



Legislation Text

File #: ID 16-0599, **Version:** 1

Resolution Authorizing Loan Modification for Sale and Rehabilitation of 316 S. English Street and 225 Bingham Street

Department: Neighborhood Development
Council District: 1

Public Hearing: No
Advertising Date/By:

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PURPOSE:

City Council is requested to approve a reduction in the amount owed to the City on a housing rehabilitation loan. This action will facilitate a sale of 11 units of multi-family property located at 316 S. English Street and 225 Bingham Street to a new owner who will rehabilitate the properties.

BACKGROUND:

In 1999, when the non-profit Greensboro Episcopal Housing Ministry filed bankruptcy, the City requested that Affordable Housing Management Inc. [AHM] take ownership of the properties located at 316 S. English Street (6 units) and 225 Bingham Street (5 units) and assume the outstanding bank loan and City loan. AHM has successfully operated the units for 17 years at rents affordable to very low income families. The City's \$215,000 loan was deferred and due upon sale of the property.

The properties are now in need of rehabilitation. A buyer has offered a purchase price of \$189,000 (which is 90% of the appraised value) and will further invest approximately \$200,000 in the rehabilitation of the units. The properties have an appraised value of \$210,000 in as-is condition. Current balance on the City loan is \$213,752.79.

AHM has requested that the City forgive the loan amount that exceeds the offer value and further reduce the outstanding loan balance by \$75,938 to allow AHM to recoup their payoff of the bank loan and a loan made to the property for tree removal. AHM is also owed \$51,418 in management fees and reimbursements that they are willing to forego. AHM would be responsible for any tax implications due to debt forgiveness.

BUDGET IMPACT:

Reduction in anticipated HOME and Nussbaum program income from \$213,752.79 to \$113,062. Pro rata share of income is 69% HOME program and 31% Nussbaum Housing Partnership funds.

RECOMMENDATION / ACTION REQUESTED:

As a loan work out action, staff recommends that the City accept a reduction in the amount of loan proceeds for 316 S. English Street and 225 Bingham Street from \$213,752.79 to \$113,062. City Council is requested to approve a loan write off in the amount of \$100,690.79.