



LAKE WORTH BEACH COMMUNITY REDEVELOPMENT AGENCY

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www.lakeworthcra.org

MEMORANDUM

TO: CRA Chair, Vice Chair and Members of the CRA Board

FROM: Joan C. Oliva, Executive Director

DATE: March 16, 2021

SUBJECT: Re-finance of Loans with PNC Bank for Property Acquisition

EXPLANATION

In February of 2020, the CRA Board approved the refinancing of two CRA debentures. The purpose of the refinancing was for the CRA to save money on interest due to favorable rates. The money was borrowed to allow for the acquisition and assemblage of properties in the District. By refinancing our current debt and combining the three debentures (two prior debentures and one approved in 2020), the CRA will save approximately \$50K and pay back all the debt one year earlier than expected (2027 versus 2028). Back up regarding this modification is included for Board review as Exhibit "A." A Resolution, Exhibit "B," is also attached for the Boards approval and execution.

RECOMMENDATION

Staff recommends the Board approve Resolution 21-02 allowing the refinancing of the Lake Worth Beach CRA's debentures and authorize the Chair, Vice Chair and/or Executive Director to sign needed documents.

PNC BANK, NATIONAL ASSOCIATION

Preliminary Summary of Terms and Conditions for Loan Facilities
City of Lake Worth Beach Community Redevelopment Agency

March 3, 2021

BANK QUALIFIED TAX-EXEMPT OR TAXABLE BANK TERM LOAN

This Term Sheet is not a commitment or an offer to lend and does not create any obligation on the part of the Bank or any affiliate thereof. Neither the Bank nor any affiliate thereof will be deemed to have extended any commitment to the Borrower unless and until a formal commitment letter is issued and has been executed, delivered and accepted. This outline is only a brief description of the principal terms of suggested loan facilities and is intended for discussion purposes only.

This Term Sheet is delivered to you on the understanding that any of the terms of substance hereunder shall not be disclosed, directly or indirectly, to any other person except your officers, agents and advisors who are directly involved in the consideration of this matter unless required to do so by applicable law or prior written consent has been given by the Bank.

The indicative pricing provided herein is for discussion purposes only, is as of the date of this non-binding proposal and is subject to change daily between now through acceptance and date of close given the extraordinary and rapidly evolving market conditions.

I. PARTIES

BORROWER / ISSUER: Lake Worth Beach Community Redevelopment Agency (the "*Borrower*", "CRA" or "Issuer")

LENDER: PNC Bank, National Association (the "*Bank*").

PRIMARY CONTACT:
Nick Ayotte
Relationship Manager, Vice President
16740 San Carlos Boulevard
Fort Myers, FL 33908
(p) 239-437-3736 (f) 239-433-0359
nicholas.ayotte@pnc.com

II. CREDIT FACILITY, SECURITY AND FINANCING DOCUMENTS

CREDIT FACILITY: PNC will provide a tax-exempt Bank Qualified ("BQ") or taxable fixed rate term loan of up to \$3,265,000 (the "*Term Loan*") pursuant to the terms of a Term Loan Agreement between the Borrower and the Bank (the "*Loan Agreement*" or the "*Credit Facility*").

PURPOSE: The proceeds of the Term Loan under the Credit Facility shall be used to provide funds to refund the outstanding Debentures with PNC dated 2016 and 2018 along with the outstanding balance of the PNC Credit Facility dated January 9, 2020 and if necessary, to pay the cost of issuance.

MATURITY DATE: April 1, 2027

AMORTIZATION: The Term Loan shall amortize with level debt service over the tenor of the Credit Facility. Principal shall be payable annually every April 1 with the first payment due on April 1, 2022.

INTEREST PAYMENTS: Semi-annually on April 1 and October 1 commencing on October 1, 2021 (30/360).

LAKE WORTH BEACH CRA



SECURITY:

The payment of the principal and interest on the Note will be limited obligations of the CRA payable solely from and secured by a senior lien on the tax increment revenues deposited into the redevelopment trust fund in accordance with Section 163.387, Florida Statutes, annually by taxing authorities levying ad valorem taxes in the redevelopment area applicable to the Issuer (the "Tax Increment Revenues"). Under no circumstances will the Maturity Date extend beyond the Sunset Date of the Tax Increment Revenues.

