

CDBG Office
Department of Planning and
Development
City of Madison, Wisconsin

TO: CDBG Commission
FROM: Barbara Constans, CDBG Office
SUBJECT: Operation Fresh Start Subordination Request
DATE: February 24, 2009

Operation Fresh Start has requested that the City agree to subordinate its existing HOME and CDBG mortgages to a new \$85,600 first mortgage being taken by Anchor Bank as security for the construction costs of a new home at 1109 Pflaum Rd (now 5301 Maher Ave.). This mortgage will allow OFS to begin construction on the site. Generally these mortgages are taken at the time of the site acquisition with the City loans in second and third position. At the time OFS had not been able to obtain the necessary bank financing to complete the construction. There is sufficient appreciation and equity in the building to maintain the City's secured positions.

RECOMMENDATION:

Recommend approval of the re-structuring of the City debt as requested by subordinating our first mortgage to the new \$85,650 first mortgage loan from Anchor Bank.