



Legislation Text

File #: 06984, **Version:** 1

Fiscal Note

The City made a loan of \$75,000 in CDBG funds to Community Coordinated Child Care to help them purchase a building. The organization now seeks to establish a line of credit with a lender that requires a first mortgage larger than the original first mortgage, but is smaller than the percentage of loan to value than the original ratio, due to the appreciation of the building. This resolution would permit the City to take the steps necessary to subordinate its current loan to the new first mortgage loan.

Title

Authorizing the subordination a previously approved CDBG loan to Community Coordinated Child Care to a first mortgage holder and authorizing the Mayor and the City Clerk to sign agreements to effect such a change.

Body

WHEREAS the Common Council approved a loan to Community Coordinated Child Care to help them purchase a building on Odana Court to better serve their target population and expand their services,

WHEREAS those efforts have been very successful, enabling the organization to increase its services but their growth requires a larger working capital pool to cover expenses incurred in the fulfillment of public contracts,

WHEREAS the original acquisition loans involved a private first mortgage

\$275,000 and a CDBG loan of \$75,000 (or 17.5% of the value of the property)

with \$76,000 (17%) of value behind these loan amounts, and the proposed refinancing would involve a private first mortgage of \$350,000 ahead of the City, and a CDBG loan of \$75,000 (or 17.5% of the value of the property), with \$275,000 (32%) of value behind these loan amounts,

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 Community Coordinated Child Care,

NOW THEREFORE BE IT RESOLVED that the Common Council

- a) Approve the subordination of the original CDBG loan with the same repayment terms of the greater of \$75,000 or 17.5% of value) to a first mortgage holder in the amount not to exceed \$350,000, and
- b) Authorize the Mayor and the City Clerk to enter into any agreement to effect the subordination.