

AGENDA



Thursday, April 24, 2008

**Neighborhood Housing and Community Development
RECOMMENDATION FOR COUNCIL ACTION****Item No. 28**

Subject: Approve the negotiation and execution of an Amended and Consolidated Loan Agreement with the East Austin Economic Development Corporation, Austin TX, for a total loan amount not to exceed \$384,545.

For More Information: Margaret Shaw, Acting Director, Neighborhood Housing and Community Development, 974-3184.

Prior Council Action: Council approved the original \$330,000 loan in Resolution No. 930422-44; the increase in the loan in an amount not to exceed \$150,000 for a total loan amount of \$480,000 was approved by Council in Resolution No. 950126-24.

This action authorizes the execution of a loan consolidating two loans previously extended to the East Austin Economic Development Corporation (EAEDC). The first loan balance is in the amount of \$234,545. The second loan balance is in the amount of \$150,000, for a total outstanding loan amount of \$384,545. City staff and EAEDC agreed to an amended and consolidated loan agreement that extends the due dates for the original loans and establishes a single monthly payment. Under the proposed agreement, beginning May 1, 2008, EAEDC will pay \$3,000 monthly until April 1, 2019. The loan continues to be secured by a deed of trust on the related real property.

BACKGROUND:

The EAEDC received two loans from the City of Austin's Neighborhood Commercial Management Program, in conjunction with private lending, to build a two story, 8,500 sq. foot office building at the corner of San Marcos and East 11th Street.

The first loan in the amount of \$330,000 (First Loan) was approved by the City Council on April 22, 1993. The terms of the loan included a monthly payment through October 1, 2004. The First Loan was modified and extended on September 30, 1993, and again on December 13, 1996 with a final maturity date of December 1, 2016. The City has received payments from EAEDC of \$95,455 on the First Note, which reduced the principal amount to \$234,545.

The second loan in the amount of \$150,000 was approved by the City Council in January 26, 1995, as additional funding to complete the project. The terms of the loan included deferred payments for a period of 10 years, and monthly payments for an additional 10 years with a final maturity date of June 1, 2016. The City of Austin has not received payments on this loan.

The City of Austin delivered a Notice of Default to the EAEDC on February 13, 2008, due to delinquency on the outstanding \$150,000 loan. Rather than foreclose on the promissory note and deed of trust, the City negotiated new loan terms with EAEDC. The two loans are to be consolidated in this proposed Amended and Consolidated Loan Agreement.