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OF COUNTY COMMISSIONERS
MIAMI-DADE COUNTY, FLORIDA

Memorandum

MIAMI-DADE COUNTY

Agenda Item No. 8(K)(1)(A)

Resolution No. R-531-11

Date: July 7, 2011

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: Alina T. Hudak
County Manager

Subject: Resolution Authorizing Refinance of the US HUD Section 108 Promissory Notes for Loan Guarantee Assistance

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Recommendation

It is recommended that the Board of County Commissioners (Board) adopt the attached resolution authorizing the County Mayor or the County Mayor's designee to refinance the Section 108 Loans between Miami-Dade County (County) and US Department of Housing and Urban Development (US HUD) whenever US HUD offers refinancing opportunities provided that the refinancing generates net present value savings of five percent or more (inclusive of issuance and other costs to refinance) and the final maturity of the refinancing is not longer than the current maturity.

US HUD periodically offers a Section 108 borrower, like the County, an opportunity to refinance outstanding debt; however, time is of the essence as the timeframes to take advantage of these offers are typically very short. This resolution authorizes the County Mayor or County Mayor's designee to refinance these loans provided it is in the best interest of the County and that there is a net economic benefit to the County, and to report to the Board when such transactions occur. Refinancing the existing Section 108 US HUD debt Certificates will result in significant interest savings to the following loan portfolios:

1. Parrot Jungle Gardens and Watson Island (Series HUD 2000-A)
2. Targeted Urban Areas (TUA) Revolving Loan Fund (Series HUD 2001-A, Series HUD 2004-A, and Series HUD 2006-A), and
3. Brownfield Revolving Loan Fund (Series HUD 2001-A).

Staff will provide the Board with a report with the details of the transactions when any of these loan portfolios are refinanced.

Scope

The scope of this item is countywide. Miami-Dade County's Section 108 loan portfolio comprises commercial loans made to businesses located throughout Miami-Dade County.

Fiscal Impact/Funding Source

The current Section 108 portfolio includes three separate loan portfolios within Miami-Dade County's Section 108 Loan Guarantee Program with an initial principal value of $54 million of which $37 million in principal is outstanding. Miami-Dade County entered into loan agreements with US HUD for Section 108 funds to support commercial growth activities countywide and is required to make the debt service payments to US HUD. The attached Table 1 summarizes the three Section 108 loan portfolios. The principal and interest on the new notes sold shall be payable from the repayments of the outstanding Section 108 loans.

If the County refinances these loans in accordance with the net present value savings required under this resolution, the County will realize significant savings in interest payments on these loans. From time to time, US HUD offers the opportunity for Section 108 borrowers to refinance their Section 108 loans.

Background

The Section 108 Loan Guarantee Program is authorized under the Housing and Community Development Act of 1974 as part of the Community Development Block Grant (CDBG) Program and

offers local governments a source of financing for economic development, large-scale public facility projects, and public infrastructure. US HUD sells bonds on the private market and uses the proceeds to fund Section 108 loans through state and local governments. The local government may loan the funds, which must be repaid to US HUD, to third parties to undertake eligible CDBG activities (typically economic development). US HUD uses future CDBG allocations to jurisdictions as secondary security (loan guarantee) for the loan to the local government.

From time to time, US HUD offers recipient jurisdictions an opportunity to refinance outstanding debt, but the timeframe to take advantage of these offers are typically very short. Given the time required for legislative approval and negotiations between the parties, this item will authorize staff to refinance these loans provided that there is a net economic benefit to the County with net present value savings of five percent or more as required under this resolution and Resolution R-1313-09. It is important to note that in the case of the Parrot Jungle Gardens and Watson Island (Series HUD 2000-A) loan, the refinancing will also require the prior input and negotiations with the City of Miami. Staff will report with the details of the transactions to the Board, including the net present value savings of the refinancing and the final maturity.

The following is a background on the three loan portfolios.

Parrot Jungle Gardens and Watson Island
In the fall of 1997, Miami-Dade County was approached by Parrot Jungle Gardens and Watson Island (PJG), now known as Jungle Island, for the purpose of seeking financial assistance through the US HUD Section 108 Loan Program. The assistance was being requested to facilitate the relocation of the PJG attraction from its long-time home in South Dade to a new location on Watson Island in the City of Miami.

