



TO: Elizabeth Pauli, City Manager
FROM: Andy Cherullo, Director, Finance Department
COPY: City Council and City Clerk
SUBJECT: Amendment to the Loan Agreement with the Foss Waterway Development Authority
DATE: September 22, 2017

SUMMARY:

A resolution authorizing an amendment to the General Fund loan agreement with the Foss Waterway Development Authority (FWDA). This amendment would extend the due date of the General Fund loan from November 14, 2017 to December 31, 2020.

STRATEGIC POLICY PRIORITY:

This amendment aligns with the following strategic policy priorities:

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

BACKGROUND:

The FWDA was created to assist the City with the redevelopment of the properties along and within the Thea Foss Waterway. In 2007, the FWDA secured permits and partial grant funding for in-water work related to the Balfour Dock and 16th Street excursion pier. Given that the in-water permits were time limited and the FWDA did not want to risk losing these critical permits, they requested a loan from the City to help complete the work. The original loan authorization was for \$4.1 million for a term of 10 years. The loan was secured by properties and revenues of the FWDA including revenues from the Delin and Dock Street Marinas, and the floats on the Dock Street Marina.

In 2014, FWDA sold Site 1 for \$1,291,200 and worked out an agreement with the City to split the proceeds evenly between the City and the FWDA by paying down a portion of the loan principal and applying the rest to capital project needs at the Foss Waterway. In 2015, the FWDA executed a lease agreement for the long term management, maintenance and capital replacement of the marinas and their supporting infrastructure. A portion of the proceeds from this lease agreement was used to pay down an additional \$1 million in loan principal. The remaining balance of the General Fund loan is \$2,456,525.

ISSUE:

The original 10 year term of the loan expires November 14, 2017, at which time the outstanding loan balance of \$2,456,525 would become due to the City. The extension is necessary to allow the FWDA sufficient time to market and sell the remaining properties on the Foss Waterway to generate the cash necessary to repay the loan.

ALTERNATIVES:

Council could decide to not amend the loan agreement to extend the loan. Not approving the proposed second amendment to the loan agreement would require the FWDA to repay the outstanding loan balance of \$2,456,525 to the General Fund on November 14, 2017. The FWDA currently does not have that amount of cash in which to repay the loan, so the loan would go into default.

RECOMMENDATION:

Staff recommends that City Council approve the second amendment to the FWDA loan agreement and extend the due date to December 31, 2020.



FISCAL IMPACT:

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: The extension of the loan until December 31, 2020 means that the General Fund will carry the loan receivable another 25 months.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? It was not anticipated that the FWDA would be able to retire the loan on November 14, 2017, so no loan repayment revenues were budgeted in the 2017-2018 budget.