
City of Delray Beach

MEMORANDUM

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.

Column1	Column2	Column3	Column4	Column5	Column6
City of Delray Beach					
Auburn Trace Joint Venture					
HUD Close Out Statement/Financial Status Report					
Total Expenditures		\$	Souce of funding		
Land acquisition	10,000.00	private loan / developer cash equity			
Land acquisition	720,000.00	public funds			
Site improvements	2,040,327.00	private loan / developer cash equity			
Off-site Improvements (grant)	50,000.00	private loan / developer cash equity			
Off-site Improvements	200,000.00	Grant			
Building Construction	3,840,000.00	UDAG Grant - repaid Feb 2016			
Building Construction	336,673.00	private loan / developer cash equity			
Building Construction	4,542,000.00	private loan / developer cash equity			
Building Construction	768,000.00	public funds			
Interim Costs	1,504,710.00	private loan / developer cash equity			
Professional Fees	440,471.00	private loan / developer cash equity			
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					