FINANCING DOCUMENTATION:

The Credit Facility shall include standard conditions precedent to purchase and closing, representations and warranties, indemnities, covenants, events of default and remedies. The Loan Agreement, the Note, governing documentation and the other documents required for closing are herein collectively referred to as the "Financing Documents."

TAX STATUS OF INTEREST ON THE NOTE:

Interest on the Note shall be either taxable or excludable from the gross income of the Bank for federal income tax purposes. If tax-exempt the Borrower shall take all steps necessary to maintain such tax-exempt status and the Bank shall be provided an opinion of tax counsel satisfactory to the Bank which concludes that interest on the Note is excludable from gross income for federal income tax purposes and that the Note is a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code.

CLOSING DATE:

The closing date is expected to occur on or about May 5, 2021 (the "Closing Date") and shall be subject to the satisfaction of the conditions precedent set forth in the Loan Agreement and the conditions precedent described herein.

III. INTEREST RATES AND OTHER KEY PROVISIONS

INDICATIVE FIXED RATES:

For illustrative purposes only, the fixed rates below are indicative ("Indicative Fixed Rates") as of 3.3.2021 and the Final Fixed Rate(s) will be set, based on the Banks Cost of Funds, two (2) days prior to the funding date.

*At the request of the Borrower, the Bank will update these Indicative Fixed Rates at any time.

Indicative BQ Tax-Exempt Term Loan Rate: 1.74%

Indicative Taxable Term Loan Rate: 2.22%

PREPAYMENT:

The CRA has the choice of selecting one of the three options as shown below:

OPTION A: Using the Indicative Rates shown above, prepayment can be made on any business day within the guidelines of the Bank's Standard Make Whole provisions. The Bank requires no less than 5 business days advance written notice of prepayment. Further, the Bank will require the inverse chronological order of the maturities or amortization installments being prepaid.

(OR)

OPTION B: On or after April 1, 2023, call option at 100% of par with Indicative Rates as follows:

Indicative BQ Tax-Exempt Term Loan Rate: 1.94%

Indicative Taxable Term Loan Rate: 2.52%

(OR)

OPTION C: On or after April 1, 2024, call option at 100% of par with Indicative Rates as follows:

Indicative BQ Tax-Exempt Term Loan Rate: 1.86%

Indicative Taxable Term Loan Rate: 2.37%

COMPUTATION BASIS: Fixed Rates - Computations of interest shall be calculated on a 30/360 day basis.

EVENT OF TAXABILITY: If the tax-exempt option is elected and in the event a determination of taxability shall occur, in addition to the amounts required to be paid with respect to the Note, the Borrower shall be obligated to pay to the Bank an amount equal to the positive difference, if any, between the amount of interest that would have been paid during the period of taxability if the Note had borne interest at a taxable rate and the interest actually received by the Bank with respect to the Note.

DEFAULT RATE: The Default Rate equals the greatest of (i) the PNC Prime Rate plus 3.0%; (ii) the Overnight Bank Funding Rate plus 3.5%; and (iii) 7.0% provided, however, in no event will the Default Rate exceed the maximum rate permitted by law.

IV. OTHER FEES AND EXPENSES

COMMITMENT/CLOSING FEE: Waived

COSTS AND EXPENSES: All expenses incurred by the Bank, including reasonable legal fees (inside and outside), and any other expenses in reference to structuring, documenting, closing, monitoring or enforcing the Financing Documents, if applicable, shall be for the account of the Borrower and payable at closing and otherwise on demand. The Bank will be utilizing Holland & Knight LLP as Bank Counsel. Bank Counsel legal fees (review-only / no opinion) will not exceed \$8,500 if awarded the bank loan. All expenses (including counsel fees) shall be paid by the Borrower regardless of whether the transaction is closed.

V. FINANCIAL/NEGATIVE COVENANTS AND FINANCIAL REPORTING

General affirmative and negative covenants, including the financial covenants and reporting covenants listed below, will be specified by the Bank for inclusion in the Financing Documents.

- Annual audited financial statements for the Borrower and its affiliates within 270 days of fiscal year end;
- **Debt Service Coverage:** Not less than 1.20 times coverage tested annually based on audited numbers and provided to the Bank with an accompanying demonstration of the calculation. The definition will generally follow TIF fund revenues, less operating expenditures for the CRA Trust; divided by Principal and Interest paid for that FY. The definition is expected not to include any funds placed in a sinking fund, if applicable.

Incorporation of Covenants by Reference. The Borrower agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the respective Loan Agreements and the other Financing Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety.

