# AGENDA

<table>
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<tr>
<th>Meeting Type:</th>
<th>S</th>
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<tbody>
<tr>
<td>Date:</td>
<td>08-17-1992</td>
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<tr>
<td><strong>SUBJECT</strong></td>
<td>Special Meeting Independence Arena Bonds</td>
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City of Charlotte, City Clerk's Office
Mayor Richard Vinroot       Mayor Pro Tem Ann Hammond

Stan Campbell               Hoyle H Martin
Daniel G Cloofeller         Cyndee Patterson
Patrick McCrory              Don D Read
Nasif Rashad Mayeed          Ella Butler Scarborough
Thomas A Mangum              Lynn M Wheeler

Council Agenda

SPECIAL CITY COUNCIL MEETING
Monday, August 17, 1992

6:00 p.m.                     Meeting Chamber

• Independence Arena
1. Presentation by Coliseum Authority and discussion by City Council of the Authority's proposal to reopen Independence Arena.

The Coliseum Authority will present further information and details of their proposal to reopen Independence Arena. City Council will have an opportunity to question the Authority about their proposal and to raise concerns that need to be addressed in the Memorandum of Understanding. Staff will work with the Authority to prepare the Memorandum of Understanding for City Council's consideration on August 24, 1992.

This agenda item is in response to Council's direction at Council's July 27 meeting, and Council's Independence Arena Committee meeting on July 30, 1992.

2. Recommend approval of: (1) the necessary actions required to include Coliseum Renovation Bonds, in an amount not to exceed $4,000,000, on the November 3, 1992 General Obligation Bond Referendum and (2) a resolution that allows the City to reimburse the Coliseum Authority up to $250,000 from the future sale of Coliseum Renovation Bonds that will be advanced to the project by the Authority.

Explanation of Request:
(1) If the Council wants to place this item on the November 3, 1992 General Obligation Bond Referendum, Council is requested to take the following actions:

- Introduce an order authorizing $4,000,000 Coliseum Renovation Bonds.
- Designate August 24, 1992 as the date for a public hearing on the order and direct the City Clerk to publish the required notice.
- Designate the Finance Director, Deputy Finance Director or the City Treasurer as the official to prepare and file the Sworn Statement of Debt.

(2) In order for the City to be able to reimburse the Authority from a future tax exempt financing, U.S. Treasury Department regulations require the adoption of a resolution that expresses official intent to reimburse.
Background:
On July 27, 1992 Council directed staff to proceed with the actions necessary to include Coliseum Renovation Bonds on the November 3, 1992 bond referendum in an amount not to exceed $4,000,000. Council will be requested to take final action on August 24, 1992 that will put this referendum on the November 3, 1992 ballot.

Clearances: Finance and Bond Counsel

Responsible Department: Finance
Memorandum

August 17, 1992

To: Mayor and Council

From: O. Wendell White
City Manager

Re: Fun City Loan

At the July 27, 1992 Council meeting the Council approved a loan of $142,800 for the Fun City recreation facility adjacent to McDonald's Cafeteria and hotel. This approval was the product of unique circumstances since it resulted from a five-five tie vote with the sixth vote for approval resulting from Mr. Campbell's absence. Henry Underhill advises that Council may choose to reconsider this item at the next regular meeting on August 24, 1992, should such a motion be made by someone who voted "yea" on July 27 and approved by a majority.

Attached is a report from Community Development which provides information in response to questions from several Council members during the past week. The final page is a matrix which we have prepared to highlight the entire transaction. In Friday's (8/14) memo we provided detail on the history of the CCDC, also in response to inquiry from a Council member. Please let me or Del Borgsdorf know if additional information is needed.

DB: cf
MEMORANDUM

DATE: August 14, 1992

TO: Del Borgsdorf  
Assistant City Manager

FROM: J. W. Walton, Director  
Community Development

SUBJECT: Response to Questions and 
Update on the FUN CITY Project

The following memo will serve as a review of the financial structure of the FUN CITY project. Included for your review is a matrix outlining the terms of the construction and various term loans used to finance the FUN CITY project. Also per your request, I have included an explanation as to why the Charlotte Certified Development Corporation (CCDC) did not fund the $142,800 City-Within-A-City (CWAC) loan amount and information on the City's CWAC loan repayment terms.

NATIONS BANK

Construction Loan
NationsBank has provided a construction loan of (up to) $1,225,000 to finance the construction of FUN CITY. This loan is interest-only until it matures at the completion of construction.

Term Loan #1
NationsBank will provide the borrower with a $714,000 ten-year term loan (with payments based on a 15-year Amortization Schedule). A balloon payment of $336,517.22 will be due at the end of the tenth year.

Term Loan #2
NationsBank has also provided the borrower with a $87,125 loan to cover unanticipated costs associated with the project completion.

CHARLOTTE CERTIFIED DEVELOPMENT CORPORATION (CCDC)/SBA

The CCDC will provide the borrower with a $511,000 (20-year) term loan. The rate on this loan will be set at closing, however, it is estimated that the rate will be approximately 8.0%.

