



City of Columbia

701 East Broadway, Columbia, Missouri 65201

Department Source: Community Development - CDBG/Home

To: City Council

From: City Manager & Staff

Council Meeting Date: November 21, 2022

Re: Resolution approving a subordination agreement with The Bank of Missouri ISAOA for Hanover Estates I

Executive Summary

Approval of the attached resolution authorizes the City Manager to execute a subordination agreement with The Bank of Missouri ISAOA. The City holds promissory notes in the original amounts of \$275,000 and \$555,084 and is the beneficiary of deeds of trust from HOME Rental Production Program loans that the city provided to fund an affordable housing development for senior citizens, Hanover Estates I. Current loan balances are \$122,729.16 and \$232,098.52, for a combined balance of \$354,827.68. The Bank of Missouri ISAOA has requested that the city subordinate the associated deeds of trust to a deed of trust to be executed to the grantee in a principal amount not to exceed \$480,000.

Discussion

Hanover Estates I consists of 64 affordable multi-family rental housing units. Assistance was provided for affordable rental housing through the HOME Rental Production Program in the form of loans. Program administrative guidelines require Council approval of subordination requests for loans exceeding \$50,000. As stated in the guidelines, approval of subordination requests shall generally occur where the loan-to-value ratio is equal or less than 80 percent. In the particular case, the combined debt after refinancing is \$838,327.68, including the new \$480,000 loan, the city's loan balances of \$354,827.68, and estimated closing costs of \$3,500. An appraisal completed in September 2022 valued the property at \$2.1 million. The loan-to-value ratio therefore is 39.9 percent. The city loans are already in second position; there is substantial value in the property to cover the combined debt; and the agreement states that any other deed of trust required to be subordinated will be junior to the city's deed of trust.

Fiscal Impact

Short-Term Impact: None

Long-Term Impact: None.

Strategic & Comprehensive Plan Impact

Strategic Plan Impacts:

Primary Impact: Resilient Economy, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Comprehensive Plan Impacts:

Primary Impact: Livable & Sustainable Communities, Secondary Impact: Economic Development, Tertiary Impact: Not Applicable



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Legislative History

Date	Action
July 2013	Approving a subordination agreement with JES Dev. Co., Inc. for Hanover Estates I

Suggested Council Action

Staff recommends approval of the resolution.