



Legislation Details (With Text)

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Title: Funding for Kennedy Homes Acquisition and Demolition (NB)

This item relates to a recommendation to the City Commission to reallocate Capital Improvement Revenue Bonds Series 2005 proceeds and General Capital Projects funds to cover the cost of acquisition and demolition of the Kennedy Homes structure.

Sponsors:

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Date	Ver.	Action By	Action	Result
9/25/2006	0	City Commission	Approved as Recommended	Pass

Funding for Kennedy Homes Acquisition and Demolition (NB)

This item relates to a recommendation to the City Commission to reallocate Capital Improvement Revenue Bonds Series 2005 proceeds and General Capital Projects funds to cover the cost of acquisition and demolition of the Kennedy Homes structure.

In January of this year, the City Commission allocated \$3 million of its Capital Improvement Revenue Bonds, Series 2005 (CIRB 2005) tax exempt bond proceeds to the Southeast Gainesville Renaissance Initiative (SEGRI). The largest portion of this SEGRI appropriation was intended for the acquisition of the Kennedy Homes property.

Initially staff was evaluating 3 alternatives for the acquisition and development of this property:

- Acquiring options on the property, evaluating and selecting a developer and then passing the property through to the selected developer. This option would not require a net significant upfront acquisition expense on the City's part;
- Acquiring the property, maintaining City ownership and developing the property internally;
- Acquiring and taking ownership of the property, issuing a request for proposals, and selling the property to a third party for development.

The City settled on alternative 3 for development of the property. Under this scenario ownership of the property will pass to a private third party. IRS private use regulations governing the use of tax exempt debt restrict the amount of bond proceeds that can be used to acquire or construct a project that will be ultimately privately owned at 5% of the net proceeds of the issue. In the case of the CIRB 2005 this translates to \$1,120,083.

Acquisition cost alone of the Kennedy Homes property was initially estimated at \$1,980,178, to be funded through a combination of sources: CIRB 2005 proceeds -\$1,120,083; HOME funds - \$361,471; and, General Fund loan - \$498,624.

At this juncture in the process, staff is estimating an additional \$60,000 in closing and due diligence costs related to the transaction. In accordance with City Commission direction from March 27, 2006 that the balance of acquisition and due diligence expenses would be funded through a loan from the General Fund, staff is proposing that these additional due diligence and closing be funded by

increasing the General Fund loan to \$558,624.

After the site is acquired, the existing structure must be demolished prior to marketing the property. Inspection of the property has revealed that it contains asbestos, which will drive the demolition cost upward. This cost is presently estimated in the \$800,000 to \$900,000 range. HOME Fund program income in the amount of \$213,529 has been identified as a potential funding source for part of this expense. Since the maximum tax exempt proceeds allowed given IRS restrictions have been utilized to acquire the property, other sources must be identified to fund the demolition.

Staff has identified a number of capital projects that are currently funded with sources other than CIRB 2005 monies that fall within the project categories authorized under the CIRB 2005 bond resolution. Staff's proposal involves funding these capital projects from CIRB 2005 funds originally allocated to SEGRI, and funding the demolition of Kennedy Homes by using the freed up sources that initially funded these other projects. These capital projects, and the amount of CIRB 2005 proceeds that staff proposes to utilize to fund them, are as follows: Traffic signal NW 8th/NW 22nd - \$223,254; Skateboard park - \$205,909; Miscellaneous recreation projects - \$158,991; Sidewalk construction - \$158,339; Phoenix playground - \$98,357; Ballfield renovations - \$88,188; McPherson Center lighting - \$33,380; Cofrin Park project - \$50,000; Totaling \$1,016,418.

If the City Commission approves this proposal, the funding of the above projects will come from the \$3M allocation of the CIRB 2005 for SEGRI. This will leave \$863,499 of CIRB 2005 funds in the SEGRI allocation after the acquisition and demolition of the Kennedy Homes property.

Any difference between the actual demolition cost and the \$1,016,418 will be used to reduce the loan from the General Fund used for the acquisition of Kennedy Homes.

There is no net fiscal impact to this proposal. The reallocation of funds will provide a mechanism to cover the demolition cost for Kennedy Homes.

The City Commission: 1) reallocate the CIRB Series 2005 appropriation to SEGRI by \$1,016,418 to replace the original funding sources for the following projects: Traffic signal NW 8th/NW 22nd - \$223,254; Skateboard park - \$205,909; Miscellaneous recreation projects - \$158,991; Sidewalk construction - \$158,339; Phoenix playground - \$98,357; Ballfield renovations - \$88,188; McPherson Center lighting - \$33,380; Cofrin Park project - \$50,000; Totaling \$1,016,418; 2) utilize the freed up funding sources from the projects in 1. above to fund the demolition costs on the Kennedy Homes structure; 3) increase the General Fund loan from \$498,624 to \$558,624 to cover the incremental closing and due diligence costs related to the transaction; and, 4) utilize any difference between the \$1,016,418 and the actual cost of the Kennedy Homes demolition to reduce the loan from the General Fund that funded a portion of the Kennedy Homes acquisition.