**VI. CONDITIONS
PRECEDENT TO CLOSING**

The Financing Documents shall include conditions precedent customary for transactions of this nature including, without limitation, the following:

Documentation satisfactory to Bank Counsel; delivery of enforceability and approving opinions; authorizing resolutions (which may be an existing authorizing resolution); financial statements; bring-down of representations and warranties; and certification as to no default or event of default.

**VII. EVENTS OF DEFAULT/
REMEDIES:**

The Loan Agreement shall include events of default customary for transactions of this nature, including, without limitation; payment default, covenant defaults, breach of representations, cross defaults to parity debt, cross acceleration of parity debt, invalidity or repudiation of any Financing Document or any material provision thereof, judgment default, bankruptcy or insolvency, and pension plan defaults.

Upon the occurrence of an Event of Default, in addition to all other customary remedies, all payment obligations shall bear interest at the Default Rate.

**VIII. CHOICE OF LAW / JURY TRIAL /
OTHER PROVISIONS**

GOVERNING LAW:

The Loan Agreement, and any other documents to which the Bank shall become a party will be governed by the laws of the State of Florida.

USA PATRIOT ACT NOTICE:

Pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. 107 56), the Bank is required to obtain, verify and record information that identifies the Borrower and, potentially, other loan parties, which information may include, without limitation, the name and address of the Borrower and any such loan parties and other information that will allow the Bank to identify the Borrower and other loan parties in accordance with the USA PATRIOT Act.

JURY TRIAL:

To the extent permitted by law, the parties to the Loan Agreement agree to waive a jury trial in any proceeding including the Bank.

TRANSFERS/ASSIGNMENTS:

While the Bank is providing the Credit Facility for its own account without a present intent to transfer the Credit Facility, the Bank reserves the right in its sole discretion to assign, sell, pledge or participate interests in the Credit Facility without the consent of the Borrower.

ADDITIONAL TERMS:

The terms and conditions contained in this proposal are not intended to be comprehensive. The definitive Financing Documents may include additional terms and conditions required by the Bank, subject to mutual agreement of the parties, which are not included herein.

UNDERWRITING:

Should the CRA award this transaction to the Lender, the Bank requires a minimum of 2 weeks for the formal underwriting process from the appointed date.

**NO ADVISORY OR
FIDUCIARY ROLE:**

The Borrower acknowledges and agrees that: (i) the Bank has not assumed any advisory or fiduciary responsibility to the Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank or any of its affiliates has provided other services or is currently providing other services to the Borrower on other matters); (ii) the only obligations the Bank has to the Borrower with respect to the transaction contemplated hereby are expressly set forth in this term sheet; and (iii) the

Borrower has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

EXPIRATION:

This proposal expires May 5th, 2021 and the Credit Facility must close no later than this date unless otherwise extended by the Bank in writing.

AGREEMENT BY THE ISSUER / BORROWER:

The Borrower hereby desires to engage the Bank in the origination of the Credit Facility pursuant to the terms and conditions stated herein.

Recognizing that this Term Sheet is non-binding on the Bank unless and until a commitment is issued, please evidence your interest in proceeding on the foregoing terms and conditions by signing and returning a copy of the document to the Bank on or prior to March 31st, 2021 at which point the Bank will continue with due diligence and credit underwriting for the foregoing transaction.

ACCEPTED AND AGREED TO:

