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Title: 2. Actions Pertaining to Repayment of Loan from Clearinghouse NMTC (Sub 18) LLC (with City of Fresno as successor in interest) and Dissolution of City of Fresno Cultural Arts Properties, Inc. (COFCAP):

a. RESOLUTION of City of Fresno Cultural Arts Properties, Inc. authorizing the conveyance of 1515 Van Ness Avenue in Fresno, California to the City of Fresno as repayment for the loan from the City of Fresno (as successor in interest) in the Amount of \$16,600,000 and directing the execution of all necessary documents and taking of all actions necessary to accomplish transfer. (COFCAP action)

b. Acceptance of conveyance of Fresno of 1515 Van Ness Avenue in Fresno, California in full repayment of promissory notes evidencing original loan to COFCAP and direct the City Manager or designee to execute all documents and take all actions necessary to accomplish transfer. (City action)

c. RESOLUTION - Authorizing the dissolution of COFCAP and the distribution of all remaining assets to the City of Fresno and the execution of all necessary documents and taking of all actions necessary to accomplish dissolution. (COFCAP action)

Sponsors: Finance Department

Indexes:

Code sections:

Attachments: 1. Reso Re Transfer of Property from COFCAP to City.pdf, 2. Grant Deed Re Bee Bldg.pdf, 3. Acceptance Fee Title.pdf, 4. Reso Re Dissolution of COFCAP 5_5_17.pdf

| Date | Ver. | Action By | Action | Result |
|-----------|------|--------------|----------|--------|
| 5/25/2017 | 1 | City Council | approved | Pass |

Joint Meeting with the City of Fresno Cultural Arts Properties, Inc. (COFCAP)

May 25, 2017

FROM: MICHAEL LIMA, Finance Director/City Controller
Finance Department

BY: PHILLIP L. HARDCASTLE, Principal Accountant - Debt Administration
Finance Department

SUBJECT

2. Actions Pertaining to Repayment of Loan from Clearinghouse NMTC (Sub 18) LLC (with City of Fresno as successor in interest) and Dissolution of City of Fresno Cultural Arts Properties, Inc. (COFCAP):

- a. RESOLUTION of City of Fresno Cultural Arts Properties, Inc. authorizing the conveyance of 1515 Van Ness Avenue in Fresno, California to the City of Fresno as repayment for the loan from the City of Fresno (as successor in interest) in the Amount of \$16,600,000 and directing the execution of all necessary documents and taking of all actions necessary to accomplish transfer. **(COFCAP action)**
- b. Acceptance of conveyance of Fresno of 1515 Van Ness Avenue in Fresno, California in full repayment of promissory notes evidencing original loan to COFCAP and direct the City Manager or designee to execute all documents and take all actions necessary to accomplish transfer. **(City action)**
- c. RESOLUTION - Authorizing the dissolution of COFCAP and the distribution of all remaining assets to the City of Fresno and the execution of all necessary documents and taking of all actions necessary to accomplish dissolution. **(COFCAP action)**

RECOMMENDATION

Staff recommends: (1) COFCAP approval of the conveyance of 1515 Van Ness Avenue to the City as repayment for the loan originally issued to COFCAP by Clearinghouse NMTC (Sub 18) LLC, of which the City is the successor in interest, and the execution of all documents and taking of all actions necessary to accomplish the above; (2) City acceptance of transfer and the execution of all documents and taking all actions necessary to accomplish transfer by the City Manager or designee; and (3) COFCAP authorization of the dissolution of COFCAP and the execution of all documents and taking of all actions necessary to accomplish dissolution.

EXECUTIVE SUMMARY

In March 2010, the City agreed to participate in a New Market Tax Credit (NMTC) transaction to be able to infuse additional funds into the repurposing of the Fresno Bee Building at 1515 Van Ness Avenue (the Property) and reduce the City's financial obligation related to the project. To accomplish this task, the City lent the Authority \$12,690,500. The Authority loaned the \$12,690,500 to the Investment Fund to be used by the Investment Fund along with equity to purchase an interest in the CDE for the eventual loaning of the funds to COFCAP. COFCAP used the CDE loan to purchase the Property from the City for \$16,600,000.

The City agreed to guaranty COFCAP's compliance with the NMTC rules and to purchase the investor's interest, if requested by the investor, following the expiration of the NMTC compliance period. The compliance period expired on March 30, 2017, and the parties to the transaction have elected to unwind the transaction.

BACKGROUND

In 2010, the City agreed to participate in a transaction utilizing New Market Tax Credits to facilitate the refinance of the Fresno Bee Building. Several entities were created to participate in the NMTC transaction:

- (1) City of Fresno Cultural Arts Properties (COFCAP), a new 501(c)(3) non-profit corporation, was created to own the Fresno Bee Building.
- (2) FBB Investment Fund, LLC., (the Investment Fund), was created to raise investment equity to

invest in a community development entity that had access to NMTC.

- (3) Clearinghouse NTMC (Sub-18) LLC, (CDE), a community development entity, was created to contribute the NMTC to the transaction.

To implement the NMTC transaction the City loaned \$12,690,500 to the Authority. In turn the Investment Fund borrowed \$12,690,500 from the Authority and raised \$4,309,500 from a U.S. Bank, affiliated investment entity (that ultimately became the sole member of the Investment Fund). The Investment Fund used the loan and equity investment proceeds to purchase an equity interest in CDE. CDE used \$16,660,000 of the equity investment to make a loan to COFCAP to purchase and manage the Fresno Bee Building. COFCAP promised to use and manage the property in accordance with the NMTC rules for the seven year compliance period.

The NMTC compliance period expired on March 30, 2017, and the parties have decided to unwind the NMTC transaction. The U.S. Bank investment entity and the CDE decided to exit the transaction; the CDE opted to redeem the Investment Fund's interest in the CDE by assigning the COFCAP promissory notes and COFCAP deed of trust to the Investment Fund in exchange for the Investment Fund's interest in the CDE. Accordingly, on March 23, 2017, the Authority authorized the unwinding of the NMTC transaction by dissolving the Investment Fund and repaying the Authority's loan to the Investment Fund. The Authority has taken steps to repay its loan to the City by transferring the COFCAP promissory notes to the City in full repayment of the City's original \$12,690,500 loan.

COFCAP now wishes to remit the Property to the City of Fresno, in lieu of repaying its promissory notes (currently held by the City, as successor in interest).

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this hearing does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference was considered because this hearing does not include a bid or award of a construction or services contract.

FISCAL IMPACT

With the transfer of the Fresno Bee Building property to the City by COFCAP, in lieu of repayment of its promissory notes, the City will become the owner of the Fresno Bee Building property and the promissory notes will be canceled. The Fresno Bee Building will become an unencumbered City asset. The transaction will not impact the City's general fund.

The dissolution of the COFCAP will positively impact the general fund to the extent that COFCAP's remaining assets will be transferred to the City.

Attachment: COFCAP Resolution Re Transfer of Property
Real Property Transfer Deed
City of Fresno Acceptance Certificate
COFCAP Resolution Re Dissolution

