

payment forgivable loans for Jason Lee Manor, located at 1551 Center Street NE

SUMMARY:

Approval of staff recommendation will authorize the subordination of two HOME Investment Partnership Act rehabilitation deferred payment forgivable loans, allowing Jason Lee Manor to refinance their existing mortgage and maintaining the City's second lien position on the property located at 1551 Center Street NE.

FACTS AND FINDINGS:

Jason Lee Manor is a non-profit 75 unit retirement facility which offers affordable housing to low income seniors. Jason Lee Manor received two HOME loans for rehabilitation of their property in 2014 and in 2016, totaling \$889,400.

Jason Lee Manor is requesting a \$3,605,000 loan from Baring Multifamily Capital LLC in order to refinance their existing first mortgage, complete the rehabilitation on the property, and fund a replacement reserve. Jason Lee Manor is requesting the City subordinate to the new first mortgage holder, which will maintain the City's current second lien position.

By subordinating the City's security interest, Jason Lee Manor is able to secure funding to rehabilitate the property.

Below is staff analysis as it relates to both HOME deferred payment forgivable loans:

1. New primary loan amount : \$3,605,000
2. Rate/Term: 4.5% 420 months
3. Loan to value: 74%
4. Fee simple appraisal: \$6,050,000
5. Closing will occur at title, and all fees will be paid prior to recording of the City subordination.
6. Real estate taxes and insurance are current.

The current deferred payment forgivable loans do not require repayment and will be forgiven in 2029, providing Jason Lee Manor maintains the current use of the property. Further, the appraised value of the property (\$6 million) exceeds the combined total amount of the primary loan and the City's loans (\$4,494,400); there is sufficient equity to pay off the City and Baring Multifamily Capital LLC in the event of foreclosure.

Therefore, staff recommends the City Council authorize the subordination of both HOME Investment Partnership Act loans.

BACKGROUND:

HOME Investment Partnership Act funds allow for the funding of affordable housing facilities providing services to low-moderate individuals and families, including those facing homelessness.

Renee K Frazier
Financial Services Manager

Attachments:
None.