




TO: T.C. Broadnax, City Manager
FROM: Andy Cherullo, Finance Director, Finance Department
COPY: City Council and City Clerk
SUBJECT: Resolution – Thea Foss Waterway Development Authority (FWDA) Loan Modification – October 21, 2014
DATE: October 6, 2014

**SUMMARY:**

This resolution requests a modification to the Loan Agreement with the Thea Foss Waterway Development Authority (FWDA). The proposed loan modification would:

- (1) Allow a portion of the proceeds from the sale of property (“Site 1”) to be retained by the FWDA to be used for operating expenses during the 2015-16 biennium. This would eliminate the need for FWDA to request operating dollars from the General Fund in the 2015-2016 biennium.
- (2) Add additional properties to the list of assets that secure the \$4.1 million General Fund loan.

STRATEGIC POLICY PRIORITY:

- Strengthen and maintain a strong fiscal management position.
- Foster neighborhood, community, and economic development vitality and sustainability.

The redevelopment of the Thea Foss Waterway has been a major component to the revitalization of the City of Tacoma. The continued success of returning the remaining properties to useful purposes which add to the City’s tax base is critical. This amendment is fiscally balanced by repaying a portion of the General Fund loan while also providing resources to the FWDA. By splitting the sale proceeds, the FWDA can continue to perform their mission while eliminating the need to request additional operating dollars from the General Fund for the 2015-2016 biennium.

BACKGROUND:

In November of 2007, the City approved the execution of a loan agreement with the Thea Foss Waterway Development Authority (FWDA) (Resolution No. 37158). In that agreement the City loaned the FWDA \$4.1 million and the FWDA pledged as security for the loan the proceeds of the sale of “Site 1”. The proceeds from the loan were used exclusively for infrastructure improvements. The wharf/public esplanade and stabilization of the Seaport building were the primary use of the funds. The FWDA has, to date, paid \$690,649 in interest on the \$4.1 million loan through the end of 2013.

The FWDA remains reliant on lease revenue from the marina and on non-recurring revenue from its development activities. The primary source of revenue is the sale of property. During the recent economic downturn, property sales did not occur and FWDA operating funds diminished despite significant cut backs in operating expenses. The City has provided funds to the FWDA in the past as gap funding for the operating budget. By modifying the loan agreement, the FWDA will be able to use a portion of the proceeds from the sale of Site 1 in the 2015-2016 biennium and thus reduce its future request for financial support from the City.



ISSUE:

On February 6, 2014, the FWDA closed the sale of Site 1 to The Henry Group LLC for \$1,286,950. The property is being developed with 161 apartment units and commercial space at ground level. The proposed loan modification would split the \$1,286,950 of proceeds from the sale –

- \$643,475 to the General Fund to repay a portion of the \$4.1 million loan
- \$643,475 to be retained by the FWDA to support their development activities

Based on current budget projections, allowing the FWDA to keep a portion of the proceeds from the sale will keep them in a positive cash position through the end of the 2015-2016 biennium and avoid the need to ask for additional operating funds.

In addition, the proposed loan modification would have the FWDA pledge additional properties as security for the repayment of the remaining portion of the \$4.1 million loan. These properties are Development Site 10, Development Site 12 and the Delin Docks. The combined 2014 assessed value of these sites is \$5.2 million.

ALTERNATIVES:

The City could hold FWDA to the original terms of the Loan Agreement and take all of the proceeds from the sale of Site 1 to apply to the outstanding balance on the General Fund loan. This most likely would trigger a request from FWDA for additional funds from the City for the FWDA operating budget in the 2015-2016 biennium.

FISCAL NOTE:

As stated above, the proposed loan modification would split the \$1,286,950 of proceeds from the sale –

- \$643,475 to the General Fund to repay a portion of the \$4.1 million loan
- \$643,475 to be retained by the FWDA to support their development activities

In addition, the proposed loan modification would have the FWDA pledge additional properties as security for the repayment of the remaining portion of the \$4.1 million loan. These properties are Development Site 10, Development Site 12 and the Delin Docks. The combined 2014 assessed value of these sites is \$5.2 million.

RECOMMENDATION:

Staff recommends that the Council approve the modification to the loan agreement.