



Legislation Text

File #: ID 17-0022, **Version:** 1

Resolution Consenting to the “Loan Document Modification Instrument” between Churchview Place Limited Partnership (“Property Owner”) and Yadkin Bank DBA NewBridge Bank (“Lender”) and Ratifying Previous Action Placing Priority of the City’s Lien on property located at 2302 Old Chapman Street in Third Position.

Department: Neighborhood Development
Council District: 1

Public Hearing: No
Advertising Date/By:

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PURPOSE:

The Property Owner and Lender have requested that the City consent to their loan modification for assurance that the current security positions of lenders do not change. It is requested that City Council consider a resolution to consent to a modification of the first position loan between Property Owner and Lender and to ratify action taken in 2011 placing the priority of the City’s lien on property located at 2302 Old Chapman Street in third position.

BACKGROUND:

In 2008, the City entered into a loan agreement with the Property Owner (Churchview Place Limited Partnership) for the development of a 68 unit multi-family apartment complex for seniors located at 2302 Old Chapman Street. Due to the onset of the recession and turbulence in the Low Income Housing Tax Credit syndication market, the North Carolina Housing Finance Agency [NCHFA] offered forgivable loans to tax credit developers. These loans were conditioned upon being in second lien position. In 2009, the Property Owner was approved for such a loan subject to the loan being in second lien position.

A City Council agenda item in September 2009 requested subordination to the NCHFA loan and identified that the City’s loan would be in third position in both construction and permanent loan structures. However, Resolution 242-09 mistakenly identified that the City’s lien would be in second position. Nevertheless, the City subsequently executed the Subordination Agreements in 2009, for construction financing, and in 2011, for permanent financing, placing the City’s lien in third position behind the bank loan and forgivable loan from NCHFA.

Yadkin Bank DBA NewBridge Bank has agreed to modify the terms of the loan to reduce the interest rate from 7.5% to a 5.9% fixed rate and to restructure the prepayment penalty schedule. Staff recommends this action because the loan modification improves the financial condition associated with the property, which helps maintain tenant affordability and long term success.

BUDGET IMPACT:

No budget impact.

RECOMMENDATION / ACTION REQUESTED:

It is requested that City Council approve a resolution consenting to the “Loan Document Modification Instrument” between Churchview Place Limited Partnership and Yadkin Bank DBA NewBridge Bank and ratifying the action taken in 2011 placing priority of the City’s lien on property located at 2302 Old Chapman Street in third position.