



Auburn Trace Development & Affordable Housing Update

City of Delray Beach
City Council Workshop
May 8, 2018
ITEM #1





Overview



- This presentation is intended to provide the City Commission with an update regarding the purchase and sale of Auburn Trace affordable housing development.



Purpose

The Auburn Trace development was selected for funding to help facilitate new housing opportunities and housing related activities as identified within the City's HUD Urban Development Action Grant (UDAG) "Pocket of Poverty".

- Proposed activities to be funded included new sidewalks, street resurfacing, housing rehabilitation, revolving loan program, new and/or improved neighborhoods park facilities, drainage improvement. and landscaping of specific right-of-way areas.





Project Background

- February 1988 - the City received a \$3.84 million UDAG grant for the construction of 265 rental apartments in the SW quadrant of the City
- June 1989- the City and the Auburn Trace LLC (developer) entered into an agreement
- The project involved the City loaning the UDAG grant proceeds (\$3.84M), building construction cost (\$768K), offsite improvements (\$200K) and transferring the site to Auburn Trace LLC for a purchase money mortgage of \$730K, to be repaid in 15 years.

UDAG Loan Terms

- \$3.84 million
- 3% interest rate
- Amortized over 50 year term
- Repayment terms:
 - Net cash flow provides repayments
 - The first five years were deferred, interest accrued at 3% through maturity.

Project Financing

The City loaned the following funds for development:

\$3.84M- UDAG grant proceeds

\$768K- Building construction cost

\$720K- Land acquisition cost

\$200K- Offsite improvement grant

Total \$5.5M

Foreclosure

- October 2014- the first mortgage lender filed a foreclosure action against developer
- January 2015- the developer, "Auburn Trace LLC" filed for Chapter 11 bankruptcy

Acquisition

- As a result, the City purchased both mortgages:
 - May 2015- the City purchased the first mortgage, which was the City's UDAG mortgage and accrued interest, which totaled \$4.3M.
 - October 2015- the City purchased the second mortgage held by Iberia Bank, which totaled \$5.3M.



Sale



- February 2016- Auburn Trace LLC was sold for \$11.3M and the City's mortgage balances were repaid in full.
- February 2016- the City was paid approximately \$9.9M which represents repayment of both mortgages and accrued interest to the closing date (2/12/16).

Summary

- Upon bankruptcy, the entire balance of principal of the UDAG loan and all accrued, unpaid interest was repaid to the City.
 - \$3.84M- UDAG grant
 - \$1.31M- Accrued interest
- In summary, City staff has identified between \$3.84M - \$5.1M in non restricted GF funds available for affordable housing development
(pending a HUD legal review regarding \$1.3M in accrued interest)



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