RESOLUTION NO. 12-61

A RESOLUTION REQUESTING THAT THE CITY COUNCIL REVIEW AND CONSIDER A PROJECT REHABILITATION PLAN AND COST ESTIMATE FOR THE RENOVATION OF THE BUILDING LOCATED AT 501 PROCTER STREET IN DOWNTOWN PORT ARTHUR OWNED BY THE CITY OF PORT ARTHUR SECTION 4A ECONOMIC DEVELOPMENT CORPORATION.

WHEREAS, the City of Port Arthur Section 4A Economic Development Corporation (PAEDC) desires to relocate its offices to downtown Port Arthur; and

WHEREAS, per Resolution No. 10-092, the City Council authorized the funding for professional services for the feasibility and design for the renovations; and

WHEREAS, per Resolution No. 10-271, the City of Port Arthur authorized the funding for professional services for the feasibility and design for the renovations; and the City of Port Arthur Section 4A Economic Development Corporation to contract the services of Vincent Hauser Architect to conduct the feasibility and design study of the building located at 501 Procter Street in downtown Port Arthur; and

WHEREAS, per Resolution No. 10-424, the City Council authorized the City of Port Arthur Section 4A Economic Development Corporation to purchase the property located at 501 Procter Street in downtown Port Arthur; and

WHEREAS, on October 31, 2012, the purchase on the subject property was completed and the Title company has issued a property deed in the City of Port Arthur Section 4A Economic Development Corporation's name; and

WHEREAS, the City of Port Arthur Section 4A Economic Development Corporation CEO is currently negotiating a long-term lease agreement with the Greater Port Arthur Chamber of Commerce and a private entity; and

WHEREAS, final terms and condition of the lease agreement will be approved by both the PAEDC Board of Directors and the City Council; and

WHEREAS, attached as Exhibit "A" is the proposed rehab time-line for the development of the project; and

WHEREAS, a proposal of potential cost options is attached hereto as **Exhibit "B"** and a finalized cost proposal will be presented at the Joint Meeting between the PAEDC and the City Council.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PORT ARTHUR, TEXAS:

- <u>Section 1</u>. That the facts and opinions in the preamble are true and correct.
- <u>Section 2</u>. That the City Council authorizes the PAEDC to pursue the development plan as stated in Exhibit "A" to retrofit the property it owns located at 501 Procter based upon the cost estimate attached hereto as Exhibit "B".
- <u>Section 3</u>. That PAEDC is further authorized to proceed with the procurement process for the following projects of which the costs shall not exceed \$500,000:
 - a. asbestos abatement;
 - b. preliminary demolition; and
 - c. Architectural and engineering services.
- <u>Section 4.</u> That all contracts will be presented to the City Council for approval prior to their execution and subject to a budget amendment.

<u>Section 5.</u> That a copy of the caption of this Resolution be spread upon

READ, ADOPTED AND APPROVED on this day of A.D., 2012, at a Meeting of the City Council of the City of Port Arthur, Texas, by the following vote: AYES:

A.D., 2012, at a meeting of the City Council of the City of Port Arthur, Texas, p	,
the following vote: AYES:	
Mayor: Prince; Mayor the Jem Lewis	
Councilmembers: Note, Albrian Buch and	
Williamson.	;
	•
NOES: $\sqrt{200}$	

Deloris "Bobbie" Prince, Mayor

ATTEST!

Sherri Bellard, City Secretary

APPROVED:

Floyd Batiste, PAEDC CEO

APPROYED AS TO FORM:

Guy N. Goodson, PAEDC Attorney

APPROVED AS TO FORM:

Valecia R. Tizeno City Attorney

EXHIBIT "A"

Bid & Construction				501 Proctor Port Arthur, TX Draft Schedule Phase Pursuit Financing Alts
Owner Approves Financing Pkg Contr Qualif EDC GMP / Const Contract Construction Base Building Construction Tenent Impr Tenent Impr FF&E incl Telecom National Development Council Vincent P. Hauser Architect	Owner Approves Des A/E Const Docs VPHA / H+C VPHA / H+C VPHA / H+C Budget Rev 3 EDC / VPHA / Contr Rev Financing pkg EDC / NDC	Site Plan determ EDC Detention / Reg storm EDC Exg Utility Analysis EDC / VPHA Hazmat Abatement EDC / Contr Tenant fit planning VPHA / H+C VPHA / H+C Tenant LOI EDC / NDC A/E Schematic des	Rev Fin Feas EDC / NDC Bldg Acquisition Negot EDC Bldg Acquisition EDC Project Schedule EDC / VPHA / NDC Project Fin Structure EDC / NDC Project Fin Structure EDC / NDC	Prelim Schedule Prelim Schedule Task Task Preliminary Fin Feas EDC / NDC Prelim Des Feas EDC / VPHA Phase 1 & Phase 2 Envr EDC / EPA Prelim Cont Budget EDC/VPHA
				2010 2011 2012 2012 2012 Q3 Q3 JULY JULY JULY JULY JULY JULY JULY JULY
			. Property	2012 203 Q4 Q1 Aug Sept Oct Nov DEC Jan
Con	Building design :		ty Acquired ty Acquired Revise budgets and financing structure, secure tenant commitments Provide schematic design based on tenant commitments Provide schematic design based on tenant commitments Planning, zoning, utility and stormwater permit by ED	2013 2013 Q1 Q2 Jan Feb Mar Apr May Jun
EDC Approves financing Pkg Contractor selected by EDC Guaranteed max price contract	Building design approved by EDC New Markets Tax Credit Financing Vehicle		utility and stormwater permit	2013 2013 Q3 Q4 July Aug Sep Oct Nov
ract	Vehicle timeline		ments nts ty EDC	2014 2014 Q1 Q2 Dec Jan Feb Mar Apr
				114 2014 2 Q3 2 Q3 1 Q3

