

## HDF LOAN SUMMARY

APPLICANT: Wexford Village Housing Corporation (WVHC), a wholly owned non-profit corporation of Delaware State Housing Authority.

DEVELOPMENT NAME: Wexford Village  
Laurel, DE

LOAN REQUEST: Forgiveness of HDF accrued interest of approximately (\$499,356) and reduction of interest rate from 2% to 0%.

BENEFICIARIES: Household incomes will range and property will provide a mixed income community of opportunity.

### DEVELOPMENT DESCRIPTION/BACKGROUND:

- Multi-family rental complex of 60 units on 13 acres.
- Wexford Village Housing Corporation received a 1990 tax credit allocation and was one of the first non-subsidized tax credit sites in Delaware. The property is now in its extended use period.
- 48 units are considered tax credit units and 12 units are affordable rentals. Tax credit unit income levels are currently at 60% of area median income or below and the 12 affordable rental units are at 100% of area median income or below.
- In 2008, Arthur S. Gallagher & Company, the Limited Partner, dissolved its relationship with Wexford Village Housing Corporation per its Partnership Agreement. Wexford Village, LP is now wholly owned by Wexford Village Housing Corporation.
- The property is 20 years old and has been maintained; however, there are capital needs due to the age of the property. DSHA conducted a Capital Needs Assessment which indicated rehabilitation needs of \$800,000 to \$1,000,000.
- Current financing:
  - Wilmington Trust/M&T - \$ 293,000 (due September 2011)
  - HDF (deferred loan) - \$2,036,583 principal balance - maturity date of August 2023

## DSHA PROPOSAL:

- DSHA will pay-off Wilmington Trust/M&T mortgage of \$293,000 with DSHA funds.
- Forgive accrued interest to-date on the HDF loan (approximately \$499,356) and amend interest rate from 2% to 0%.
- DSHA will apply to HUD for flexibility to utilize \$1M public housing/section 8 reserve funds for capital improvements and to project-base twenty (20) Housing Choice Vouchers at WVHC.
- HDF principal will be repaid annually from annual cash flow upon receipt of audited financial statements.

## RECOMMENDATION

- Upon HUD approval of the project, forgiveness of all current accrued interest due on the HDF loan in the approximate amount of \$499,356 and amend interest rate from 2% to 0% for the balance of the loan.

## CONDITIONS TO FUNDING:

1. Upon approval from HUD, execute mortgage modification agreement with WVHC and DSHA that forgives all accrued interest on original HDF loan and amends interest rate on original HDF loan to 0%. The modification will include new income targeting and any other HUD requirements.
2. All other regulatory requirements will continue until the HDF loan is repaid.
3. Upon receipt of annual audited financial statements submitted to WVHC, any surplus cash will be applied to the principal balance of the WVHC HDF loan.
4. As part of DSHA's application to HUD, DSHA will contribute approximately \$293,000 to pay-off the WVHC first mortgage with Wilmington Trust/M&T and will leverage approximately \$1M in public housing/section 8 reserve funds for capital improvements for WVHC.
5. Upon approval from HUD, no acquisition costs, developer fees, equity distributions or legal fees are allowed to be paid from project funds.
6. Upon HUD approval, DSHA will implement the plan for capital improvements and project-based Housing Choice Vouchering at WVHC. If HUD does not approve DSHA proposal, DSHA will proceed with best alternative for the property, which may include securing new financing for minor rehabilitation, restructuring debt for repayment to the HDF, and/or selling the property.

cld  
6/2/2011

COUNCIL ON HOUSING

RESOLUTION NO. 425

WEXFORD VILLAGE HOUSING CORPORATION

WHEREAS, Wexford Village Housing Corporation ("Borrower") is the Owner of a 60-unit development located on 56 Sunset Drive, Laurel, Delaware, for low- and moderate income families known as Wexford Village (the "Development"); and

WHEREAS, Borrower is a housing sponsor approved by the Delaware State Housing Authority ("Lender") meeting the prescribed requirements for financial responsibility and stability; and

WHEREAS, Borrower is an IRS Section 115 corporation with Delaware State Housing Authority ("DSHA") as its sole member; and

WHEREAS, Borrower received an allocation of low-income housing tax credits ("LIHTC") in 1990 and entered into a partnership agreement with a Limited Partner; and

WHEREAS, Borrower received a permanent deferred Housing Development Fund ("HDF") loan in the amount of \$2,036,583 with an interest rate of 2% (accrued); and

WHEREAS, the Development consists of 48 LIHTC rental units whereby households incomes cannot exceed 60% of area median or below and 12 affordable housing rental units whereby households incomes cannot exceed 100% of area median income or below; and

WHEREAS, the Limited Partner dissolved its partnership and exited out of the partnership agreement with Borrower; and

WHEREAS, the Development is over twenty years old and has capital improvement needs; and

WHEREAS, DSHA has the opportunity to apply to the Department of Housing and Urban Development ("HUD") to include the Development as part of DSHA's umbrella of properties that include public housing and one Section 8 project-based development and the flexibility to utilize, if approved, federal resources held by DSHA to provide capital improvement and to project-base twenty housing choice vouchers at the Development; and

WHEREAS, as part of DSHA's application to HUD, DSHA must demonstrate leveraging of other resources and rationale for HUD to approve DSHA's request and;

WHEREAS, as part of DSHA's demonstration of leveraging to HUD, DSHA will pay-off the Wilmington Trust/M&T first mortgage with DSHA funds; and

WHEREAS, DSHA is also requesting that the Council on Housing approve forgiveness of the accrued interest in the approximate amount of \$499,356 and reducing the interest rate from 2% to 0% and;

WHEREAS, the application to HUD, if approved, will provide the Development with longer term affordability, increase income targeting for lower income households, and improve the overall financial and physical condition of the property.

NOW, THEREFORE, the Council on Housing approves the forgiveness of all current accrued interest on the HDF loan (in the approximate amount of \$499,356) and reduction of the interest rate from 2% to 0% (upon HUD approval of proposal) subject to the following conditions:

1. Execute mortgage modification agreement with Borrower and Lender that forgives all accrued interest on original HDF loan and amends interest rate on original HDF loan from 2% to 0%. The modification will include new income targeting and any other HUD requirements.
2. All other regulatory requirements will continue until the HDF loan is repaid.
3. Upon receipt of annual audited financial statements submitted to Lender, any surplus cash will be applied to the principal balance of Borrower's HDF loan.
4. As part of DSHA's application to HUD, DSHA will contribute approximately \$293,000 to pay-off the Borrower's first mortgage with Wilmington Trust/M&T and will leverage approximately \$1M in public housing/section 8 reserve funds for capital improvements for Borrower and the Development.
5. Upon approval from HUD, no acquisition costs, developer fees, equity distributions or legal fees are allowed to be paid from project funds to the Borrower.
6. Upon HUD approval, DSHA will implement the plan for capital improvements and project-based Housing Choice Vouchering for the Borrower and the Development. If HUD does not approve DSHA proposal, DSHA and Borrower will proceed with best alternative for the property, which may include securing new financing for minor rehabilitation, restructuring debt for repayment to the HDF, and/or selling the property.
7. All terms and conditions of this loan between Borrower and Lender shall be set forth in a fully executed Loan Agreement in standard form between Borrower and Lender within 120 days of this date or this loan approval shall be null and void.

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6/6/11