

STAFF REPORT
City of Lancaster

Date: April 28, 2015

To: Mayor Parris and City Council Members

From: Elizabeth Brubaker, Director of Housing & Neighborhood Revitalization

Subject: **Participation in the United States Department of Housing and Urban Development (HUD) Public Offering as Part of the Community Development Block Grant (CDBG) Section 108 Loan Guarantee Assistance Program to Refinance the Existing Note of Two Section 108 Loans**

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Recommendations:

- a. Adopt **Resolution No. 15-16**, authorizing participation in the United States Department of Housing and Urban Development (HUD) Public Offering scheduled for May 28, 2015 to refinance the existing Section 108 Loan note B-02-MC-06-0558 (Series 2003-A) used for the Mental Health Association.
- b. Adopt **Resolution No. 15-17**, authorizing participation in the United States Department of Housing and Urban Development (HUD) Public Offering scheduled for May 28, 2015 to refinance the existing Section 108 Loan note B-02-MC-06-0558-A (Series 2004-A) used for the Children’s Center of the Antelope Valley.

Financial Impact:

Estimated net savings of \$114,651 between now and the note’s final maturity date for the Mental Health Association project. Currently, the note has an outstanding balance of \$794,000.

Estimated net savings of \$156,799 between now and the note’s final maturity date for the Children’s Center of the Antelope Valley project. Currently, the note has an outstanding balance of \$898,000.

Background:

On September 24, 2002, the City Council approved the Proposed Use of Funds for the City’s Community Development Block Grant (CDBG) Program Section 108 Loan Guarantees and authorized the submission of the Section 108 Loan Grantee Applications of \$1,450,000 to assist with the relocation of the Mental Health Association and \$1,500,000 to assist with the construction of the Children’s Center of the Antelope Valley. The City accepted HUD’s guarantee of Section 108 loan and began making payments in February 2004.

The current interest rate on the Section 108 loan for the Mental Health Association project is 5.36%; the refinance interest rate is estimated at 0.18% for the first year. See the chart below for the City’s current interest rates under the Series 2003-A note compared to the projected interest rates for the Series 2015-A offering (based on current U.S. Treasury yields and estimated spreads). The City will be responsible for remitting the estimated interest payment of \$21,622, as well as the issuance costs of \$3,970. The original Section 108 loan of \$1,450,000 was used for the property acquisition, relocation, and demolition of blighting commercial buildings in order to assist in the relocation of the Mental Health Association. The Mental Health Association provides an array of specialized services in mental health care, housing assistance, job coaching and training in social skills and money management to the community and Antelope Valley residents. The relocation of the Mental Health Association facility allows other service providers to work closely with the Mental Health Association in providing comprehensive services to residents of the Antelope Valley. The services provided by the Mental Health Association are recognized as an essential enhancement to the quality of life for many of our citizens.

The current interest rate on the Section 108 loan for the Children’s Center of the Antelope Valley is 5.36%; the refinance interest rate is estimated at 0.18% for the first year. See the chart below for the City’s current interest rates under the Series 2004-A note compared to the projected interest rates for the Series 2015-A offering (based on current U.S. Treasury yields and estimated spreads). The City will be responsible for remitting the estimated interest payment of \$25,897, as well as the issuance costs of \$4,490. The original Section 108 loan of \$1,500,000 was used to assist with the construction of a new 15,445 sq. ft. Children’s Center of the Antelope Valley in the Downtown Revitalization/Transit Village project area. The Children’s Center provides a vital service to the community and the entire Antelope Valley region, specializing in physical and psychological treatment of abused children, and preventive services to children at risk and their families. The operation of the Children’s Center is recognized as a valuable asset to our community.

The terms of the new promissory notes will remain the same as the existing promissory notes. The request to participate in the Section 108 public offering to refinance the existing Section 108 Loan notes will save the City a substantial amount of money over the remaining term of the loans.

Interest Rate Chart

Payment Date	Current Rate Series 2003-A	Current Rate Series 2004-A	Projected Rate Series 2015-A
August 1, 2015	5.07%	5.36%	0.18%
August 1, 2016	5.19%	5.48%	0.47%
August 1, 2017	5.29%	5.59%	0.82%
August 1, 2018	5.38%	5.68%	1.27%
August 1, 2019	5.46%	5.76%	1.64%
August 1, 2020	5.53%	5.81%	1.79%
August 1, 2021	5.59%	5.87%	2.02%
August 1, 2022	5.64%	5.92%	2.07%
August 1, 2023	5.69%	5.97%	2.31%
August 1, 2024	0.00%	6.01%	2.41%

Attachments:

- Resolution No. 15-16
- Resolution No. 15-17