



Legislation Text

File #: ID#16-2630, **Version:** 1

SUBJECT/RECOMMENDATION:

Approve a subordination agreement in favor of Branch Banking and Trust Company (BB and T) on the Clearwater Marine Aquarium Property and authorize the appropriate officials to execute same. (consent)

SUMMARY:

On January 13, 2011, City Council authorized negotiation and drafting of a subordination agreement and modification of the reverter rights held by the City in a portion of the Clearwater Marine Aquarium Property. BB and T is requesting that the City agree to subordinate its reverter interest to up to \$25 million dollar loan.

The subordination Agreement provides among other things that:

The City subordinate its reverter rights applicable to Parcel 1 to a mortgage of up to \$25,000,000. As presently drafted, the Subordination Agreement precludes any action on behalf of the city to enforce the reverter or other restrictions on the property unless the City first pays off the existing indebtedness on the Aquarium.

In return for the City's subordination, BB and T will provide the City with the right of first refusal to acquire its first mortgage position and/or title, if applicable, to Parcels 1, 2 and 3, should the City elect to exercise its reverter rights by paying off the existing indebtedness in the event of the Aquarium's default or demise.

In addition, the subordination agreement will include provisions preventing additional loans secured by these parcels and will include prohibitions on the replenishment of the debt as the outstanding balance is paid down, absent City approval.

The City will have no obligation to purchase the mortgage, nor is the City guaranteeing any debt.

Should the Aquarium fail and/or default on the outstanding indebtedness, and BB and T pursues its mortgage rights, the City would have the option to either obtain control of the entire CMA campus (all Parcels) in return for payment of the then existing debt balance, or waive this option, with BB and T then able to proceed with foreclosure on the Parcels.

APPROPRIATION CODE AND AMOUNT: