



Legislation Details (With Text)

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Title:	RESOLUTION AUTHORIZING CITY OF DULUTH PARTICIPATE IN THE HUD PUBLIC OFFERING AS PART OF THE SECTION 108 LOAN GUARANTEE ASSISTANCE PROGRAM TO REFINANCE THE EXISTING NOTE OR OTHER OBLIGATION IN THE ORIGINAL PRINCIPAL AMOUNT OF \$10,000,000, FOR THE VILLAGE PLACE APARTMENTS		

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12/17/2018	1	City Council	adopted	

RESOLUTION AUTHORIZING CITY OF DULUTH PARTICIPATE IN THE HUD PUBLIC OFFERING AS PART OF THE SECTION 108 LOAN GUARANTEE ASSISTANCE PROGRAM TO REFINANCE THE EXISTING NOTE OR OTHER OBLIGATION IN THE ORIGINAL PRINCIPAL AMOUNT OF \$10,000,000, FOR THE VILLAGE PLACE APARTMENTS

WHEREAS, the City Of Duluth, by Resolution adopted 03-0600R, authorized an application seeking loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, from the United States Department of Housing and Urban Development ("HUD"), and did authorize the proper city officials to execute the documents necessary to accomplish the transaction, and did accept HUD's guarantee of Section 108 note number B-03-MC-27-0002 for the Village Place Apartments under a Section 108 Contract for Loan Guarantee Assistance dated August 15, 2005; and

WHEREAS, the assistance provided by HUD was the guarantee of a note in the original principal amount of \$10,000,000, plus interest thereon; and

WHEREAS, HUD has notified the City of Duluth that a public offering will occur in February, 2019, and to participate, the City of Duluth must immediately notify HUD of its intention to refinance all or a portion of its existing Section 108 commitment through the public offering; and

WHEREAS, HUD may require, as a condition of participation in the public offering, that the City of Duluth execute documents related to the transaction, and whereas the City of Duluth has previously agreed to pay the City of Duluth's share, as determined by HUD, of the customary and usual issuance, underwriting, and other costs related to the public offering and future administration of the Note and the trust certificates; and

WHEREAS, it is economically sound and in the best interest of the City of Duluth to accept more favorable fixed rates of interest under the Section 108 Loan Guarantee program offered by HUD under the public offering;

NOW THEREFORE IT IS RESOLVED BY the City Council of the City of Duluth, that the proper city officials shall notify HUD of the City of Duluth's desires to participate in the February, 2019 public offering by HUD through the loan guarantee assistance program under Section 108 of the Housing and Community Development Act of 1974, as amended, for the existing obligation B-03-MC-27-0002 in the original principal amount of \$10,000,000, and to refinance the original principal amount of \$10,000,000 at such rates of interest that will be determined by HUD at the time of the public offering.

BE IT FURTHER RESOLVED, the proper city officials are hereby authorized to execute the necessary documents as required by HUD to refinance the existing guaranteed Section 108 Note, and to execute such other documents, contracts, amendments and agreements with HUD, and to authorize payment of any required fees, as may be necessary to effectuate this refinancing transaction.

The City provided a loan to the Village Place Apartments through the US Department of Housing and Urban Development's (HUD) Section 108 program in 2006. Section 108 loans are available through HUD, and allow a HUD entitlement community to use future Community Development Block Grant (CDBG) funding as a loan guarantee to leverage available capital for development of affordable housing.

HUD is conducting a public offering for the Section 108 program in February 2019, and has indicated that the city may participate. At present, the city's note has a balance of approximately \$2.636 million. HUD indicates that through participation, the city would save approximately \$390,000 between now and the note's maturity date.

Costs associated with refinancing the city's Section 108 loan, anticipated to be approximately \$13,000, will be paid out of the City's available CDBG Administration budget (CD18CD-ADMC).