



Staff Report

File #: 20-113

Version: 1

Date: 3/23/2020

Item #: 2.3 b.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kristin Retherford, Urban Development Director

SUBJECT:

Subordination of Community Development Block Grant loans for Westcare Foundation, Inc.

Ward(s): 2

Councilor(s): Andersen

Neighborhood(s): NESCA

Result Area(s): Welcoming and Livable Community

ISSUE:

Shall the City Council authorize the subordination of two Community Development Block Grant rehabilitation deferred payment forgivable loans for WestCare Foundation, Inc. for property located at 2933 Center Street NE?

RECOMMENDATION:

Authorize the subordination of two Community Development Block Grant rehabilitation deferred payment forgivable loans for WestCare Foundation, Inc. for property located at 2933 Center Street NE.

SUMMARY:

Approval of staff recommendation allows WestCare to comply with the terms of the recent refinancing of the property.

FACTS AND FINDINGS:

WestCare, a family of tax-exempt nonprofit organizations, provides a wide spectrum of health and human services in both residential and outpatient environments. Services include substance abuse and addiction treatment, homeless and runaway shelters, domestic violence treatment and

prevention, and mental health programs. These services are available to adults, children, adolescents, and families.

The City of Salem has utilized CDBG funds to assist in the renovation of the assisted living facility at 2933 Center Street NE. Two loans were issued, totaling \$388,535, to renovate the facility in 2010 and 2018.

WestCare recently completed a refinancing of 45 pieces of property. The terms of the loan require the new lender, Beal Bank, to hold a first lien position on all the properties. The total amount of the loan is \$27,500,000 for the 45 properties. WestCare is asking the City to subordinate to the new first lienholder.

For the property at 2933 Center Street NE:

- New total outstanding debt: \$299,516
- Rate/Term: variable; 240 months
- Loan to value: 47%
- Marion County Real Market Value: \$637,700
- Closing occurred at title, and all fees will be paid prior to recording of the City subordination.
- Real estate taxes and insurance are current.

The current deferred payment forgivable loans do not require repayment and will be forgiven in 2028 and 2033, providing WestCare maintains the current use of the property. Forgiveness also requires the real market value of the property to exceed the total amount of the outstanding loan and there is sufficient equity to pay off all lenders in the event of foreclosure.

BACKGROUND:

Salem provides CDBG funds to local non-profits that provide emergency or essential services to the most vulnerable populations with the highest need. This assistance is provided through one-time rental assistance, help with the cost of prescriptions, and rehabilitation/renovation/construction of facilities that meet the needs of low-income residents.

Renee K Frazier
Financial Services Manager

Attachments:

1. None.