

Memo

To: CDBG Committee
From: Julie Spears, Grants Administrator
Date: 2/22/2012
Re: Common Wealth Development Subordination Request for Jenifer Place

Common Wealth Development has requested that the City agree to subordinate its 2011 HOME mortgages for a total of \$534,693 to a new \$778,824 first mortgage from Monona State Bank. The new loan, which will need to be in 1st position, will be used for rehabilitation costs and permanent financing of the 12-unit rental rehabilitation project at 1526 Jenifer St., 434 S. Thornton Ave., and 433 Cantwell Ct. (aka Jenifer Place). CWD is preparing to close on their construction loan/permanent financing to cover all three properties in as soon as possible in March.

This mortgage will allow CWD to progress with construction on the site as planned. Generally these mortgages are taken at the time of the site acquisition with the City loans in second position. At the time, CWD was not ready to close on the necessary construction bank financing.

CWD's Loan to Value Ratio is within our guidelines, at 106%. CWD audit and project budget shows they are financially capable of handling the new first mortgage amount.

RECOMMENDATION:

Recommend approval of the re-structuring of the City debt as requested by subordinating the City's first mortgages totaling \$534,693 to the new first mortgage amount of less than or equal to \$778,824.