



Council Agenda Item: 25-0562R and 25-0563R

MEETING DATE: July 14, 2025

SUBJECT/TITLE: RESOLUTION AUTHORIZING THE ACCEPTANCE OF AN ALLONGE TO PROMISSORY NOTE RELATED TO VILLAGE PLACE APARTMENTS.

and

RESOLUTION AUTHORIZING A CONTRACT FOR GUARANTEE OF A PROMISSORY NOTE UNDER THE SECTION 108 LOAN GUARANTEE ASSISTANCE PROGRAM AND TO EXECUTE A VARIABLE/FIXED RATE NOTE FOR A PRINCIPAL AMOUNT OF \$2,521,000.

SUBMITTED BY: Ben VanTassel, Planning & Economic Development Department Director

RECOMMENDATION: Approve.

BOARD/COMMISSION/COMMITTEE RECOMMENDATION: Not applicable.

PREVIOUS COUNCIL ACTION: In 2005, City Council passed Resolutions 05-0177R and 05-0429R, authorizing a Section 108 Loan with the U.S. Department of Housing and Urban Development (HUD) and subsequent agreement with Central Hillside Development, LLLP for the Village Place housing project.

BACKGROUND: Village Place, a housing project located at 602 E 5th Street, Duluth, MN, is a mixed income 55-unit building that includes 52 affordable units and 3 market rate units that is nearing the end of its original affordability period. The project obtained funding through the Section 108 Loan Guarantee Program which allows Community Development Block Grant (CDBG) recipients to leverage their annual grant allocation for low-cost, flexible financing. In this case, the City is the loan holder with HUD and has a subsequent agreement with the developer to pay all loan principal and interest. The developer of the project has engaged the city to explore options of maintaining the affordable units in the property beyond the original 20-year period. The developer is exploring a potential transaction of the building to the Housing and Redevelopment Authority of Duluth (HRA) which is a comprehensive process that could take up to a year to complete.

As part of the terms of the original agreement with HUD, a balloon payment of \$2,521,000 is due to HUD in August 2025. HUD has agreed to a one-year extension of the loan (including the delay of the balloon payment) in order to provide the City, Developer, and community partners time to find a path to maintaining the affordable units. Resolution 25-0563 authorizes a new agreement and note with HUD with a final payment due in one year. Resolution 25-0562 authorizes an amendment to the note with Central Hillside Development, LLLP also extending the agreement by one year.

BUDGET/FISCAL IMPACT: Authorizing the two actions will extend the due date of the balloon payment and ensure that Central Hillside Development LLLP continues to make interest payments to the city which are then used by the City to pay HUD. Not passing these resolutions would mean the city is responsible to pay \$2,521,000 by August 2025 or lose future entitlement grants.



OPTIONS: Approve or deny the resolutions. Approving the resolutions ensures the city remains current on the existing Section 108 Loan and provides the ability for the partners to explore extending the 52 affordable units beyond 2025.

NECESSARY ACTION: Approve the resolutions in order to execute the agreements by HUD's deadline of July 15, 2025.

ATTACHMENTS: Allonge to Promissory Note and Variable/Fixed Rate Note