



Legislation Text

File #: 15-0462R, **Version:** 1

RESOLUTION AUTHORIZING A SUBORDINATION AGREEMENT RELATING TO THE REFINANCING OF THE VILLAGE AT MATTERHORN HOUSING PROJECT.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to execute a Subordination Agreement, substantially in the form of that attached hereto as Exhibit A, with Oak Grove Commercial Mortgage, LLC, and Matterhorn Apartments, LLC, relating to the refinancing of the Village at Matterhorn Housing Project.

STATEMENT OF PURPOSE: Located at the end of Burning Tree Road, the Village at Matterhorn project consists of 96 units of mixed-income housing in two apartment buildings and 15 townhomes. Of the 96 total, 68 are tax credit units (30 of which are also HOPE VI units) and 28 market rate units. In 2006, the city provided \$150,000 of Housing Investment Fund ("HIF") monies to the project. The HIF monies are a 0% deferred loan for a period of 30 years at which time the balance is due and payable. Projects providing long-term affordability may be considered for forgivable loans. The decision to forgive cannot occur before one year prior to the end of the loan period.

The city's HIF loan is in seventh mortgage position currently behind two Wells Fargo loans in the combined amount of \$2,725,000, an HRA loan in the amount of \$1,592,580, two loans of Minnesota Housing Finance Agency in the combined amount of \$1,627,929 and Greater Minnesota Housing Fund loan in the amount of \$1,000,000. The combined Wells Fargo loan is being refinanced with a new \$3,250,000 HUD loan. The increased value of the HUD mortgage along with all subordinate debt has been verified through an appraisal performed by Diversified Real Estate Services.

Under the refinancing, the city will retain its seventh position behind approximately \$525,000 in additional debt, part of which includes added HUD reserve requirements, an origination fee, survey and legal fees and some amortization of a deferred developer fee which is required for tax credit projects. The subordination agreement calls for the extension of the maturity of the HIF loan to coincide with the new maturity on the HUD loan which is August 1, 2050 and further provides that if the term of the HUD Loan is extended, that the HIF Loan would also effectively be extended.