



City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: Community Development - CDBG/Home

To: City Council

From: Community Development Department

Council Meeting Date: April 15, 2019

Re: Consideration of a Loan Subordination Request for Nora Stewart Memorial School

Executive Summary

The City of Columbia's annual CDBG and HOME RFP process includes providing zero percent interest loans for non-profit organizations to make improvements to their facilities. The City of Columbia currently has three CDBG liens on the Nora Stewart Memorial School from past funded projects totaling \$177,600. Nora Stewart is working to obtain a loan to support operations and the bank is requesting the City of Columbia subordinate its debt on the facility.

Discussion

Nora Stewart recently experienced a reduction in funding from the Heart of Missouri United Way and is working to obtain short-term funding to support operations. The organization is currently working with Providence Bank to obtain a \$50,000 loan to be secured to the property. According to information obtained from Providence Bank, the \$50,000 loan will be drawn over a period of 12 months with monthly interest only payments. The loan will then convert to monthly principal and interest payments with a 120-month amortization with payments at \$530.00 per month.

A current appraisal of the property shows a value of \$475,000. The combined debt of the Providence Bank loan and City liens would be \$227,600 with a loan to value percentage of 47.9%. The City of Columbia's CDBG & HOME Program Guidelines currently only have provisions for loan subordinations involving homeowners participating in City programs, and there are no subordination guidelines for non-profit organizations receiving CDBG loans. Since there are no subordination guidelines in place for CDBG funded non-profits, City staff placed this request before the Community Development Commission and recommended using the loan subordination criterion for CDBG funded homeowners.

CDBG & HOME Program Guidelines state that subordination requests for home owners must meet one of seven criteria. This loan subordination request would meet Criterion #4 which states that loan subordinations may be approved when owners have substantial equity in the value of the property and total property debt including new loans does not exceed an 80% loan to value.

The Community Development Commission unanimously approved recommending the City Council approve the loan subordination request for the Nora Stewart property. Since there are no current guidelines in place for loan subordinations of CDBG funded non-profit facilities, the attached loan subordination agreement must have City Council approval.



Fiscal Impact

Short-Term Impact: None.

Long-Term Impact: None.

Strategic & Comprehensive Plan Impacts

[Strategic Plan Impacts:](#)

Primary Impact: Social Equity, Secondary Impact: Economy

[Comprehensive Plan Impacts:](#)

Primary Impact: Economic Development, Secondary Impact: Livable & Sustainable Communities

Legislative History

Date	Action
None.	None.

Suggested Council Action

Approve the resolution authorizing the CDBG loan subordination request for the Nora Stewart Memorial School property.