LAKE WORTH BEACH CRA

By: _____

Print Name: _____

Title: _____

Date: _____

Year	Principal	Rate	Interest	Principal	Rate	Interest	Principal	Rate	Interest	Principal	Rate	Interest	Principal	Rate	Interest	Principal	Rate	Interest			
22-Mar	3,265,000.00	2.22%	72,483.00	3,265,000.00	2.30%	75,095.00	3,265,000.00	2.40%	78,360.00	3,265,000.00	2.45%	79,952.50	3,265,000.00	2.50%	81,625.00	3,265,000.00	2.55%	83,257.50	3,265,000.00	2.60%	84,890.00
23-Mar	2,750,000.00	2.22%	61,050.00	2,750,000.00	2.30%	63,250.00	2,750,000.00	2.40%	66,000.00	2,750,000.00	2.45%	67,375.00	2,750,000.00	2.50%	68,750.00	2,750,000.00	2.55%	70,125.00	2,750,000.00	2.60%	71,500.00
24-Mar	2,220,000.00	2.22%	49,284.00	2,220,000.00	2.30%	51,060.00	2,220,000.00	2.40%	53,280.00	2,220,000.00	2.45%	54,490.00	2,220,000.00	2.50%	55,500.00	2,220,000.00	2.55%	56,610.00	2,220,000.00	2.60%	57,720.00
25-Mar	1,680,000.00	2.22%	37,296.00	1,680,000.00	2.30%	38,640.00	1,680,000.00	2.40%	40,320.00	1,680,000.00	2.45%	41,180.00	1,680,000.00	2.50%	42,000.00	1,680,000.00	2.55%	42,840.00	1,680,000.00	2.60%	43,680.00
26-Mar	1,130,000.00	2.22%	25,086.00	1,130,000.00	2.30%	25,990.00	1,130,000.00	2.40%	27,320.00	1,130,000.00	2.45%	27,685.00	1,130,000.00	2.50%	28,250.00	1,130,000.00	2.55%	28,815.00	1,130,000.00	2.60%	29,380.00
27-Mar	570,000.00	2.22%	12,654.00	570,000.00	2.30%	13,110.00	570,000.00	2.40%	13,680.00	570,000.00	2.45%	13,965.00	570,000.00	2.50%	14,250.00	570,000.00	2.55%	14,535.00	570,000.00	2.60%	14,820.00
			257,853.00			267,145.00			278,760.00			284,567.50			290,375.00			296,182.50			301,990.00
	3,265,000.00		3,522,853.00			3,532,145.00			3,543,760.00			3,549,567.50			3,555,375.00			3,561,182.50			3,566,990.00
			3,574,686.41			3,574,686.41			3,574,686.41			3,574,686.41			3,574,686.41			3,574,686.41			3,574,686.41
			<u>51,833.41</u>			<u>42,541.41</u>			<u>30,926.41</u>			<u>25,118.91</u>			<u>19,311.41</u>			<u>13,503.91</u>			<u>7,696.41</u>

**LAKE WORTH BEACH
COMMUNITY REDEVELOPMENT AGENCY**

RESOLUTION NO. 2021-__

A RESOLUTION OF THE LAKE WORTH BEACH COMMUNITY REDEVELOPMENT AGENCY AUTHORIZING A LOAN IN THE FORM OF A NOTE IN THE AMOUNT OF UP TO \$3,265,000, SUBJECT TO THE CONDITIONS CONTAINED HEREIN; REQUESTING THE CITY COMMISSION OF THE CITY OF LAKE WORTH BEACH APPROVE THE LOAN IN THE FORM OF A NOTE; AUTHORIZING SUCH LOAN AND THE ISSUANCE OF A NOTE IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$3,265,000 TO REFINANCE THE OUTSTANDING PRIOR LOANS OF THE LAKE WORTH BEACH COMMUNITY REDEVELOPMENT AGENCY AS DESCRIBED HEREIN; AWARDING THE NOTE ON A NEGOTIATED BASIS; APPROVING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT AND A NOTE IN CONNECTION WITH SUCH LOAN; PROVIDING A SEVERABILITY CLAUSE, A CONFLICTS CLAUSE AND AN EFFECTIVE DATE; AND FOR OTHER PURPOSES.

BE IT RESOLVED BY THE LAKE WORTH BEACH COMMUNITY REDEVELOPMENT AGENCY (THE "CRA") AS FOLLOWS:

Section 1. Definitions. The following words and phrases shall have the following meanings when used herein:

"Authorized Signatory" means any one of the Authorized Signatories.

"Authorized Signatories" means Brendan Lynch, Chair, Mark Rickards, Vice-Chair, and/or Joan Oliva, Executive Director of the CRA.

"Interest Rate" means a fixed rate not to exceed 2.50%.

"Loan" means a loan to the CRA in an amount not to exceed the Loan Amount at a rate not to exceed the Interest Rate for the purpose of refinancing the Prior Loans to be evidenced by the Loan Agreement.

"Loan Amount" means up to \$3,265,000.

"Prior Loans" means collectively, the \$4,000,000 original principal amount of Lake Worth Community Redevelopment Agency Tax Increment Redevelopment Revenue Debenture, Series 2016, the \$1,500,000 original principal amount of Lake Worth Beach Community Redevelopment Agency Tax Increment Redevelopment Revenue Debenture, Series 2018 and the \$903,000 Convertible Line of Credit dated January 9, 2020, all with PNC Bank, National Association (the "Bank").

