



Legislation Text

File #: 1842-2008, **Version:** 1

BACKGROUND: In 1995 and 1996 when Northside Development Corporation and Columbus Housing Partnership were in the process of acquiring and renovating the Indianola Homes Limited Partnership properties, the City made three loans to the Partnership - a HOME funds loan of \$316,500, a HOME funds loan of \$133,500 and a Lead Safe Columbus loan of \$81,055. The partnership and its partners have fulfilled all the federally mandated affordability requirements associated with these loans. The project has struggled financially and has obtained funds from Neighborworks to do renovations to improve occupancy and rental income. Even with this investment, the project continues to perform poorly and it has been decided that it would be in the best interest of the project and its tenants to find a buyer who can recapitalize the property. A purchase has been negotiated with a buyer for this project. The sales price, which is reflective of the market value of the project, provides insufficient proceeds from the sale to satisfy the first mortgage and all outstanding mortgages and payables. After negotiations with Columbus Housing Partnership, it is the recommendation of the City Housing Division staff that the City accept \$250,330 in satisfaction of its mortgages. This legislation releases and forgives a portion of the recorded interest of the City of Columbus on Mortgage Note One on the Indianola Homes Project, fully forgives principal and accrued interest on Mortgage Note Two and fully forgives principal and interest on the LSCP Mortgage Note.

Emergency action is requested so that Indianola Homes can sell its assets pursuant to a sale contract that is expected to close on or before December 1, 2008.

FISCAL IMPACT: The City will generate a total of \$250,330 in program income as a result of the mortgage satisfaction. There will be a loss of \$199,670 plus accrued interest in HOME receivables and \$81,055 plus accrued interest in Lead Safe Columbus receivables.

To authorize the Director of the Department of Development to release the recorded interests of the City of Columbus on the Indianola Homes Limited Partnership on loans made from HOME funds totaling \$450,000 plus accrued interest and a loan made from the Lead Safe Columbus Program for \$81,055 plus accrued interest; and to declare an emergency.

WHEREAS, the Department of Development has outstanding loan balances from HOME funds totaling \$450,000 plus accrued interest to Indianola Homes Limited Partnership and Lead Safe Columbus funds totaling \$81,055 plus accrued interest for the acquisition and rehabilitation; and

WHEREAS, the owner, Indianola Homes Limited Partnership has requested that it be allowed to sell the assets of the project and remit \$250,330 to release all of the City's liens on the property, and

WHEREAS, this legislation would release and forgive \$199,670 plus accrued interest on the HOME loans and \$81,055 plus accrued interest on the Lead Safe Columbus loan upon payment of the \$250,330, and

WHEREAS, these loans were made from HOME Investment Partnership Funds and General Government Grant Fund (Lead Funds) from the City of Columbus, Department of Development; and

WHEREAS, these loans were made for the acquisition and substantial rehabilitation of a 25 unit low-to-moderate income (60% or below area median income) rental housing development with a mortgage and terms that the loans would be repaid upon sale or transfer of the property, and

WHEREAS, the current owner of the project has secured a buyer whose sales price is less than all amounts owed on the project and City staff has made a recommendation to accept less than what is owed based upon the review of the financial condition of the project and other outstanding indebtedness and

WHEREAS, the project owner has agreed to pay \$250,330 toward the \$450,000 HOME loans leaving \$199,670 plus accrued interest of the HOME loans to be forgiven and \$81,055 plus accrued interest of the Lead Safe Columbus loan to be forgiven, and

WHEREAS, the City will obtain \$250,330 in HOME program income but there will be a loss of \$199,670 in HOME accounts receivable and \$81,055 in Lead Safe Columbus accounts receivable; and

WHEREAS, an emergency exists in the usual daily operation of the Department of Development in that it is immediately necessary to release the recorded interests of the City of Columbus on the Indianola Homes Limited Partnership so that Indianola Homes can sell its assets pursuant to a sale contract that is expected to close on or before December 1, 2008; thereby preserving the public peace, health, safety, and welfare; **NOW, THEREFORE**,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF COLUMBUS:

Section 1. That the Director of the Department of Development be and is hereby authorized to release the recorded interests of \$316,500 plus accrued interest titled "Mortgage Note One" and \$133,500 plus accrued interest titled "Mortgage Note Two" and \$81,055 plus accrued interest titled "LSCP Mortgage Note" for the sum of \$250,330 payable to the City of Columbus as HOME program income and forgiveness of the remaining loan balances totaling \$280,725 plus accrued interest. There will be a loss of \$199,670 in accounts receivable for the HOME Investment Partnerships program income and a loss of \$81,055 in accounts receivable for Lead Safe Columbus.

Section 2. Payments received from Indianola Homes Limited Partnership pursuant to Section 1 of this ordinance shall be deposited in the HOME Fund, Fund No. 201.

Section 3. That for the reasons stated in the preamble thereto, which is hereby made a part hereof, this Ordinance is declared to be an emergency measure and shall take effect and be in force from and after its passage and approval by the Mayor, or ten days after passage if the Mayor neither approves nor vetoes the same.