Staff Notes Agenda Item 6

At our Oct 2020 board meeting the URA board approved the refinancing of the existing N. Nevada Ave. URA bonds (that agreement is attached to these notes). The URA has in front of it today a DRAFT development agreement for a Lexus dealership that is slated to be built where a church currently sits (that is generating zero increment to the project area) between UC Health and the veterinary clinic. The concept of the agreement is that any dollars that are generated OVER the bond cap for each year will be applied (roughly 60%) to improvements that the Lexus dealership will take on (streetscape, Utility work, Cell Tower removal and excess land acquisition costs). The remaining excess TIF would be retained by the URA to apply to area wide improvements (like the sidewalk in front of Senior Manuels). Here is the schedule for the remaining years in the URA along with the bond cap amounts for each year:

“*Annual Senior Payment Cap*” means, with respect to each of the Fiscal Years set forth below, the corresponding amount set forth below:

|  |  |
| --- | --- |
| **Fiscal Year**  | **Annual Senior Payment Cap**  |
|  2021  | 6,200,000  |
|  2022  | 6,200,000  |
|  2023  | 6,200,000  |
|  2024  | 6,300,000  |
|  2025  | 6,300,000  |
|  2026  | 6,300,000  |
|  2027  | 6,300,000  |
|  2028  | 6,300,000  |
|  2029  | 6,000,000  |

2030                                       6,750,000

Here is a breakdown of the refinance agreement that spells out how our obligations to the bank are broken down:

“Pledged Revenue” means: (a) the Incremental Tax Revenue; and  (b) any other legally available moneys which the Authority determines to credit to the Pledged Revenue Fund; provided that with respect to any Fiscal Year, if the amount of Senior Payment Obligations paid during such Fiscal Year shall equal the Annual Senior Payment Cap for such Fiscal Year, all Incremental Tax Revenues received during such Fiscal Year in excess of the amount of such Annual Senior Payment Cap shall cease to be Pledged Revenue and may thereafter be used by the Authority for any lawful purpose.

Annual Senior Payment Cap. Notwithstanding any provision of this Agreement to the Contrary, the Authority and the Bank acknowledge and agree that (i) all Senior Payment Obligations payable during a Fiscal Year are limited to the amount of the Annual Senior Payment Cap for such Fiscal Year, (ii) the Authority is not obligated, nor permitted by the Custodial Agreement, to pay any Senior Payment Obligation in excess of such Annual Senior Payment Cap for such Fiscal Year, and (iii) with respect to any such Fiscal Year, if the amount of Senior Payment Obligations paid during such Fiscal Year shall equal the Annual Senior Payment Cap for such Fiscal Year, all Incremental Tax Revenues received during such Fiscal Year in excess of the amount of such Annual Senior Payment Cap shall cease to be Pledged Revenue and may thereafter be used by the Authority for any lawful purpose.

We wouldn’t expect the Lexus to generate funds for a few years and the URA also needs to keep in mind that we still have a roughly 400k/year property tax deficit from the hospital moving to non-profit status that we will have to contend with. With that being said, the Lexus provides us an opportunity to leverage added development to further fund site and corridor wide public improvements. While the development agreement is almost final, it’s appropriate for the board to look at the developers proposed reimbursable amounts and give direction to the ED on handling the finalization of the agreement either administratively or through another meeting in February.