



## Legislation Text

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### Arlington Square Phase III Loan Repayment (B)

On September 19, 1998, the CRA and the Arlington Square Wisteria Downs Limited Partnership entered into a Downtown New Construction Incentive Package Development Agreement that provided Arlington Square \$60,000 in incentives. On August 12, 1998, the CRA borrowed \$60,000 at 6.5% interest with a ten-year term from the City of Gainesville to facilitate the development of the Arlington Square Phase III project. Payments of \$10,150 were to be made from the actual increment created by the five dedicated parcels beginning in July 2000 and running through July 2008. To date two of these annual payments have been made and one is budgeted for payment in July 2002. During 2000-2001, the increment from the dedicated parcels came to only \$6,102. The loan agreement allows for partial payments, and states that each year the payment is applied first to the interest that has accrued. While it is reasonable to expect that the increment on these parcels will rise, it is unlikely that it will reach the \$10,150 mark in the near future. Based on the current increment collection rate, it is anticipated that it will take the CRA 17 years to repay this loan to the City.

Section IV.C. of the Development Agreement includes in paragraph one a clause that states, "In the event that the annual tax increment revenues generated by the Project are less than the annual principal and interest payment on the Grantor's loan, the Grantee will personally guarantee to pay any shortfall." Based on this clause staff sent Arlington Square a request for payment of the \$4,048 shortfall for 2000-20001.

Section IV.C. of the Agreement in paragraph two has a second clause that states "the Grantor may elect to structure a loan repayment schedule that is adjustable to the amount of the tax increment generated by the project over a fifteen year period." In this case, if the tax increment revenues generated by the project over a 15-year period are insufficient to repay the loan, the Grantee will personally guarantee to pay any shortfall.

On October 4, 2001 Nathan Collier and David A. Materna of Paradigm Properties addressed the Downtown Redevelopment Advisory Board about the \$4,048 shortfall in this year's Arlington Square loan payment. Representatives from Arlington Square stated at the Downtown Redevelopment Advisory Board (DRAB) meeting that it was always their understanding that this was to be a 15-year repayment from increment. They cited the references to 15 years in Section IX, Alterations, and Section X, Maintenance, to support their point. The recorded restrictive covenants have a 15-year term and contain a provision that the developer can remove the covenants by paying the CRA \$4,000 per year for any of the remaining portion of the 15-year term or any outstanding principal on the City loan, whichever is greater.

At their October 4, 2001 meeting, DRAB made the following recommendation to the CRA: Upon review of the note, DRAB feels that either of the following interpretations would be appropriate: 1) intended to be a fifteen-year payback of the grant award and that the grantee would guarantee it at the end of the fifteen years or; 2) the current note could be paid solely from the tax increment and the grantee would make sure it is paid in full at the end of fifteen years.

In order to resolve this issue the CRA can request the City to restructure the existing debt retroactively to a 15-year repayment and authorize the City to issue the CRA a refund on overpayments. With the extended time frame the increment may be adequate to cover the annual payments. If the loan is not paid off by the end of the 15 years, the developer is required by the Development Agreement to pay any outstanding balance.

The CRA heard this item at their April 15, 2002 meeting and approved the Executive Director's recommendation that the CRA recommend the City restructure the existing debt retroactively to a 15-year repayment and authorize the City to issue the CRA a refund on overpayments.

The CRA and City would increase the payment stream to fifteen years. The exact cost to the CRA will depend on how rapidly the increment from the five parcels increases.

CRA to the City Commission: 1) recommend the City restructure the existing debt retroactively to a 15-year repayment; 2) authorize the City to issue the CRA a refund on overpayments; 3) authorize the Mayor to execute the note; and 4) authorize the Clerk to attest.