, the "Investment Documents").

Although PNC has approved the Investment Facility, PNC's obligations are subject to conditions. First, the Issuer must accept this letter as provided below, and must comply with all the other conditions of this letter and the Term Sheet. After receiving the Issuer's acceptance, the definitive Investment Documents can be prepared. PNC's obligations are conditioned on the Resolution and other Investment Documents being signed and delivered to PNC in a form that is satisfactory to PNC and its counsel. This letter is also issued subject to the statutory and other requirements by which PNC is governed.

PNC may terminate its obligations under this letter if the terms of the transaction are changed in any material respect, if any material information submitted to PNC proves to have been inaccurate or incomplete in any material respect, or if any material adverse change occurs, or any additional information is disclosed to or discovered by PNC which PNC deems materially adverse in respect of the condition (financial or otherwise), business, operations, assets, nature of assets, liabilities or prospects of the Issuer.

The Issuer hereby indemnifies and holds harmless PNC and each director, officer, employee, agent and affiliate thereof (each, an "Indemnified Person"), from and against any and all losses, claims, damages, expenses and liabilities incurred by any Indemnified Person that arise out of or relate to any investigation or other proceeding (including any threatened investigation or litigation or other proceedings and whether or not such Indemnified Person is a party thereto) relating to this letter, the Term Sheet or the transactions contemplated hereby, including without limitation the reasonable fees and disbursements of PNC's inside and outside counsel but excluding any of the foregoing claimed by any Indemnified Person to the extent incurred by reason of the gross negligence or willful misconduct of such Indemnified Person as determined by a final non-appealable judgment of a court. PNC shall not be responsible or liable to the Issuer or any other person or entity for any damages, consequential or otherwise, which may be incurred or alleged as a result of this letter, the Term Sheet or any of the transactions contemplated hereby. The Issuer's obligations under this paragraph shall survive any termination of this letter except that upon the execution of the definitive financing agreements the terms of such agreements shall supersede these provisions.

Subject to Florida's Public Records Law, this letter and the Term Sheet are delivered to Lake Worth Community Redevelopment Agency on the condition that they be kept confidential and not be shown to, or discussed with, any third party, including any financial institution (other than on a confidential or need-to-know basis with the Issuer's directors, officers, employees, counsel and other advisors or existing lenders or as required by law) without PNC's prior approval.

This letter is for the Lake Worth Community Redevelopment Agency's benefit only, and no other person may obtain any rights under this letter or be entitled to rely or claim reliance on this letter's terms and conditions. This letter may not be assigned by the Issuer, and none of the Issuer's rights under this letter may be transferred, without PNC's prior written consent.

Lake Worth Community Redevelopment Agency authorizes PNC to obtain information regarding Lake Worth Community Redevelopment Agency and to share such information among affiliates of PNC.

Lake Worth Community Redevelopment Agency by signing below, represents that, to the best of its knowledge, all information prepared or furnished to PNC by Lake Worth Community Redevelopment Agency or any of its representatives concerning the Issuer or the transactions contemplated by this letter will be complete and correct in all material respects and will not contain any untrue statements of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading. Lake Worth Community Redevelopment Agency understands and acknowledges that PNC will be using and relying on all such information without independent verification.

PNC and Issuer hereby irrevocably waive any right to trial by jury in any claim, demand, action, or cause of action arising under this term sheet letter, the Term Sheet, any transaction relating hereto, or any other instrument, document or agreement executed or delivered in connection herewith, and acknowledge that the foregoing waiver is knowing and voluntary.

If the offer evidenced by this letter and the Term Sheet is acceptable, please indicate your acceptance by signing and returning the enclosed copy of this letter.

We look forward to working with you on successfully completing this transaction. We will begin documenting the Investment after we have received this letter countersigned by you and returned to PNC together with the deposit.

This offer will expire on December 13, 2016 unless previously accepted in the manner specified above. If this offer is accepted, definitive documentation must be executed and funds in an amount not less than \$50,000 disbursed before or by December 29, 2016, in the absence of which this term sheet will expire and PNC will have no liability or further obligation.

Sincerely,

PNC COMMUNITY DEVELOPMENT COMPANY, LLC

David E Baker, CPA

By: _____
David Baker, CPA
Vice President

Agreed and accepted with the intent to be legally bound:

Lake Worth Community Redevelopment Agency

By: _____
Name: Joan Oliva
Title: Executive Director

Date: _____

SUMMARY OF TERMS AND CONDITIONS

December 1, 2016

This Summary of Terms and Conditions is only a brief description of the principal terms of the Bond and is intended for discussion purposes only.

Issuer: Lake Worth Community Redevelopment Agency (Issuer)

Purchaser/Investor: PNC Community Development Company, LLC (the "Purchaser")

Purpose: PNC will purchase a \$4,000,000 Bond from the Lake Worth Community Redevelopment Agency as Issuer, the proceeds of which will be used to purchase property within the Lake Worth Community Redevelopment Area of the City of Lake Worth, FL. (Palm Beach County, FL).

Investment Facility: A Bond in an amount equal to the lesser of: (i) \$4,000,000, or (ii) the total amount drawn during the Draw Period.