EXHIBIT "B"

NMTC Sources and Uses Notes

While the New Market Tax Credit Program is tool for revitalization, it is not a guaranteed program and there are upfront costs associated with it such as:

- Legal
- Audits
- CDE AM Fee
- Put Reserve

In regards to the rehabilitation project at 501 Proctor St, the costs associated with using NMTC are as follows:

Legal: \$200,000
IF Audit: \$65,421
Audit Fee: \$78,321
CDE AM Fee: \$138,425
Put Reserve: \$63,549

\$545,716 is the estimated cost associated with accessing \$1,337,153 in NMTC equity. All costs are included in the development budget and not taken out of operations.

Sources	 	Uses		
I/O Loan - PAEDC	\$ 4,066,847	Acquisition	\$	200,000
I/O Loan - NMTC Equity	\$ 1,283,667	Site Improvements	\$	27,500
Deferred Loan - NDC	\$ 53,486	Construction	\$	4,011,811
		Professional Fees .	\$	489,982
		Construction Finance	\$	76,395
		Permanent Finance	. \$	-
		Soft Costs	\$	6,000
		Reserves	\$	46,596
		Legal	\$	200,000
		IF Audit	\$	65,421
		Audit Fee	\$	78,321
		CDE AM Fee	\$	138,425
	 	Put Reserve	\$	63,549
Total Development Sources	\$ 5,404,000	Total Development Costs	\$	5,404,000

NMTC Equity	 	NMTC Costs		
I/O Loan - NMTC Equity	\$ 1,283,667	Legal	\$	200,000
Deferred Loan - NDC	\$ 53,486	IF Audit	\$	65,421
Total NMTC Equity	\$ 1,337,153	Audit Fee	. \$	78,321
	 	CDE AM Fee	\$	138,425
		Put Reserve	\$	63,549
		Total NMTC Costs	\$	545,716
NMTC Equity	\$ 1,337,153		***************************************	
NMTC Cost	\$ 545,716			
Net NMTC Proceeds	\$ 791,437			

·

.

ι

Sources			Uses	
I/O Loan - PAEDC	\$	4,858,284	Acquisition	\$ 200,000
			Site Improvements	\$ 27,500
			Construction	\$ 4,011,811
			Professional Fees	\$ 489,982
			Construction Finance	\$ 76,395
			Permanent Finance	\$ -
•			Soft Costs	\$ 6,000
			Reserves	\$ 46,596
Total Development Sources	\$	4,858,284	Total Development Costs	\$ 4,858,284
Gap	Ś	•		
Additional Funding Needed	Ś	791,437		

•

•

.

RTC Sources and Uses Notes

While the Historic Rehabilitation Tax Credit Program is tool for revitalization on historic properties, it requires compliance with the National Parks Service standards for historic properties and there are ongoing operating costs associated with it such as:

- RTC Investor Exit Tax or Put
- Annual RTC Investor Return on Investment
- Administrative Fee
- Annual Property Taxes (property must owned by a for-profit entity)

In regards to the rehabilitation project at 501 Proctor St, the costs associated with using RTC are as follows:

- RTC Investor Return: 15% of Equity = \$100,065
- RTC investor Return on investment: 3% COC, 20,013 x 5 years = \$100,065
- Administrative Fee: \$1,000 x 5 years = 5,000
- Est. Property Taxes on \$3M: \$77,342 a year

\$591,845 is the estimated cost and ongoing property taxes associated with accessing \$667,116 in RTC equity. Using NMTC will extend the compliance period to seven years bringing the estimated operating cost increase to \$828,583 which is \$161,467 over the \$667,116 in RTC equity.

Sources		Uses	
I/O Loan - PAEDC	\$ 4,211,168	Acquisition	\$ 200,000
RTC Equity	\$ 667,116	Site Improvements	\$ 27,500
		Construction	\$ 4,011,811
		Professional Fees	\$ 489,982
		Construction Finance	\$ 76,395
		Permanent Finance	\$ -
		Soft Costs	\$ 26,000
	 	Reserves	\$ 46,596
Total Development Sources	\$ 4,878,284	Total Development Costs	\$ 4,878,284
Gap	\$ •	,	

•

Operating Cost Comparison	Year 1	 Year 2	Ye	ar 3		Year 4	Year 5
RTC Investor Ret (15%)	20,013	20,013		20,013		20,013	20,013
RTC Investor ROI + Admin	21,013	21,013		21,013		21,013	21,013
Property Taxes	77,342	77,342		77,342		77,342	 77,342
Operating Expenses w RTC	\$ 118,369	\$ 118,369	\$	118,369	\$	118,369	\$ 118,369
RTC Equity	\$ 667,116		RTC Equity				\$ 667,116
Operating Increase	591,845		Operating In-	rease			828,583
RTC Operating Difference @ 5 years	\$ 75,271		RTC Operation	ng Difference	@ 7 y	/ears	\$ (161,467

•

Sources		Uses		
I/O Loan - PAEDC	\$ 4,858,284	Acquisition	\$	200,000
		Site Improvements	\$	27,500
		Construction	\$	4,011,811
		Professional Fees	\$	489,982
		Construction Finance	\$	76,395
		Permanent Finance	\$	-
		Soft Costs	\$	6,000
		Reserves	\$	46,596
Total Development Sources	\$ 4,858,284	Total Development Costs	\$	4,858,284
Gap	\$ -			
Additional Funding Needed	\$ 647,116			

♦ Constant