Miami-Dade County obtained a $25 million US HUD Section 108 Loan to make a loan to PJG for the relocation and expansion of the attraction. In addition to its collateral for the loan to PJG, the County has, as required by US HUD, pledged its current and future CDBG funds as the ultimate source of repayment for this obligation. However, the BCC directed that no CDBG funds can be used to address the non-payment from PJG to the County for the Section 108 loan. As the BCC is aware, the County and PJG have entered into agreements for the repayment of funds the County has advanced on behalf of PJG. In addition, the County, City and PJG signed a Joint Participation Agreement agreeing that the County and City would repay this loan to US HUD on a 20 percent to 80 percent proration, respectively through August 2011. As such, the refinancing of this loan portfolio will require that the County amend or execute agreements with US HUD and the City.

TUA Revolving Loan Fund
Through the adoption of Resolution R-1318-97, $40 million of Miami Dade County's Section 108 Loan program was reserved for the exclusive use and purpose of implementing the Task Force on Urban Economic Revitalization's (UERTF) Urban Economic Revitalization Plan that would generate and benefit urban economic development within the County's designated TUAs. Subsequent to the adoption of the Resolution and the preparation of the UERTF's initial Urban Economic Revitalization Plan, the Board adopted Ordinance 99-94 which authorized the submission of an application to USHUD for a Section 108 Loan in the amount of $40 million for the sole purpose of creating a revolving loan fund.

Based on the pledge of the County's CDBG allocation, the eligibility requirements for projects to be funded through the TUA revolving loan fund were designed to limit the County's participation under the program to the most appropriate and viable projects in need of "gap" financing. Eligible uses of the funds included the purchase of machinery and equipment, real estate or long-term working capital. The maximum loan amount per project could range up to an amount not to exceed 20 percent of total project costs or $5 million. Loans were limited to businesses operating within or planning to operate within the TUAs.

Due to initial expressions of interest in obtaining funding through the RLF from the community, the County requested an initial draw down on August 10, 2001 for $10 million.

The County drew down an additional $6.3 million and $10.303 million for a total of $16.603 million, from the US HUD Section 108 Program. While these notes are not currently available to be refinanced, it is recommended that the BCC authorize the County Mayor or the County Mayor's designee to initiate and undertake the refinancing process of the Section 108 Loans between the County and US HUD to retire existing debt for Series 2004-A and 2006-A Certificates as the opportunity becomes available. As mentioned above, the County will take the opportunity to refinance the Section 108 loan portfolio only if the County can generate net present value savings of five percent or more, inclusive of issuance and other costs to refinance.

Brownfield Revolving Loan Fund
On July 27,1999, Ordinance No. 99-95 authorized the County Manager to apply to the US Department of Housing and Urban Development for a Section 108 Loan Guarantee to provide affordable fixed rate financing to qualified eligible borrowers for site clean-up, rehabilitation and redevelopment of Brownfield sites. The County was awarded a $5,000,000 loan, with a grant of $1,750,000. On August 9, 2001, the County drew down $2,500,000 as well as $1,100,000 in grant funds, to be used as an interest reserve for the Loan Fund.

Additional Information
The following conditions apply if the BCC chooses to participate in the US HUD upcoming debenture offering:

- The new promissory note will not be pre-payable for the remaining period of the loans, but they can be defeased at any time.
- The County will have to pay issuance costs on the new loans, which will probably be in the range of 0.5 of one percent of the loan amounts; the County can use CDBG funds to pay these costs.
- Fundamental terms of the new promissory notes must be exactly the same as the existing promissory notes (for example, the principal payment schedules will remain the same and the security provisions of the existing notes will apply to the new notes).
- If these Section 108 Notes were issued to third-party borrowers, the County should discuss the refinancing option with the third-party entities and see if the option will work for all parties.
- To enable the refinancing, the County may need to defease the existing note by depositing cash in accounts with the Section 108 Trustee sufficient to pay all amounts due.

Assistant County Manager

Section 108 Loan Portfolio

	Parrot Jungle Gardens and Watson Island (Series HUD 2000-A)	TUA Revolving Loan Fund (Series HUD 2001-A)	Brownfield Revolving Loan Fund (Series HUD 2001-A)	TUA Revolving Loan Fund[1] (Series HUD 2004-A)	TUA Revolving Loan Fund[1] (Series HUD 2006-A)	Total
Original Principal	$25,000,000	$10,000,000	$2,500,000	$6,300,000	$10,303,000	$54,103,000
Original Interest[2]	25,046,602	6,738,514	1,696,475	5,102,565	7,665,338	46,249,494
Total Original P&I	**$50,046,602**	**$16,738,514**	**$4,196,475**	**$11,402,565**	**$17,968,338**	**$100,352,494**
Remaining Principal[2]	$15,560,000	$5,274,000	$1,327,000	$5,600,000	$9,853,000	$37,614,000
Remaining Interest[2]	5,513,842	1,791,378	456,619	2,511,530	4,940,751	15,214,120
Remaining P&I	**$21,073,842**	**$7,065,378**	**$1,783,619**	**$8,111,530**	**$14,793,751**	**$52,828,120**

1 – The $6.3 million in Series HUD 2004-A will be eligible for refinancing in 2014 and $10.303 million in Series HUD 2006-A will be eligible in 2016.

