



Legislation Text

File #: ID 15-0467, **Version:** 1

Ordinance in the Amount of \$1,392,000 Amending FY 14-15 Community Development Fund and in the Amount of \$2,186,000 Amending FY 14-15 S. Elm Street Redevelopment Fund for HUD Section 108 Certificates, Series 2015

Department: Financial and Administrative Services

Meeting Date: June 16, 2015

Council District: N/A

Public Hearing: N/A

Advertising Date/By: N/A

Contact 1 and Phone: Richard Lusk, Finance Director, 373-2077

Contact 2 and Phone: Marlene Druga, Deputy Finance Director, 373-2077

PURPOSE: To appropriate funds to account for the refinancing of two HUD Section 108 notes outstanding (Series 2002A-\$1,015,000 and Series 2003A -\$377,000), (Willow Oaks) and to convert an interim variable rate HUD Section 108 note outstanding to permanent financing, (\$2,186,000), (S. Elm Street Redevelopment). The transactions were included in a HUD public offering of trust certificates guaranteed under Section 108 of the Housing and Community Development Act of 1974, as amended. The City's notes were accumulated in a trust created by HUD (together with other Section 108 Notes issued by other borrowers) and Series 2015A certificates were issued by HUD on May 28, 2015, resulting in reduced debt service payments for the City approximating \$159,000 in relation to the refinancing of the Series 2002A and 2003A notes.

BACKGROUND: Beginning in 2002, the City began borrowing up to \$7,461,000 in authorized HUD Section 108 notes to fund a portion of the Willow Oaks project in southeast Greensboro as construction progressed, in partnership with the Greensboro Housing Authority. Certain of the notes (2002A and 2003A) were eligible for refinancing in 2015. Due to the current favorable interest rate environment, the City chose to participate in the 2015 HUD refinancing transaction, resulting in estimated savings of \$159,000. In addition, beginning in FY 2006, a variable rate interim Section 108 note was issued to fund the City's \$3 million commitment to the S. Elm Redevelopment project. On May 28, 2015, the City converted this note from variable interest terms of 3 Month LIBOR plus 20 basis points to a fixed rate, with interest coupons ranging from 0.28% to 2.95%.

The 2015A HUD certificate proceeds of \$1,392,000 and \$2,186,000 were delivered to the escrow agent/bond trustee on May 28, 2015. It is necessary to amend the Community Development Fund and the S. Elm Street Redevelopment Fund to properly account for this transaction and record payment to the escrow agent for redemption of the outstanding notes. A portion of the City's Community Development Block Grant allocation is reserved to pay debt service on these notes, as it becomes due.

BUDGET IMPACT: The projected reduction in annual interest rates should result in a debt service savings in the Community Development Fund of \$159,000 over the next 13 years, an average annual savings of \$12,000 relating to the 2002A and 2003A bonds.

RECOMMENDATION / ACTION REQUESTED: The Planning Department and Neighborhood Development Departments request City Council approval of the attached budget ordinance amending the FY 14 -15 Community Development Fund by \$1,392,000 and the S. Elm Street Redevelopment Fund by \$2,186,000 for the HUD Section 108 Certificates, Series 2015.