

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	10251	Agenda Number	20.
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Meeting Date:	10/20/2011	Department:	Neighborhood and Community Development
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Subject

Approve an ordinance authorizing the City Manager to negotiate and execute refinancing of the balance owed on the Section 108 Loan B-94-MC-48-0500-A (series 2001-A), for the East 11th & 12th Street Revitalization as part of the U.S. Department of Housing and Urban Development's November 2011 public offering.

Amount and Source of Funding

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	December 16, 1999 – Authorized the execution of final loan documents under the U.S. Department of Housing and Urban Development Section 108 Loan Guarantee program for the implementation of the East 11 th and 12 th Streets Urban Renewal Plan.
For More Information:	Contact Elizabeth A. Spencer, Director, Neighborhood Housing and Community Development, 974-3182.
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

In 1999, the City of Austin applied for and received the Section 108 U.S. Department of Housing and Urban Development (HUD) loan guarantee to revitalize East 11th and 12th Streets in an amount not to exceed \$9,035,000. The Section 108 Loan Guarantee Program is a source of financing allotted for the economic development, housing rehabilitation, public facilities rehab, construction or installation for the benefit of low-to moderate-income persons, or to aid in the prevention of slums. The current ordinance before Council will authorize the City Manager to refinance the remaining balance of the Section 108 HUD loan 2001-A Series at a lower interest rate than the City is currently paying.

HUD informed Neighborhood Housing and Community Development staff that the City of Austin is now eligible to refinance the 11th and 12th Street Section 108 Loan 2001-A Series and can be included in the 2011 Section 108 public offering.

If approved, the City of Austin stands to save a substantial amount of money should it opt to refinance note number B-94-MC-48-0500-A (Series 2001-A) in a Section 108 public offering scheduled for November 17, 2011. The series 2001-A note has an outstanding balance of \$3,105,000. Based on current estimates, the net savings would be approximately \$429,511 between now and the note's final maturity date of August 1, 2017. If the City chooses to participate in the 2011 public offering, the following should be considered:

- The new note will not be prepayable, but it can be defeased at any time as provided in the Section 108 Contract.
- Issuance costs of approximately one-half of one percent of the loan amount, or approximately \$15,525, will be paid on the new note. Available Community Development Block Grant (CDBG) funds will be used to pay these costs.
- The terms of the new promissory note must be exactly the same as the existing promissory note.
- To enable the refinancing, the existing note will be defeased on the closing date of the public offering by depositing cash in an account with the Section 108 Trustee sufficient to prepay the outstanding balance on February 1, 2012 and to pay interest through that date. The Trustee will transfer the proceeds of the City of Austin's new Note into the defeasance account, and the City of Austin will be responsible for remitting the interest payment of \$96,238, as well as the HUD issuance costs of \$15,525 and Texas Attorney General review fee of \$3,105.
- Below are the City's current interest rates under the Series 2001-A note compared to the projected interest rates for the Series 2011-A offering. The estimate of savings is based on recently quoted yields on U.S. Treasury obligations, which may be either higher or lower when the public offering rates are finalized in November.

Payment Date	Principal Payment Amount	2001-A	2011-A*
Aug 1, 2012	\$ 495,000	6.00%	0.29%
Aug 1, 2013	\$ 540,000	6.08%	0.41%
Aug 1, 2014	\$ 590,000	6.17%	0.62%
Aug 1, 2015	\$ 645,000	6.25%	0.89%
Aug 1, 2016	\$ 700,000	6.36%	1.22%
Aug 1, 2017	\$ 135,000	6.45%	1.59%

*Estimated rates as of 9/22/2011