



Legislation Text

File #: 15790, Version: 1

Fiscal Note

This resolution would authorize transfer of responsibility to repay a \$379,099.50 Section 17 Rental Rehabilitation Loan from the YWCA to a related entity. It also forgives \$1,454,400 of accrued interest on the Section 17 loan which, under the terms of the original agreement, would have been forgiven in September of 2009. No direct budgetary impact.

Title

Approving the extension of a Section 17 loan to The Young Women's Christian Association of Madison, Wisconsin, Inc. and the assignment and assumption of various loan obligations thereunder to YWCA Madison Housing, LLC; authorizing the City's forgiveness of interest; and authorizing the Mayor and City Clerk to execute all documents as may be necessary to conclude this transaction.

Body

The Young Women's Christian Association of Madison, Wisconsin, Inc. (the "YWCA") is the owner of a building located at 101 East Mifflin Street consisting of staff offices, family shelter rooms, transitional housing, and single room occupancy units for single women (the "Property"). In 1989 the City made a Section 17 Rental Rehabilitation loan in the amount of \$379,099.50 (the "Loan") to an affiliated entity of the YWCA to fund certain improvements to the Property. All obligations under the Loan documents were assigned by the affiliated entity to the YWCA in 2002. The Loan, including interest accruing at 8.2% a year, is due and payable in September 2009. The Loan documents provide that the interest accruing under the Loan may be forgiven in 2009, and that, with the consent of the City, the Loan may be extended for an additional twenty year term at zero percent interest. The YWCA intends to seek tax credit investments or other funding to pay for needed improvements to the Property, and to assist that project, the YWCA has requested an extension of the Loan for an additional twenty years.

WHEREAS, in 1989, the City provided a \$379,099.50 Section 17 Rental Rehabilitation Loan to an affiliated entity of the YWCA to partially finance the rehabilitation of affordable residential rental units at the Property; and

WHEREAS, the principal of the Loan and interest of 8.2% compounded annually are due in one payment on the earlier of September 1, 2009, or on the sale, transfer or assignment of the Property to any person or entity other than the YWCA or one of its affiliates; and

WHEREAS, the Loan is secured by a mortgage encumbering the Property, and is subject to the terms and conditions of a Rental Rehabilitation Loan and Regulatory Agreement, as amended, and a Mortgage Note executed by the affiliated entity (collectively, the "Section 17 Loan Documents"); and

WHEREAS, in 1989 the City entered into a Grant Agreement with the YWCA whereby the City agreed to disburse the sum of \$1,454,500 (the "Grant") to the YWCA on September 1, 2009; and

WHEREAS, the payment of the Grant coincides with the repayment of the Loan, and is to set off the interest due under the Loan and, in effect, to forgive such interest; and

WHEREAS, in 2002 the YWCA assumed all of the obligations of the affiliated entity under the Section 17 Loan Documents and the Grant Agreement; and

WHEREAS, in order to attract tax credit investment, the YWCA may convey ownership of the Property to YWCA Madison Housing, LLC, which would then assume all of the YWCA's obligations under the Section 17 Loan Documents.

NOW, THEREFORE BE IT RESOLVED as follows:

1. Property Transfer. The Common Council hereby approves of the transfer of the improvements and lands comprising the Property to YWCA Madison Housing, LLC, subject to the terms of this Resolution.
2. Section 17 Loan. The assignment to and assumption by YWCA Madison Housing, LLC of the

YWCA's obligations under the Section 17 Documents is hereby approved. The interest which has accrued under the Section 17 Mortgage Note shall be forgiven upon execution by the YWCA or YWCA Madison Housing, LLC of: (i) a replacement note in the amount of the Loan at zero percent interest payable to the City upon the earlier of the sale of the Building or 2029; and (ii) a document terminating the Grant Agreement. The City shall subordinate its \$379,099.50 mortgage to the YWCA's first mortgage lender, or a successor lender, in an amount not to exceed \$5,000,000. The Mayor and City Clerk are hereby authorized to execute any and all documents necessary to effectuate the intent of this paragraph, including but not limited to a Termination of Grant Agreement.

3. General Authorizations. The Mayor and City Clerk are hereby each authorized to execute, deliver, publish, file and record such other documents, instruments, notices and records as approved by the City Attorney, and to take such other actions as shall be necessary or desirable to accomplish the purposes of this Resolution and to comply with and perform the obligations of the City hereunder.