



CITY OF DURHAM

Memorandum

To: Thomas J. Bonfield, City Manager

Through: Keith Chadwell, Deputy City Manager

From: Reginald J. Johnson, Interim Director
Department of Community Development

Date: June 18, 2012

Re: MBS Loan Questions

The Department received two questions relative to the McCormack Baron Salazar loan documents. The first question had to do with the loan amount of the 3rd mortgage funded by housing bond program income. The stated maximum loan amount of \$1,466,261 is correct. Combined with the \$800,000 deferred loan, the maximum total loan amount from that funding source is \$2,266,261 as indicated on page 3 of the accompanying agenda memo.

The second question had to do with the \$800,000 deferred loan having an interest rate of 0% while the three other loans were at 2%. The reason for the deferred loan is a requirement by NCHFA that the project have a loan in an amount equal to the foregone tax credits associated with the market rate units that is not subject to repayment during the 30 year affordability period. After the 30 year period, the loan is subject to the same repayment provisions as the others. Assigning the 0% interest rate to the deferred loan reinforces the distinction from the other loans and avoids any potential NCHFA compliance issues that might arise if interest accrued.

Please let us know if there are other questions.

Attachment #20
Additional Information