



Legislation Text

File #: 0128-2017, Version: 1

BACKGROUND:

Starr/High is a thirty five unit affordable housing project located at 989-997 North High Street in the Short North Community within the City of Columbus. In 1992, Starr/High obtained a loan of \$275,000 in City Investment funds with a 1% interest rate from the City of Columbus for site acquisition. In 1993, Starr/High obtained a loan of \$307,613 in HOME funds with 0% interest for the rehabilitation of the project which has been providing affordable housing for eligible residents since that time. The loan of City Investment funds will be repaid in full. The required federal compliance period for the HOME loan is complete as is the required compliance period for the low income housing tax credits. The project has not generated sufficient cash flow to permit any payments on the loan. An affiliate of Enterprise Community Partners was the low income housing tax credit provider and has exited the project. With all compliance periods complete, the project owner, an affiliate of Columbus Housing Partnership doing business as Homeport (Homeport) has sold the building with proceeds of sale being deposited into escrow. Conditions of sale include allowing all existing residents to remain in the homes for at least 24 months and continuing to allow the existing management company, Wallick, to remain as the project manager for at least 12 months. In addition, Homeport will be setting aside funds to assist any tenants remaining after the 24 month period who do not remain in the property.

The City of Columbus Policy for Requests for Debt Forgiveness for Multifamily Rental Projects allows non-profit owners to request that HOME and NSP loan repayments be provided to the non-profit owner with up to 10% being used for non-profit operating costs and the remaining 90% of the funds be deposited into a non-interest bearing escrow account for up to 5 years and be accessed by the owner to fund otherwise eligible HOME development costs that are approved by the City which will reduce any funding request to the City on a dollar by dollar basis. After repaying the City Investment fund loan, the remaining city loan of \$307,613 would be distributed to Homeport with 10% of the funds (\$30,761) being eligible for operating costs and the remaining 90% of the funds (\$276,852) to be deposited by Homeport into an escrow account.

Emergency action is requested so that disposition of the proceeds can be determined.

FISCAL IMPACT:

There will be a loss of \$307,613 in HOME receivables.

To authorize the Director of the Department of Development to forgive the principal and accrued interest on a HOME loan due to the City of Columbus totaling approximately \$307,613.00, to allow the funds to be allocated to operating costs to the extent of \$30,761.00 and to deposit the remaining proceeds into a non-interest bearing escrow account to be used, with Development Department approval for an eligible HOME project and to declare an emergency.

WHEREAS, the Department of Development has \$307,613 in principal and accrued interest owed to it for a HOME loan made to Starr/High Limited Partnership for the rehabilitation of the project located at 989-997 North High Street in Columbus; and

WHEREAS, the owner, Starr/High Limited Partnership has requested that it be forgiven the principal on the loan; and

WHEREAS, this legislation would forgive approximately \$307,613 of principal and accrued interest on the HOME loan; and

WHEREAS, this loan was made for the rehabilitation of these rental units for low-to-moderate income (60% or below

area median income) rental housing with a mortgage and terms that the loan would be repaid upon sale or transfer of the property, and

WHEREAS, all existing tenants at the site have will be allowed to remain in place for at least 24 months and after that time may seek assistance with relocation from Starr/High sponsor Columbus Housing Partnership dba Homeport; and

WHEREAS, the proceeds from the HOME loan would be used to cover operating costs up to \$30,761 with the remaining funds being deposited into a non-interest bearing account to be used for a future HOME eligible project; and

WHEREAS, the City will have a loss of \$307,613 in HOME principal and accrued interest receivable; and

WHEREAS, an emergency exists in the usual daily operation of the Department of Development, Housing Division, in that it is immediately necessary to authorize the forgiveness of the HOME loan due to the City of Columbus and allow the sponsor to utilize these funds instead of seeking scarce federal funds from the City; and **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 forgive the principal of \$307,613 to Starr/High Limited Partnership, to allocate \$30,761 of the funds for operating costs and to deposit the remaining loan proceeds into a non-interest bearing escrow account to be used, with the consent of the Director of Development, for a HOME eligible project. There will be a loss of \$307,613 in principal and accrued interest receivable for the HOME Investment Partnerships program income.

Section 2. 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.