City of Delray Beach M E M O R A N D U M

TO:

Kimberly Ferrell, Finance Director

FROM:

Faye Henry, Treasurer

DATE:

April 23, 2018

SUBJECT:

Urban Development Action Grant (UDAG) Funding

On February 4, 1988 the City received a \$ 3.84 million UDAG grant for the construction of 256 rental apartments in the SW quadrant of the City. The City entered into an agreement with Auburn Trace LLC ("developer") on June 29, 1989. Total joint venture cost was approximately \$ 14.4 million. The project involved the City loaning the grant proceeds plus an additional \$ 768,000, plus making a \$ 200,000 grant, and transferring the site to Auburn Trace LLC for a purchase money mortgage of \$ 730,000. The UDAG loan was to be repaid in 15 years, with the City receiving additional interest based on cash flow and potential sale proceeds from the project. In compliance with the repayment provision of the UDAG loan, interest on the UDAG loan was accrued and deferred in the City's books.

As of September 30, 2014 the remaining balance of the UDAG loan was \$3,042,891 and deferred interest was \$1,096,792. On January 7, 2015 the developer filed for Chapter 11 bankruptcy. As of October 31, 2015, the total loan balance and accrued interest was \$4,350,378. The City also purchased the second mortgage held by Iberia Bank, the total outstanding of this mortgage as of October 31, 2015 was \$5,327,175.

Auburn Trace LLC was sold on February 12, 2016 for \$11.3 Million and the City's mortgage balances were repaid in full. Per review of the closing documents, the City was paid \$9,909,312.76 which represents repayment of both mortgages and accrued interest to the closing date of February 12, 2016.

The City has reached out to HUD to find out if there are any limitations for the UDAG grant and we have been notified that the response is pending a HUD legal review.

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	Projected Use by Recipient: THE CITY OF DELRAY BEAC	<u>H</u>							
	HUD Urban Development Action Grant Program ("UDAG") Grant was received on February 4th, 1988. The City entered into an agreement with Auburn Trace LLC on June 29th, 1989. PURPOSE: Faciliation of new housing opportunities and housing related activities as identified within the pocket of poverty. Proposed activities to be funded included new sidewalks, street resurfacing, housing rehabilitation, revolving loan program, new and/or improved neighborhood park facilities, drainage improvement and landscaping of specific right-of-way areas. All activities will be eligible under Title 1 regulations. Property Address: Southwest quarter of the intersection of 4th Street and SW 8th Avenue within the City's UDAG								
	Designated "Pocket of Poverty". The 36 acres of land was sold the developer for \$730,000 per agreement, with a non interest promissory								
	note, the note was repaid in 2010. Events: On October 8, 2014 the first mortgage lender filed a foreclosure action against developer; on May 29, 2015 the City paid \$4,232,851 to purchase the defaulted first mortgage note. On February 12, 2016 the Auburn Trace property was sold for \$11.3 Million.								
	Clarica Statement Community Column 12 2016								
Note 1	Closing Statement Summary - February 12, 2016								
	Sale price 2/12/2016		11,300,000.00						
	Property taxes credited		12,763.29						
	Morigage interest credit	_	29,780.65 11,342,543.94						
			11,342,343.94						
	Settlement charges		895,463.43						
	Iberia Bank Mortgage repaid		5,327,175.04	Note 2					
	City of Delray Beach Mortgage repaid		4,350,377.70	Note 2					
	Pay-off of Third Mortgage repaid Post petition fees		206,441.78 183,458.66	Note 2					
	Iberia interest to 2/12/16		241,565.11	Note 2					
	City of Delray interest through 2/12/16		35,889.94	Note 2					
	Protection payments		(120,000.00)	Note 2					
	Property taxes Income to buyer		15,836.23 84,407.40						
		_	11,220,615.29						
	Net cash per closing statement		121,928.65						
Note 2	Repayment of outstanding debt to City								
	Iberia Bank Mortgage and accrued interest repaid	-	F 227 47F 04	No.					
	City of Delray Beach UDAG Mortgage and accrued int	2	5,327,175.04 4,350,377.70	Note a					
	Post petition fees	2	183,458.66						
	Iberia interest 10/31/2015 to 2/12/16	2	241,565.11						
	City of Delray interest 10/31/2015 to 2/12/16	2	35,889.94						
	Protectionn payment Pre petition attorney fees	2	(120,000.00) (109,153.70)						
	The position actionicy reco		(105,155.70)						
	Net proceeds paid to City of Delray Beach		9,909,312.75						
te 3	SUMMARY - FUNDS AVAILABLE FOR DEPLOYMENT								
	The City was repaid in full and \$3.84M is availabe for re-in	vestme	3,840,000.00						
	Accrued Interest		1,307,486.87						
	Unan handminton, the action believes of mining 1 (1)	IDAC I							
	Upon bankruptcy, the entire balance of principal of the L and all accrued, unpaid interest shall become immediate								
	due and payable to the City								
	Total funds available as a result of UDAG Loan and Auburn	Trace	5,147,486.87						
	Joint Venture								
	Notes:								
	a) Iberia mortgage and accrued interest was purchased by City								
	b) Mortgage balance of 3,042,891 + accrued interest								

Column1	Column2	Column3	Column4	Column5	Column6
City of Delray Beach					
Auburn Trace Joint Venture					
HUD Close Out Statement/Financial S	Status Repo	rt			
Total Expenditures		\$		Souce of funding	
and acquisition		10,000.00		private loan / developer cash equity	
Land acquisition		720,000.00		public funds	
te improvements		2,040,327.00		private loan / developer cash equity	
ff-site Improvements (grant)		50,000.00		private loan / developer cash equit	
Off-site Improvements		200,000.00	Grant		
Building Construction		3,840,000.00	UDAG Grant - repaid Feb 201		id Feb 2016
Building Construction		336,673.00		private loan / developer cash equ	
Building Construction		4,542,000.00	42,000.00 private loan / developer c		loper cash equity
Building Construction		768,000.00		public funds	
nterim Costs		1,504,710.00		private loan / developer cash equit	
Professional Fees		440,471.00		private loan / developer cash e	
Capital Equipment		232,604.00		private loan / developer cash equity	
		14,684,785.00			
Proceeds on sale		11,300,000.00			
Net Overall Loss Auburn Trace		(3,384,785.00)			
not considering					
accrued interest and closing costs					