

## NOTE 7. LOANS AND NOTES PAYABLE

### *Delaware State Housing authority (DSHA)*

Notes payable of the DSHA represent obligations to Wilmington Trust Corporation, FNMA and the State.

The State issued General Obligation bonds on behalf of the DSHA to provide funding for low-income housing loans. Proceeds from these bonds enabled the DSHA to receive the savings from the FAF issues in advance. Debt service requirements for these notes are shown below.

### **Delaware State Housing Authority Financing Adjustment Factor (FAF) Notes** (Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 197	\$ 35	\$ 232
2005	47	25	72
2006	46	23	70
2007	46	21	67
2008	115	19	134
2009-2013	355	260	615
2014-2018	39	3	41
Total	<u>\$ 845</u>	<u>\$ 386</u>	<u>\$ 1,231</u>

The Authority acquired a building for general administrative purposes using the proceeds from a mortgage note issued by Wilmington Trust Corporation. The note is payable through January 2007 at an interest of 4.75%. The total principal balance at June 30, 2003 is \$354,206. Annual debt service requirements on this note are as follows:

**Delaware State Housing Authority**  
**Wilmington Trust Corporation Note**  
 (Expressed in Thousands)

Year Ending June 30	Principal	Interest	Total
2004	\$ 18	\$ 15	\$ 33
2005	21	14	35
2006	22	13	35
2007	<u>293</u>	<u>7</u>	<u>300</u>
Total	<u>\$ 354</u>	<u>\$ 49</u>	<u>\$ 403</u>

The Authority entered into a \$6,300,000 loan agreement with FNMA in May 2003 to provide construction financing for three HDF/Tax Credit developments through FNMA's American Community Fund (ACF). The total principal balance at June 30, 2003 is \$867,254. The note is payable as the construction project loans convert to permanent HDF mortgages through April 2006 with interest accruing at an adjustable rate obtained by adding one hundred forty (140) basis points (1.40%) to the three month LIBOR, adjusted quarterly, based on such rate as published in *The Wall Street Journal* on the last business day of the month immediately preceding each quarter. Debt service requirements for the \$867,254 FNMA/ACF note payable cannot be accurately scheduled due to uncertain timing of principal draws as construction progress and repayments as construction projects convert to permanent loans. Based on this principal and an interest rate in effect at the end of the year of 2.72%, the annual cost would be approximately \$24,000.

***Diamond State Port Corporation (DSPC)***

Loan and Notes payable of the DSPC at June 30, 2003 are as follows.

(Expressed in Thousands)

City of Wilmington:	
Port Debt Service Notes	\$ 28,201
Transportation Trust Fund Loan	<u>27,500</u>
Total	<u>\$ 55,701</u>

Transportation Trust Fund Loan

On November 1, 2001, the DSPC entered into a loan agreement with the Department of Transportation of the State of Delaware (DOT). The DSPC borrowed \$25,500,000 on February 2, 2002 and \$2,000,000 on May 2, 2002). The funds were used to repay the balances in full of the Delaware River and Bay Authority Note and the Wilmington Trust Company Note; and, at a discount, the City of Wilmington Deferred Payment Note. In addition, the loan provided \$8,648,136 to establish a fund to be invested. This fund is to be used to pay portions of debt service as they become due, and is restricted for this purpose.

The rate of interest on the loan is 4.6%. The first payment on the loan was due January 1, 2003 and was for interest only. Thereafter, payments of principal and interest are due semi-annually over a twenty-year period. Interest expense charged to operations in 2003 was \$1,273,665.

**Transportation Trust Fund Loan**  
(Expressed in Thousands)

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 863	\$ 1,255	\$ 2,118
2005	903	1,215	2,118
2006	945	1,173	2,118
2007	989	1,129	2,118
2008	1,035	1,083	2,118
2009-2013	5,943	4,647	10,590
2014-2018	7,460	3,130	10,590
2019-2023	9,362	1,225	10,587
Total	<u>\$ 27,500</u>	<u>\$ 14,857</u>	<u>\$ 42,357</u>

City of Wilmington

In consideration of the acquisition of the Port of Wilmington assets from the City of Wilmington, Delaware (the City), the DSPC issued to the City two separate notes consisting of a Port Deferred Payment Note in the amount of \$39,900,000 and Port Debt Service Notes with original face amounts of \$51,080,622. These notes are secured by a first lien on substantially all of the DSPC's assets.

Port Debt Service Notes

These notes obligate the DSPC to pay the City amounts that generally represent the outstanding principal balance of certain DSPC-related City general obligation bonds. The interest rates on the City bonds range from 3.2% to 6.4%.

On October 20, 2001, the City issued \$22,165,000 of general obligation bonds with an average interest rate of 3.7% to advance refund \$21,335,000 of outstanding 1992 A, B, and C Series general obligation bonds with an average interest rate of 6.16%. The Port related portions of the new bonds issued and old bonds redeemed were \$7,206,705 and \$6,945,086 respectively, passed through to the Corporation. Although the effect of the City's advance refunding on the Port Debt Service Note resulted in a deferred accounting loss of \$261,619 for the year ended June 30, 2002, it reduces the Corporation's debt service payments by \$281,293 over the next eleven years resulting in an economic gain. The deferred loss on the refunding is accreted over the eleven years of the life of the debt. The deferred loss balance as of June 30, 2003 was \$175,979.

Principal and interest payments made on the notes during 2003 were \$3,325,927 and \$1,461,143, respectfully. Interest expense in 2003 was \$1,423,409.

The future principal and interest payments on Port Debt Service Notes are as follows:

<b>Port Debt Service Note</b>			
(Expressed in Thousands)			
<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$ 3,554	\$ 1,313	\$ 4,867
2005	3,300	1,155	4,455
2006	2,980	1,007	3,987
2007	3,117	866	3,983
2008	3,261	715	3,976
2009-2013	7,817	1,971	9,788
2014-2018	2,844	743	3,587
2019-2023	1,504	195	1,699
After 2022			
Subtotal	28,377	7,965	36,342
Deferred Loss on Refunding	(176)	- 0 -	(176)
Total	<u>\$ 28,201</u>	<u>\$ 7,965</u>	<u>\$ 36,166</u>

### ***Riverfront Development Corporation***

The RDC has entered into multiple mortgage agreements with various banks. These mortgages are secured by the real estate and vehicles financed. Principal balances of the mortgages total \$11,239,546 at June 30, 2003. Interest rates for the mortgages vary between 4.34% and 8.5% and mature between July 2003 and October 2007. Estimated future annual debt service requirements are as follows:

(Expressed in Thousands)

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2004	\$ 9,076	\$ 377	\$ 9,453
2005	725	110	835
2006	1,155	45	1,200
2007	12	15	27
2008	271	7	278
Total	<u>\$ 11,239</u>	<u>\$ 554</u>	<u>\$ 11,794</u>

Demand Note Payable and Advance Payable

RDC has available a line of credit in the amount \$500,000. This loan bears interest at .75% over prime (5.0% at June 30, 2003) and due on demand. The outstanding balance on this loan was \$500,000 as of June 30, 2003. This loan secured by a mortgage on real property.

Advance payable consists of an advance received from DNREC of \$500,000. The advance is noninterest bearing and is to be repaid from proceeds from a claim that RDC has against the U.S. Department of Defense for environmental remediation costs incurred. RDC expects proceed from the claim, sufficient to repay the advance, will be received during the year ended June 30, 2004.

Both the demand note payable and the advance payable are recorded as current obligations.