Section 2. Authorization of Transaction; Negotiated Sale. In order to obtain funds to refinance the costs of the Prior Loans, and pay any cost of issuance, the CRA is authorized to enter into a Loan and to issue a Note (the “**Note**”) for the purchase by the Bank in the amount of up to the Loan Amount and for a rate not in excess of the Interest Rate. The Board of Commissioners of the CRA hereby finds that, due to the present volatility of the market for obligations such as the Note, and the complexity of the transaction relating to the Note and the refinancing of the Prior Loans, it is in the best interests of the CRA to award the Note to the Bank by a negotiated sale, rather than by public sale at a specified advertised date, in order to permit the CRA to obtain the best possible terms and conditions, including interest rate, for the Note.

Section 3. Acceptance of Terms for the Loan. The Preliminary Summary of Terms and Conditions for Loan Facilities from the Bank, dated March 3, 2021 and attached hereto as Exhibit “A” (the “**Terms Sheet Letter**”), is approved and the CRA hereby accepts the indicative Taxable Term Loan Rate, provided that such rate is not in excess of the Interest Rate at the time of issuance of the Note and accepts Option A with respect to prepayment of the Note. Any Authorized Signatory is authorized and directed to execute the Terms Sheet Letter on behalf of the CRA, subject to the adoption of a Resolution of the City of Lake Worth Beach approving the issuance of the Note.

Section 4. Loan Agreement and Note. The CRA is authorized to execute a Loan Agreement (the “**Loan Agreement**”) with the Bank and to make and deliver to the Bank a Note securing the Loan, both of which shall have substantially the terms and conditions consistent with the Terms Sheet Letter and the terms provided in Section 3 hereof. The final terms and conditions may be negotiated with the Bank by the Authorized Signatories. Any Authorized Signatory is authorized and directed to execute the Loan Agreement and Note with such provisions, consistent with the foregoing, as he or she may approve on behalf of the CRA, such approval to be conclusively evidenced by such execution.

Section 5. Application of the Proceeds of the Note. The proceeds derived from the sale of the Note shall be applied by the CRA to refinance the Prior Loans and pay any cost of issuance of the Note consistent with this Resolution and as set forth in the Loan Agreement.

Section 6. Conditions Precedent. Neither the Loan Agreement nor the Note shall be executed, and the Note shall not be issued, unless the City Commission of the City of Lake Worth Beach, Florida shall have first authorized the same by duly adopted resolution. Furthermore, at least fifteen days prior to the closing of the issuance of the Note, notice shall have been given as required by Section 163.346, Florida Statutes. In addition, the Bank shall deliver to the CRA a disclosure statement and truth-in-bonding statement required by Chapter 218, Florida Statutes, prior to the issuance of the Note. The Authorized Signatories are authorized and directed to request the City Commission to grant such approval and to cause such notice to be given the manner required by law.

Section 7. Nature of Note. The Note shall constitute “redevelopment revenue bonds” within the meaning of Section 163.385, Florida Statutes and shall have the terms, conditions and limitations set forth therein. Without limiting the generality of the foregoing, the Note shall be payable from and secured solely by the CRA's redevelopment trust fund and the increment revenue (as defined in Section 163.340(22)), Florida Statutes, required to be deposited therein.

Section 8. Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable in any context, the same shall not affect any other provisions herein or render any other provisions (or such provision in any other context) invalid, inoperative or unenforceable to any extent whatever.

Section 9. Applicable Provisions of Law. This Resolution shall be governed by and construed in accordance with the laws of the State of Florida.

Section 10. Authorizations. All officials and employees of the CRA are authorized and empowered, collectively or individually, to take all action and steps and to execute all instruments, documents, and contracts on behalf of the CRA that are necessary or desirable in connection with the completion of the Loan and issuance of the Note.

Section 11. Effective Date. This Resolution shall become effective immediately upon its passage.

(SIGNATURE PAGE TO FOLLOW)

PASSED AND ADOPTED BY THE BOARD OF COMMISSIONERS OF THE LAKE WORTH BEACH COMMUNITY REDEVELOPMENT AGENCY ON THE ____ DAY OF _____, 2021.

LAKE WORTH BEACH COMMUNITY REDEVELOPMENT AGENCY

By: _____
BRENDAN LYNCH, CHAIR OR
MARK RICKARDS, VICE-CHAIR

ATTEST:

JOAN OLIVA, EXECUTIVE DIRECTOR