



Staff Report

File #: 19-582
Version: 1

Date: 12/9/2019
Item #: 3.3d.

TO: Mayor and City Council
THROUGH: Steve Powers, City Manager
FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Subordination of Two HOME Investment Partnership Act Loans

Ward(s): Ward 5
Councilor(s): Councilor Ausec
Neighborhood(s): Northgate
Result Area(s): Welcoming and Livable Community

ISSUE:

Shall the City Council authorize the subordination of two HOME Investment Partnership Act rehabilitation deferred payment forgivable loans for Community Resource Trust, located at 2540 Rose Garden Street NE?

RECOMMENDATION:

Authorize the subordination of two HOME Investment Partnership Act rehabilitation deferred payment forgivable loans for Community Resource Trust, located at 2540 Rose Garden Street NE.

SUMMARY:

Approval of recommendation will authorize the subordination of two HOME Investment Partnership Act rehabilitation deferred payment forgivable loans, allowing Community Resource Trust to refinance their existing construction loan into a permanent loan.

FACTS AND FINDINGS:

Community Resource Trust is a non-profit 180-unit facility offering affordable housing to low-income residents. Community Resource Trust received two HOME loans for construction of the housing units in 2017 and in 2019, totaling \$503,138.

Community Resource Trust is requesting a \$9,280,000 loan from Key Bank in order to refinance their existing construction loan. Community Resource Trust is requesting the City subordinate to the new first mortgage holder.

By subordinating the City's security interest, Community Resource Trust will secure permanent financing on the property. The City is currently in third lien position and this subordination will not result in a drop in that position.

1. New total outstanding debt: \$15,510,047
 - a. Key Bank \$9,280,000
 - b. State of Oregon \$4,877,919
 - c. City of Salem \$503,128
 - d. General Partner \$849,000
2. Rate/Term: 5.15%; 180 months (primary lender)
3. Loan to value: 79%
4. Fee simple appraisal: \$19,591,150
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 2038, providing Community Resource Trust maintains the current use of the property. The appraised value of the property (\$19,591,150) exceeds the combined total amount of outstanding loans resulting in enough equity to pay off all lenders in the event of foreclosure.

BACKGROUND:

HOME Investment Partnership Act funds affordable housing providing services to low-moderate individuals and families, including those experiencing homelessness.

Renee K Frazier
Financial Services Manager

Attachments:

1. None.