Draw Period: Up to 24 months with one draw per month allowed until the earlier of twenty-four months from closing or the date when \$4,000,000 is drawn.

Investment Term: Ten (10) years from closing (the "Maturity Date")

Payment Date: An agreed upon date in January of each year commencing January, 2017 and the Maturity Date.

Interest-Only Period: 24 months commencing on the date of closing.

Sinking Fund: During the 24 month Interest-Only Period, annual sinking fund payments equal to \$450,000 per year will be made on the January 2017 and January 2018 Payment Dates. The Sinking Fund will be applied in full to repay a portion of the outstanding balance on the January 2019 Payment Date.

Amortization Period: Commencing with the 25th month after the date of closing, equal monthly principal and interest amounts, on a mortgage style basis, amortized over eight (8) years but payable only on the Payment Dates (the "Monthly Amortization Amounts").

Repayment: Interest only on the January 2017 and January 2018 Payment Dates. On the January 2019 Payment Date, interest and Monthly Amortization Amounts which have accrued since the end of the Interest-Only Period. On each Payment Date thereafter, Monthly Amortization Amounts which have accrued since the

previous Payment Date payable annually. All remaining unpaid principal and accrued and unpaid interest due on the Maturity Date.

Interest Rate: During the Interest-Only Period, the interest rate will be a variable rate equal to the tax-exempt equivalent for qualified tax-exempt obligations ("BQ") of One Month Libor plus 2.50%, floating and re-priced daily (Indicative tax free equivalent BQ or NBQ rate as of December 1, 2016 is 2.04687%). Following the Interest-Only Period, the interest rate will be a fixed rate determined at closing to be based on PNC's cost of funds as offered (tax-exempt BQ). As of December 1, 2016, the December 1, 2018, indicative fixed tax free BQ rate would be 3.035%. In the event that it is determined that the Bond is not a "qualified tax-exempt obligation" as such term is defined in Section 265(b)(3) of the Internal Revenue Code, the pricing will be adjusted to 3.191%. In the event that the interest rate is determined to be taxable, the pricing will be adjusted to the taxable equivalent of the tax-exempt rate, as determined by PNC at such time.

Interest shall be calculated based on a 360 day year consisting of twelve 30 day months.

Fee: None

Collateral: PNC's collateral will be a lien on the Pledged TIF Revenues of the Issuer.

Guarantor: None.

Information Required: The Issuer will provide the following information for review and acceptance by the Purchaser/Investor:

- (a) Issuer legal formation documentation and tax ID number;
- (b) City of Lake Worth three (3) years Comprehensive Annual Financial Report including all schedules;
- (c) All other information of the Issuer necessary for underwriting and closing the purchase of the proposed Bond requested by the Purchaser/Investor.

Conditions Precedent: Including, but not limited to, the following, with all documents to be satisfactory in form and substance to the Purchaser/Investor:

- a) No material adverse change in the condition, financial or otherwise, operations, properties, assets or prospects of the Issuer;

- b) No material or threatened or pending litigation or material contingent obligations.
- c) Execution of Bond documentation.
- d) Resolutions of the Issuer evidencing approval of the Investment and all steps necessary to consummate the Investment, without limitation, execution of the Bond documents.
- e) Opinions of counsel to Issuer, including an opinion of bond counsel.
- f) Other such information as required by the Purchaser/Investor.

Reporting:

Reporting requirements will include, but not limited to the following:

- a) Issuer Annual Report within 120 days of fiscal year end.
- b) Issuer Annual Operating Budget
- c) Annual TIF District Projections
- d) City of Lake Worth Comprehensive Annual Financial Report, including Issuer audited financial statement, within 120 days of fiscal year end.

Covenants:

Affirmative and negative covenants, including financial covenants, will be specified by the Purchaser/Investor for inclusion in any loan documents. Covenants are expected to include, but may not be limited to (a) limitation on sale of assets; (b) limitation on additional indebtedness, liens and leases; (c) prohibition on change in business; (d) prohibition on change of control; (e) prohibition on mergers and acquisitions; (f) limitation on loans and advances; (g) maintenance of tax-exempt bank-qualified status of Bond.

Minimum annual debt service coverage with definitions and covenant levels to be determined by the Purchaser/Investor.

Expenses:

All expenses incurred by Purchaser/Investor, including accounting, appraisal, environmental, audit, property condition or structural inspections, searches, recording of UCC filings and other security interests, and reasonable PNC legal fees (inside and outside) of between \$10,000 and \$15,000, and any other expenses in reference to structuring, documenting, closing, monitoring or enforcing the Bond, shall be paid for by the Issuer and payable at closing and otherwise on demand.

Other Terms:

Certain indemnities (including, without limitation, regarding environmental condition of the Project), representations, warranties, material adverse change covenant, affirmative, negative, financial and/or performance covenants from the Issuer and/or with regard to the Bond conditions precedent to closing, and events of default customary for transactions of similar type and size, as determined by the Purchaser/Investor.

Documentation: Investment and Bond documents in form and substance satisfactory to the Purchaser/Investor must be executed and delivered containing representations, warranties, covenants, indemnities, conditions to lending, events of default and other provisions as are appropriate in the Purchaser/Investor's opinion and specified by the Purchaser/Investor.

Governing Law: Florida