

# CITY OF HIGH POINT

## AGENDA ITEM



**Title: Section 108 Loan Term Amendment - Hartley Ridge Apts.**

**From:** Michael E. McNair, Director

**Meeting Date:** Feb 3, 2020

**Public Hearing:** N/A

**Advertising Date** N/A

**Advertised By:** N/A

**Attachments:** Resolution

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### **PURPOSE:**

To consent to an amendment and extension of the section 108 loan from the federal government's Housing and Urban Development (HUD) department to the City and the City's corresponding loan to Hatley Ridge LLC in the amount of \$694,000.00.

### **BACKGROUND:**

During its regularly scheduled meeting on May 2, 2016, Council approved a loan to Wynnefield Properties in the amount of \$694,000.00 to develop an 84-unit multifamily apartment complex at 701 Hartley Drive; loan funds were sourced from a HUD Section 108 loan. After receiving a tax credit allocation from the North Carolina Housing Finance Agency, Hartley Ridge LLC (Hartley Ridge) was formed. After construction was completed and units leased, a ribbon cutting ceremony was held on April 26, 2019. Hartley Ridge is now preparing to enter into a senior loan with Merchants Capital Corp. Due to a delay in the closing of the senior permanent loan, Hartley has requested, and HUD has agreed to extend the Hartley Maturity Date for the City's loan to terminate six months after the Senior Maturity Date. The City is requested to follow suit with HUD's approval of the extension. No other conditions of the City's loans from HUD and to Hartley will be affected.

### **BUDGET IMPACT:**

N/A

### **RECOMMENDATION / ACTION REQUESTED:**

The Community Development and Housing Department recommends that City Council approve the amendment of the loan terms, the corresponding resolution and that the appropriate City official and/or employee be authorized to execute all necessary documents.

## RESOLUTION

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF HIGH POINT, PROVIDING CONSENT TO AMENDING AND EXTENDING THE TERM OF THE SECTION 108 LOAN FROM THE FEDERAL GOVERNMENT'S HOUSING AND URBAN DEVELOPMENT (HUD) DEPARTMENT IN THE AMOUNT OF \$694,000.00; APPROVING AND PROVIDING SECURITY FOR THAT CERTAIN HUD SECTION 108 LOAN IN THE AMOUNT OF \$694,000.00; AND THE EXPENDITURE OF SAID FUNDS FOR THE DEVELOPMENT OF A LOW INCOME TAX CREDIT DEVELOPMENT KNOWN AS HARTLEY RIDGE

Whereas, the City receives an annual allocation of Community Development Block Grant (CDBG) funding from the U. S. Department of Housing and Urban Development (HUD) to use for a variety of eligible projects defined through federal regulations, and as a participant in this program, the City is eligible to apply for Section 108 Loan Guarantee funding; and

Whereas, Section 108 is a part of HUD's Community Development Block Grant (CDBG) program and provides communities with a source of financing for activities such as economic development projects and public improvements, making it an important public investment tool offered by HUD to local governments; and

Whereas, the City used its Section 108 Loan Authorization in the amount of \$694,000.00 to acquire property located at 700 W. Hartley Drive and described as Lot A, Plat Book 151, Page 81, Guilford County Registry, and to provide for the construction of public improvements thereon that will facilitate the development of a Low Income Housing Tax Credit development known as Hartley Ridge, which improvements will be constructed by Hartley Ridge, LLC ("Hartley") and Wynnefield Properties, Inc.; and

Whereas, Hartley executed a Promissory Note dated September 13, 2017, in the amount of \$694,000.00 ("Hartley Note") in favor of the City that was secured by that certain Deed of Trust, Security Agreement and Fixture Filing dated September 13, 2017, recorded at Deed Book 7974, Page 212, Guilford County Registry ("Hartley Deed") that matured on August 1, 2039 ("Hartley Maturity Date");

Whereas, Hartley is entering into a senior loan with Merchants Capital Corp. in the amount of \$1,897,500.00 that will be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing ("Senior Deed of Trust") that will terminate twenty years after the date of the Deed of Trust ("Senior Maturity Date");

Whereas, Hartley has requested and the City and HUD have agreed to extend the Hartley Maturity Date to terminate six months after the Senior Maturity Date ("Extended Hartley Maturity Date");

NOW, THEREFORE, BE IT RESOLVED by the Mayor and City Council of the City of High Point, North Carolina, as follows:

That the Hartley Maturity Date is hereby amended to mature on the Extended Hartley Maturity Date.

That the City Manager and his appropriate designee(s) are hereby authorized and directed to execute any and all documents on behalf of the City as may be necessary to effectuate the completion of the loan process, including, but not limited to, the amended loan documents with Hartley Ridge, LLC, and any modification or subordination requested by HUD or as necessary to effectuate the extension and modification.

Witness my hand and official seal, this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Jay W. Wagner, Mayor, City of High Point

WITNESS:

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Lisa B. Vierling, Clerk of the City of High Point