

Memo

To: CDBG Committee

From: Teresa Cothrine, Grants Administrator

Date: 5/03/2012

Re: Madison Development Corporation Subordination Request for 738 E. Dayton St.

Madison Development Corporation has requested that the City agree to subordinate its 2010 HOME mortgages for a total of \$229,393.02 to a new \$575,000 (previously \$500,000) first mortgage from Town Bank. The new loan, which will need to be in 1st position, will be used for additional rehabilitation costs for a 6-unit rental rehabilitation project at 738 E. Dayton St.

This mortgage will allow MDC to progress with construction and rehabilitation on the site as planned. MDC needed additional funding for more substantial rehab than anticipated when the HOME loan was approved and the bank agreed to advance an additional \$75,000.

MDC's Loan to Value Ratio is within our guidelines (115%), at 107%. MDC audit and project budget shows they are financially capable of handling the new first mortgage amount.

SUMMARY:

	<u>Current</u>	<u>Requested</u>
Town Bank Loan	\$500,000.00	\$575,000.00
HOME Loan	<u>229,393.02</u>	<u>229,393.02</u>
Total Debt On the Property	\$729,393.02	\$804,393.02
Appraised Value	\$655,000.00 (April 2010)	\$750,000.00
Debt to Value	111.4%	107.3%

RECOMMENDATION:

Recommend approval of the re-structuring of the City debt as requested by subordinating the City's first mortgages totaling \$229,383 to the new first mortgage amount of less than or equal to \$575,000.