



Legislation Text

File #: 0011-2026, **Version:** 1

BACKGROUND: This legislation authorizes the Director of Development to modify and extend an existing escrow agreement with Community Housing Network Inc. The extension of time to December 31, 2030 will allow the funds that are held in escrow to be used on HOME eligible projects that will only be released if approved by the City of Columbus Housing Division.

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 \$226,000.00 of 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 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 Inc (CHN). At that time, CHN secured additional financing from the Federal Home Loan Bank of Cincinnati in the amount of \$387,500.00, the HUD Supportive Housing Program McKinney Vento Grant (SHP) of \$150,000.00 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 \$738,981.00 during the 15-year period and will pay a tax credit recapture expense of \$196,671.00. The completion of the 15-year compliance period for housing tax credits was December 31, 2016 although tenants were relocated prior to that time. In 2017, due to the ongoing losses of the projects, CHN (owner) identified a buyer for the project, and it was sold. The tenants were located to other CHN sites or were provided with a Section 8 voucher. The City allowed prepayment and forgiveness of the existing debt, as authorized by ordinance 0126-2017. The proceeds of sale were distributed to pay off debt, with a remaining balance of \$296,500.00 which was deposited by CHN into a non-interest-bearing escrow account for CHN's use on future HOME eligible projects. The escrow agreement was finalized between CHN and the City on March 23, 2017, with language in the original agreement contemplating unspent funds would be released to the City after five (5) years. While CHN has submitted projects for consideration, none materialized, and the funds remain in escrow. The Housing division recently received a request from CHN to release the funds from Escrow to provide funds to Southpoint for the repair and replacement of downspouts and gutters (\$40,000), replacement of an intercom system (\$40,000), an upgrade to the security camera (\$40,000) for a total of \$120,000. The Housing Division has reviewed the proposed project and approved the use of funds for the proposed purpose. To efficiently approve the request, it is necessary to modify the escrow agreement to clarify the timeframe within which the funds may be held in escrow for use by CHN for such an eligible project.

FISCAL IMPACT: No funding is needed.

To authorize the Director of the Department of Development to modify and extend an existing escrow agreement with Community Housing Network Inc. (CHN). (\$0.00)

WHEREAS, the City allowed prepayment and forgiveness of the existing debt, as authorized by ordinance 0126-2017. The proceeds of sale were distributed to pay off debt, with a remaining balance of \$296,500.00 which was deposited by CHN into a non-interest-bearing escrow account for CHN's use on future HOME eligible projects; and

WHEREAS, the escrow agreement was finalized between CHN and the City on March 23, 2017, with language in the

original agreement contemplating unspent funds would be released to the City after five (5) years. While CHN has submitted projects for consideration, none materialized, and the funds remained in escrow; and

WHEREAS, the funds remain still in escrow and the City as well as CHN wish to modify and extend the escrow agreement to clarify that unspent funds can still be used on HOME eligible projects that will only be released upon City of Columbus Housing Division approval; and

WHEREAS, it has become necessary in the usual and daily operation of the Department of Development in that the escrow agreement be modified and extended until December 31, 2030 to be used on eligible projects that CHN has submitted for consideration and has been approved by the City of Columbus Housing Division; **NOW, THEREFORE**,

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

SECTION 1. That the Director of the Department of Development is hereby authorized to modify and extend the time on an existing escrow agreement with Community Housing Network Inc. to December 31, 2030 to clarify that unspent funds held in escrow may be used on HOME eligible projects that will only be released if approved by the City of Columbus Housing Division.

SECTION 2. That all other aspects of the escrow agreement remain in effect.

SECTION 3. That this ordinance shall take effect and be in force from and after the earliest period allowed by law.