CITY-WITHIN-A-CITY (CWAC)

The City of Charlotte will provide the borrower with a $142,800 CWAC term loan. The term of this loan is estimated to be twenty-two (22) months based on the fact that payments on the CWAC loan will be at the same amount as NationsBank term loan #1 estimated to be $6,823 monthly. The City's 22-month repayments begins after NationsBank 10-year loan matures (see attached matrix).
Why the CCDC is not funding the $142,800 loan amount requested of the City?

Neither NationsBank nor the borrower approached the CCDC regarding funding this amount because a loan in an increased amount from the CCDC would increase the existing debt service associated with the project due to the 8% rate versus the 0% (deferred payment) CWAC loan. This would in turn increase the break-even point of the project. The use of a CWAC loan is viewed by NationsBank as equity and (because of its deferred payment structure) provides more cash flow during the early stages of the project. In summary, a CWAC loan versus an increased loan from the CCDC makes the FUN CITY project more viable.

Why is the additional funding of $142,800 from the City and $87,125 from NationsBank need for project completion?

Loan A ($1,225,000) was the original construction amount needed for the project, and the combination of NationsBank loan #1 of $714,000 plus CCDC's loan of $511,000 equals the repayment of the construction loan of $1,225,000. However, there were cost overruns in the project of $238,539. The overruns consisted of the following:

<table>
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<tr>
<th>Additional Site Preparation</th>
<th>$ 91,537</th>
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<tr>
<td>(includes hauling, clearing, plumbing, landscaping, irrigation, parking, lighting and electrical)</td>
<td></td>
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<tr>
<td>Improvements</td>
<td>$ 86,022</td>
</tr>
<tr>
<td>(includes golf courses, go cart track and maintenance bldg., batting cage and arcade)</td>
<td></td>
</tr>
<tr>
<td>Unbudgeted Items</td>
<td></td>
</tr>
<tr>
<td>Upgraded Park Lighting Package</td>
<td>$ 22,127</td>
</tr>
<tr>
<td>Curb/Gutter</td>
<td>$ 23,653</td>
</tr>
<tr>
<td>Signage</td>
<td>$ 15,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$238,539</strong></td>
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The cost overruns were funded by the $142,800 CWAC loan, the $87,125 NationsBank loan (#2) and $8,614 in equity from the borrower. NationsBank chose to fund a portion of these cost overruns through the CWAC Loan Equity Program because, as indicated above, the use of the CWAC loan is viewed by NationsBank as equity and, because of its deferred payment structure, provides more cash flow during the early stages of the project. In summary, a CWAC loan versus an increased loan from the CCDC makes the FUN CITY project more viable.

What is the date the City CWAC loan payments will begin?

As mentioned earlier, the CWAC loan payments would begin after the ten (10) year NationsBank Term Loan #1 has been fully repaid. It is anticipated that the CWAC loan would be repaid in twenty-two (22) months from the date payments commence since payments on the CWAC loan will be in the same amount as those of NationsBank Term Loan #1. The actual maturity date is not known since the NationsBank term loan has not yet closed.
Should you have any questions, please contact me or Steve Washington of my staff at Ext. 2491.

Attachment

cc: Steve Washington
<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Loan Amount</th>
<th>Loan Balance</th>
<th>Terms</th>
<th>Interest Rate</th>
<th>Payment Amount</th>
<th>Collateral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nations Bank construction loan (A)</td>
<td>$1,225,000</td>
<td>$1,184,000</td>
<td>Maturity at completion of construction</td>
<td>Prime plus 1%</td>
<td>Interest only until converted to term loan #1</td>
<td>CD's value = $150,000 1st lien on real property value = $2,237,000</td>
</tr>
<tr>
<td>Nations Bank term loan #1 (B)</td>
<td>$714,000</td>
<td>0</td>
<td>10 years (with payment based on a 15 yr amortization period) Ballon payment of $336,517 due at the end of 10 yrs</td>
<td>8.0% (est)</td>
<td>$6,823 (est)</td>
<td>CD's value = $150,000 1st lien on real property and improvements, value = $2,237,000</td>
</tr>
<tr>
<td>SBA-CCDC Term Loan (B)</td>
<td>$511,000</td>
<td>0</td>
<td>20 years (actual maturity date to be determined, loan not yet closed)</td>
<td>8% (est)</td>
<td>$4,274</td>
<td>1st lien on real property and improvements, value = $2,237,000</td>
</tr>
<tr>
<td>CWAC Term Loan (C)</td>
<td>$142,800</td>
<td>0</td>
<td>22 mths (payments begin after Nations Bank 10 year loan matures)</td>
<td>0%</td>
<td>$6,823 (est) payments to be equal to those of Nations Bank term loan B</td>
<td>3rd lien on real property and improvements, value = $2,237,000</td>
</tr>
<tr>
<td>Nations Bank Term Loan #2 (C)</td>
<td>$87,125</td>
<td>$87,125</td>
<td>1/4/93</td>
<td>Prime plus 1%</td>
<td>Interest only only</td>
<td>CD's value = $100,000</td>
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Nations Bank construction loan (A) will be paid off from the proceeds of the two term loans (B)