

## City Council – Action Request Form

**Date:** January 13, 2020

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**To:** Mayor, Mayor Pro Tempore, and Members of the City Council

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**From:** Tasha Logan Ford, Assistant City Manager  
Marla Y. Newman, Community Development Director

**Council Action Requested:**  
Resolution Approving Defeasance of the Remaining HUD Section 108 Loan Balance of \$796,000 for Housing Production, Redevelopment, and Economic Development Activities

**Strategic Focus Area:** Service Excellence  
**Strategic Objective:** Maintain City’s Financial Strength  
**Strategic Plan Action Item:** No  
**Key Work Item:** No



**Summary of Information:**

In 1998 the City obtained a HUD Section 108 loan in the amount of \$4.5M for housing production, redevelopment and economic development activities. All but \$560,000 of the loan was expended. In 1999 the City obtained a Section 108 loan in the amount of \$2.0M for the Brookwood Business Park. The loan has been fully expended. Repayment of the loans was guaranteed by, and to be paid from, the City’s annual CDBG allocation. The loans were refinanced in 2011 and 2015, with the remaining loan balances maturing between 2020 and 2022 as outlined in the following chart. The current outstanding loan balance is \$796,000 plus projected interest of approximately \$31,000. Staff is seeking permission to pay off the loan ahead of schedule by placing the total outstanding loan balance payments—in a lump sum—with a HUD-designated trustee who will make the annual payments directly to HUD (defeasance). Doing so will remove this liability from the City’s books as the loan will be deemed paid in full upon payment/transmittal of funds to the HUD trustee. The source of funds for the repayment is the \$560,000 of undisbursed 108 funds and \$267,000 in interest income from the 108 loan account.

**Committee Action:**

<b>Committee</b>	Finance 1/13/2020	<b>Action</b>	Approval
<b>For</b>	Unanimous	<b>Against</b>	
<b>Remarks:</b>			

**Section 108 Loan Balances for Defeasance**

<b>Note Number</b>	<b>Series</b>	<b>Maturity Date</b>	<b>Unpaid Principal</b>	<b>TOTAL</b>
B-98-MC-37-0011	2015-A	August 1, 2020	\$35,000	
				<b>\$35,000</b>
B-98-MC-37-0011	2015-A	August 1, 2020	\$75,000	
		August 1, 2021	\$75,000	
		August 1, 2022	\$75,000	
				<b>\$225,000</b>
B-98-MC-37-0011	Series 2011-A	August 1, 2020	\$123,000	
		August 1, 2021	\$113,000	
				<b>\$236,000</b>
B-99-MC-37-0011	Series 2015-A	August 1, 2020	\$100,000	
		August 1, 2021	\$100,000	
		August 1, 2022	\$100,000	
				<b>\$300,000</b>
		<b>GRAND TOTAL TO BE DEFEASED</b>		<b>\$796,000</b>