



Legislation Text

File #: 33859, **Version:** 1

Fiscal Note

There is no direct budgetary impact and no appropriation is required. The City loans will be subordinated to a new first mortgage which will help the agency maintain its first mortgage.

Title

Authorizing the subordination of previously approved loans to Red Caboose Day Care Center, Inc. and authorizing the Mayor and City Clerk to sign agreements to subordinate the loans.

Body

Prior to 2002 the City provided three loans to Red Caboose totaling \$97,220. The City's loans were in second position behind a \$40,000 first mortgage to Anchor Bank. In February 2014 Red Caboose refinanced a loan with Anchor Bank in the amount of \$18,081. This action placed Anchor Bank in second position behind the City's loans. As part of the refinancing Anchor Bank required that the City subordinate its position to the new loan, maintaining its previously held first mortgage position.

WHEREAS, the Common Council previously approved three loans to Red Caboose totaling \$97,220 for facility improvements. These loans were provided as long-term deferred loans payable upon the sale, change of use or discontinuance of use of the property; and,

WHEREAS, the \$97,220 in City loans were secured in second position behind an Anchor Bank first mortgage of \$40,000 with a loan-to-value ratio of 34.31%; and,

WHEREAS, in February 2014, Red Caboose refinanced the remaining balance of \$18,081 with Anchor Bank; and,

WHEREAS, Anchor Bank provided this loan with the understanding that the City would subordinate its position to retain Anchor Bank in first position; and,

WHEREAS, subordinating the \$97,220 in City loans to the new Anchor Bank loan of \$18,081 resulted in a new loan-to-value ratio of 28.83%; and,

WHEREAS, CDD staff has reviewed the request by Red Caboose to subordinate its loans to a new first mortgage loan and have determined that the request is reasonable and still maintains the City in a strong second mortgage position.

NOW THEREFORE BE IT RESOLVED, that the Common Council authorize the subordination for the previously approved City loans totaling \$97,220 to Red Caboose Day Care Center, Inc to the new Anchor Bank loan of \$18,081 and authorize the Mayor and City Clerk to sign agreements to effect such subordination.