

RESOLUTION NO. 12-614

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:

Section 1. That the facts and opinions in the preamble are true and correct.

Section 2. 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".

Section 3. 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.

Section 4. That all contracts will be presented to the City Council for approval prior to their execution and subject to a budget amendment.

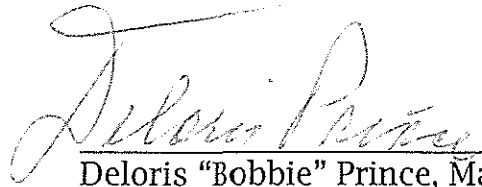
Section 5. That a copy of the caption of this Resolution be spread upon the Minutes of the City Council.

READ, ADOPTED AND APPROVED on this 11th day of Dec. A.D., 2012, at a Meeting of the City Council of the City of Port Arthur, Texas, by the following vote: AYES:

Mayor: Prince; Mayor Pro Tem Lewis;

Councilmembers: Spott, Albright, Ducet, and Williamson;

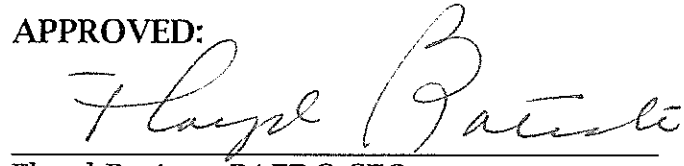
NOES: None.


Deloris "Bobbie" Prince, Mayor

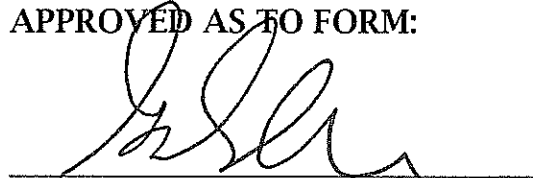
ATTEST:


Sherri Bellard, City Secretary

APPROVED:


Floyd Batiste, PAEDC CEO

APPROVED AS TO FORM:


Guy N. Goodson, PAEDC Attorney

APPROVED AS TO FORM:

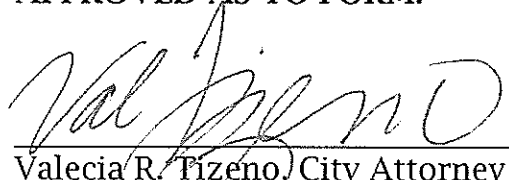

Valecia R. Tizeno, City Attorney

EXHIBIT "A"

Port Arthur EDC

[illegible]

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.

With NMTC

Sources

I/O Loan - PAEDC	\$	4,066,847
I/O Loan - NMTC Equity	\$	1,283,667
Deferred Loan - NDC	\$	53,486

Total Development Sources	\$	<u>5,404,000</u>
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Gap	\$	-
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Uses

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

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

Total Development Costs	\$	<u>5,404,000</u>
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NMTC Equity

I/O Loan - NMTC Equity	\$	1,283,667
Deferred Loan - NDC	\$	53,486
Total NMTC Equity	\$	<u>1,337,153</u>

NMTC Equity	\$	1,337,153
NMTC Cost	\$	545,716
Net NMTC Proceeds	\$	<u>791,437</u>

NMTC Costs

Legal	\$	200,000
IF Audit	\$	65,421
Audit Fee	\$	78,321
CDE AM Fee	\$	138,425
Put Reserve	\$	63,549
Total NMTC Costs	\$	<u>545,716</u>

W/O NMTC			
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	<u>\$ 4,858,284</u>	Total Development Costs	<u>\$ 4,858,284</u>
Gap	\$ -		
Additional Funding Needed	\$ 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.

With RTC					
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	\$	<u>4,878,284</u>	Total Development Costs	\$	<u>4,878,284</u>
Gap	\$	-			

Operating Cost Comparison	Year 1	Year 2	Year 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 Increase		828,583
RTC Operating Difference @ 5 years	\$ 75,271		RTC Operating Difference @ 7 years		\$ (161,467)

W/O RTC					
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			