

## EXECUTIVE SUMMARY

### Flats East Bank TIF Extension

#### Background

As part of the capital stack to fund Phase I of the Flats East Bank project (entered into December 2010), the Flats East development area was subject to a TIF. CMSD consented to the use of a portion of their projected tax revenues as part of the TIF. Per the compensation agreement, CMSD is to receive 30% of their portion of the taxes for Phase I and 100% of their portion of the taxes for Phase II (standard non-school). The compensation agreement also provided that CMSD would receive 100% of the taxes generated from any new school levy. The 2012 school levy and resultant tax increase has been a point of contention for the developer.

The TIF funded a waterfall of payments, in the following order of precedence:

1. Payment to CMSD of the school share
2. Payment on three (later four) bonds issued by the Cuyahoga Port, Summit Port, State of Ohio, and Cuyahoga County
3. City HUD 108 (Original Principal: \$30,000,000)
4. County HUD 108 (Original Principal: \$2,000,000)
5. Various other subordinate debt (CDA, City, County, State)

In addition, revenue from the parking garage was pledged to fund the waterfall, beginning with the payment of the City's HUD 108 and then flowing down from there.

When Phase II of the project was financed, an additional TIF bond was taken out and paid through the waterfall.

Revenue projections have been substantially short. Parking net revenues have come in almost \$1,500,000 below projections, due to diminished revenue and increased costs, as compared to the initial modeling.

#### TIF Extension

In HB 166 (2019 Budget Bill), the State of Ohio provided a pathway to extend TIFs for an additional 30 years. This ordinance would permit the extension of the TIF (currently expiring in 2040) for an additional 30 years. This would generate additional revenue that could be bonded against to bring in cash today.

The project is subject to an existing Compensation Agreement, which provides for a reduced payment on a portion of the Flats East Bank office tower. The extension would be a completely non-school TIF.

## Restructure Proposal

The proposed restructure would take the following form:

Flats would issue new TIF Bonds against the remaining term and a portion of the additional terms of the bonds. Revenues from the refinancing would pay off three of the four existing bonds, as well as generate additional capital that would be used to pay off outstanding obligations.

The refinancing is expected to allow for a pre-payment of a portion of the City's HUD 108 balance. This will reduce the amount of principal due on the loan. In addition, the City will engage with HUD on a restructure of the project's HUD 108 loan to reduce the annual payment and create a balloon payment due at the end of the term in 2030. With the additional term of the TIF financing available, there will be opportunities for additional refinancing events that can generate revenue to support the balloon payment.

## Economic Impact

The Flats East Bank project has reformed an area of the City that had fallen into disrepair and created an amenity live-work-play space along the Cuyahoga River. Over 1,800 people work at the project site and 241 apartments have been built.

This refinancing will help stabilize the project and position it for future development. Removing some of the debt burden will help better manage project revenues. With market rates still very low, the ability to refinance now and lock in rates will maximize the revenue from the refinancing. Further, there are several developable lots remaining on the site; simplifying the capital stack will help make those developments more viable.