



Legislation Text

File #: 04231, **Version:** 1

Fiscal Note

This resolution authorizes the CDA to loan \$2,100,000 to the Wisconsin Partnership for Housing Development, Inc. using the remaining balance of a previously authorized \$4,100,000 variable rate Fannie Mae line of credit as the financing source. Under the terms of the letter of credit, which expires on December 15, 2007, the CDA makes quarterly payments at an interest rate equal to the 90 day LIBOR (London Inter-Bank Offered Rate) index plus .9%. This rate is currently estimated at approximately 6.4%, but will be set at closing and adjusted quarterly.

The proposed loan to Wisconsin Partnership for Housing Development would require payments to the CDA at an interest rate that is 1% higher than the Fannie Mae rate.

The City has guaranteed repayment to Fannie Mae should the CDA be unable to fulfill its quarterly payment obligation. This guarantee constitutes a general obligation debt of the City.

Title

Approving the CDA's borrowing of \$2,100,000 from Fannie Mae in order to loan the proceeds to the Wisconsin Partnership for Housing Development, Inc., for the purpose of constructing affordable condominium units in the Twin Oaks neighborhood.

Body

WHEREAS, the CDA and Fannie Mae entered into a Loan and Security Agreement under which the CDA may borrow up to \$4,100,000 (the "Credit Facility") from Fannie Mae to finance residential construction or rehabilitation projects; and

WHEREAS, by Substitute Resolution No. 59816, ID No. 32979, adopted on October 1, 2002 (the "Authorizing Resolution"), the City agreed to guarantee repayment of the Credit Facility through a pledge of its full faith and credit and taxing power; and

WHEREAS, the Authorizing Resolution provided that any final borrowing by the CDA must be approved by the Common Council; and

WHEREAS, a Request for Proposals (RFP) was released on April 17, 2006, with proposals due on May 17, 2006; and

WHEREAS, the Wisconsin Partnership for Housing Development was sole respondent; and

WHEREAS, on July 13, 2006, the CDA recommended approval of a \$2,100,000 revolving loan to Wisconsin Partnership for Housing Development, Inc., subject to the terms and conditions of the Fannie Mae Credit Facility; and

WHEREAS, the CDA desires to loan the full amount of the Credit Facility to the Wisconsin Partnership for Housing Development, Inc., (the "Developer") to partially finance Developer's construction of eighteen (18) owner-occupied condominium units in the Twin Oaks neighborhood (the "Project"), eleven (11) of which shall be affordable; and

WHEREAS, the CDA loan of the Credit Facility proceeds to the Developer shall be on the following terms and conditions:

1. The Developer shall pay interest quarterly, in arrears, at the rate of the three-month LIBOR plus 190 basis points, adjusted quarterly;
2. Principal payments shall be made on the date of sale or transfer of any condominium unit in accordance with a release price schedule;
3. All outstanding principal and interest payments shall be due on or before November 15, 2007, unless Fannie Mae, the CDA and the City agree to extend such maturity one year.
4. Developer shall execute a Note and first Mortgage in favor of the CDA.
5. Financing to be provided when Developer provides evidence to the CDA, to its satisfaction, of five (5) pre-sales.

6. In order to secure payment of a portion of the Credit Facility, the Developer shall provide the CDA with an irrevocable Letter of Credit from a qualified financial institution in the amount of \$200,000 in favor of the CDA.

NOW, THEREFORE, BE IT RESOLVED, that the City hereby approves of the CDA's borrowing of the Credit Facility for the purposes and on the terms described herein.

BE IT FURTHER RESOLVED that the Mayor and City Clerk are hereby authorized to execute such documents, instruments and records and to take such other actions as shall be necessary to accomplish the purposes of this Resolution.