2 – Remaining principal and interest payments assume all payments beginning February 1, 2012.

MEMORANDUM

(Revised)

TO: Honorable Chairman Joe A. Martinez and Members, Board of County Commissioners

DATE: July 7, 2011

FROM: R. A. Cuevas, Jr. County Attorney

SUBJECT: Agenda Item No. 8(K)(1)(A)

Please note any items checked.

_____ **"3-Day Rule" for committees applicable if raised**

_____ **6 weeks required between first reading and public hearing**

_____ **4 weeks notification to municipal officials required prior to public hearing**

_____ **Decreases revenues or increases expenditures without balancing budget**

_____ **Budget required**

_____ **Statement of fiscal impact required**

_____ **Ordinance creating a new board requires detailed County Manager's report for public hearing**

_____ **No committee review**

_____ **Applicable legislation requires more than a majority vote (i.e., 2/3's ____, 3/5's ____, unanimous _____) to approve**

_____ **Current information regarding funding source, index code and available balance, and available capacity (if debt is contemplated) required**

Approved _____ Mayor
Veto _____
Override _____

Agenda Item No. 8(K)(1)(A)
7-7-11

RESOLUTION NO. R-531-11

RESOLUTION AUTHORIZING THE COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO INITIATE AND UNDERTAKE THE REFINANCING PROCESS FOR THE EXISTING SECTION 108 LOANS BETWEEN MIAMI-DADE COUNTY AND THE UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AS THE OPPORTUNITY BECOMES AVAILABLE GIVEN THE REFINANCING GENERATES NET PRESENT VALUE SAVINGS OF FIVE PERCENT OR MORE AND FINAL PROPOSED MATURITY IS NOT LONGER THAN CURRENT MATURITY; AUTHORIZING THE COUNTY MAYOR OR COUNTY MAYOR'S DESIGNEE TO EXECUTE ANY NECESSARY AGREEMENTS WITH US HUD, CITY OF MIAMI, AND OTHER PARTIES

WHEREAS, it is in the best interest of the County to refinance the existing Section 108 loans accompanying the Contracts for Loan Guarantee Assistance with the US Department of Housing and Urban Development (US HUD); and

WHEREAS, this Board desires to accomplish the purposes outlined in the accompanying memorandum, a copy of which is incorporated herein by reference,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that this Board authorizes the County Mayor or the County Mayor's designee to initiate and undertake the refinancing of the Section 108 loans, accompanying the Contracts for Loan Guarantee Assistance between Miami-Dade County and US HUD as the opportunity becomes available provided the refinancing generates net present value savings of five percent or more, inclusive of issuance and other costs to refinance, and the final maturity of the refinancing is not longer than the current maturity; authorizes the County Mayor or County Mayor's designee to execute any necessary agreements with US HUD, the City of Miami, and other parties; authorizes the County Mayor or

County Mayor's designee to pay issuance or other costs to refinance using the County's Community Development Block Grant (CDBG) funds, CDBG program income, or funds from other parties with an interest in the respective Section 108 loans.

The foregoing resolution was offered by Commissioner **Barbara J. Jordan**, who moved its adoption. The motion was seconded by Commissioner **Joe A. Martinez** and upon being put to a vote, the vote was as follows:

Joe A. Martinez, Chairman			aye
Audrey M. Edmonson, Vice Chairwoman			aye
Bruno A. Barreiro	aye	Lynda Bell	aye
Esteban L. Bovo, Jr.	aye	Jose "Pepe" Diaz	aye
Sally A. Heyman	absent	Barbara J. Jordan	aye
Jean Monestime	aye	Dennis C. Moss	aye
Rebeca Sosa	aye	Sen. Javier D. Souto	aye
Xavier L. Suarez	absent		

The Chairperson thereupon declared the resolution duly passed and adopted this 7th day of July, 2011. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF
COUNTY COMMISSIONERS

HARVEY RUVIN, CLERK

By: **Christopher Agrippa**
Deputy Clerk

Approved by County Attorney as
to form and legal sufficiency.

Brenda Kuhns Neuman