



Legislation Details (With Text)

**File #:** 00436      **Version:** 1      **Name:** Genesis Development Loan Revision  
**Type:** Resolution      **Status:** Passed  
**File created:** 1/27/2005      **In control:** BOARD OF ESTIMATES (ended 4/2017)  
**On agenda:** 2/22/2005      **Final action:** 2/22/2005  
**Enactment date:** 3/1/2005      **Enactment #:** RES-05-00144

**Title:** Revising a December 14, 2004 resolution that altered the repayment terms from three existing CDBG Loans totaling \$970,000 to Genesis Development Corporation to permit a refinancing with New Market Tax Credits, and authorizing the Mayor and the City Clerk to sign agreements to effect such a change through the Dane Fund and an entity qualifying under the NMTC laws.

**Sponsors:** David J. Cieslewicz, Austin W. King, Cindy Thomas

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
2/22/2005	1	COMMON COUNCIL	Adopt	Pass
2/14/2005	1	BOARD OF ESTIMATES (ended 4/2017)	RECOMMEND TO COUNCIL TO ADOPT - REPORT OF OFFICER	Pass
2/3/2005	1	COMMUNITY DEVELOPMENT BLOCK GRANT COMMITTEE		
2/1/2005	1	COMMON COUNCIL	Refer	Pass
2/1/2005	1	COMMON COUNCIL	Refer	
1/27/2005	1	CDBG Office	Fiscal Note Required / Approval	
1/27/2005	1	Finance Dept/Approval Group	Approved Fiscal Note By The Comptroller's Office	
1/27/2005	1	CDBG Office	Referred for Introduction	

**Fiscal Note**

The City has made three separate loans totaling \$970,000 to Genesis based on earlier Council approvals, two for acquisition of 313 West Beltline Highway and one for a series of renovation projects. Two of these loans are deferred payment, due on sale or change in use of the building; one is structured as an installment loan with payments deferred for five years, at which point the CDBG Commission and Council would decide whether to require the beginning repayments or conversion to a similar deferred payment status. In December of 2004, an additional resolution adopted by the Council allowed for the subordination of those loans to new first and second mortgages and deferred the beginning of the installment loan repayment until 2012. This would permit Genesis to refinance its first mortgage loan with a more favorable loan through New Market Tax Credits (NMTC). That refinancing would also result in \$10,000 per year in interest to be paid to the CDBG program during the period of the NMTC. In December, the terms of the first and second mortgages had not been finalized, but it was expected that the total of the super-ordinate debt would increase from \$1,817,000 to \$1,900,500. This resolution would revise the December resolution and permit the City to use the proceeds from the immediate Genesis repayment of the three loans for a new loan to the Dane Fund and two subsequent investment entities qualifying under the NMTC, and for them to make a NMTC qualifying loan to Genesis.

**Title**

Revising a December 14, 2004 resolution that altered the repayment terms from three existing CDBG Loans totaling \$970,000 to Genesis Development Corporation to permit a refinancing with New Market Tax Credits, and authorizing the Mayor and the City Clerk to sign agreements to effect such a change through the Dane Fund and an entity qualifying

under the NMTC laws.

**Body**

WHEREAS the City Council approved two loans to Genesis Development Corporation to help the group purchase 313 West Beltline Highway to serve as a business incubator, and a third loan to Genesis to help the group renovate certain portions of the building;

WHEREAS on December 14, 2004, the Common Council approved a resolution to authorize the Mayor and the City Clerk to enter into agreement(s) with Genesis to permit the subordination of the City's mortgages on the property totaling \$970,000 to those offered under the New Market Tax Credits program by the Dane Fund and a first mortgage lender, and allow the deferral of the repayment on the installment loan for the period of the New Market Tax Credits, with reversion to the original terms for that loan in 2012;

WHEREAS recent analysis of the December arrangement suggests that if Genesis were to repay the City the original loans, and the City were to loan those repaid funds to the Dane Fund for investment in an LLC with a tax creditor investor, and re-invest in a community development entity created to invest in tax credits, then Genesis could obtain approximately \$200,000 in additional capital at the end of the seven year tax credit period;

WHEREAS recent analysis of new Congressional legislation establishes a deadline of February 22, 2005 for certain types of refinancing arrangements, and in order to leverage the City CDBG funds with this new arrangement, the Council would need to revise its December 2004 authorization by mid-February;

WHEREAS the CDBG staff and Commission have reviewed the proposal and recommend Council adoption as a way to leverage advantageous financing for the City's prior CDBG investment, and increase the chances for greater operational security for the Genesis Business Incubator;

NOW THEREFORE BE IT RESOLVED that the Common Council authorizes the Mayor and the City Clerk to enter into new loan agreement(s) with the Dane Fund and other entities established to use the appreciated value of the original \$970,000 investment in the Genesis Incubator to permit:

- a) Genesis repayment of the appreciated value of the original \$970,000 investment in the Incubator;
- b) Re-investment of those and other private funds into a New Market Tax Credit qualified entity(ies) for new loans to Genesis;
- c) These arrangements will include the provision of a new loan in the amount of the repaid Genesis loan to the Dane Fund, in exchange for some form of security from the Dane Fund and the investment LLCs that qualify under the NMTC program;
- d) Deferral of the repayment on the installment loan for the period of the NMTC, with reversion to the original terms for that loan in 2012.

Note: The City provided the first loan as a standard CDBG contingent grant with repayment due on sale or transfer, with the amount owed to be the greater of the pro-rated appreciated value or the original amount. The terms of the second loan provided the City the opportunity to determine after a five year period whether the incubator were in a financial position to begin to repay the second loan, or at the City's option, convert the installment loan into a deferred payment loan with repayment terms similar to the first loan. The December resolution authorized deferral of the installment loan until the end of the seven-year tax credit period, with reversion to the original terms in 2012.