



Legislation Text

File #: 0126-2017, Version: 1

BACKGROUND:

Hotel St. Clair is a thirty two unit affordable senior housing project located at 340-352 St. Clair Avenue on the near east side within the City of Columbus. In 2001, Hotel St. Clair obtained a loan of \$226,000 in HOME funds from the City of Columbus for site acquisition and construction of the project which has been providing affordable housing for eligible residents since that time. The interest rate on the loan is 6.75% and the current loan balance is approximately \$603,443. The required federal compliance period for this loan is complete. The original development team of this project, G. Fred Schwab, LLC and Hotel St. Clair Housing Corporation exited the ownership of the project in 2005 and was replaced by Hotel St. Clair Partners, Inc. a subsidiary of Community Housing Network (CHN). At that time, CHN secured additional financing from the Federal Home Loan Bank of Cincinnati in the amount of \$387,500, the HUD Supportive Housing Program McKinney Vento Grant (SHP) of \$150,000 and a second forgivable loan from the City of Columbus for \$95,000 and the project was converted to permanent supportive housing for seniors. The second City loan was forgiven in 2010. The project has never operated at a profit and Ohio Capital Corporation for Housing, the low income housing tax credit equity provider, has funded operating losses of over \$738,981 during the 15 year period and will pay a tax credit recapture expense of \$196,671. The completion of the 15 year compliance period for housing tax credits was December 31, 2016 although tenants were relocated prior to that time.

Due to the ongoing losses of the project, the owners would like to sell the building and have an interested buyer who would like to develop market rate housing at that location. All tenants of the building have been relocated to other CHN owned sites or have been provided with a Section 8 voucher housing following Uniform Relocation requirements. The City loan is senior to the other loans in the project including a State loan of \$300,000. However, in order to sell the building with clear title and remain in good standing to continue to develop projects, the SHP award must be repaid in an amount up to \$135,000 and State loan must be repaid in an amount up to \$170,000. CHN is asking the City of Columbus to allow these two loans to be repaid ahead of the City debt.

The City of Columbus Policy for Requests for Debt Forgiveness for Multifamily Rental Projects allows non-profit owners to request that net proceeds of sale 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. The estimated net proceeds of sale are \$601,500. The funds would be distributed to repay the SHP funding up to \$135,000 and the State fund up to \$170,000. The remaining funds of \$296,500 would be deposited by CHN into an escrow and account and they have agreed not to request any operating cost funding from this sale.

Emergency action is requested so that Hotel St. Clair can conclude the sale of its building.

FISCAL IMPACT:

There will be a loss of approximately \$603,443 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 \$603,443.00, to allow the funds to be used to repay the HUD Supportive Housing Program McKinney Vento grant up to \$135,000.00 and the State of Ohio Loan up to \$170,000.00 and 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 approximately \$603,443 in principal and accrued interest owed to it for a HOME loan made to Hotel St. Clair for the acquisition and rehabilitation of the project located at 340-352 St. Clair Avenue in Columbus; and

WHEREAS, the owner, Hotel St. Clair Limited Partnership has requested that it be forgiven the principal and accrued interest on the loan; and

WHEREAS, this legislation would forgive approximately \$603,443 of principal and accrued interest on the HOME loan; and

WHEREAS, this loan was made for the acquisition and 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, the owner has sustained significant losses on the ongoing operation and maintenance of this project and has the opportunity to sell the building to a new owner for market rate development; and

WHEREAS, all existing tenants at the site have been relocated according to the requirements of the Uniform Relocation Act; and

WHEREAS, the net proceeds of sale would be used to repay funds from the HUD Supportive Housing Grant of up to \$135,000 and fund from the State of Ohio up to \$170,000 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 up to \$603,443 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 in order to facilitate the sale of the site for market rate development; 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 and accrued interest of approximately \$603,443 to Hotel St. Clair Limited Partnership, to allow the repayment of the HUD Supportive Housing Program McKinney Vento funding and the State of Ohio funding and to deposit the remaining net proceeds of sale 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 approximately \$603,443 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.