

# **City of Scottsbluff, Nebraska**

**Monday, March 17, 2014**

**Regular Meeting**

## **Item Reports9**

**Council discussion and instructions to staff regarding the request from the owners of the Lincoln House to forgive their CDBG loan with the City of Scottsbluff.**

**Staff Contact: Rick Kuckkahn, City Manager**



March 12, 2014

Cindy Dickinson  
City of Scottsbluff  
1818 Avenue A  
Scottsbluff, NE 69361

RE: Lincoln House Apartments

Dear Ms. Dickinson,

MDI Limited Partnership #48, the owner of Lincoln House Apartments, is requesting that both Community Development Block Grant (CDBG) loans be forgiven. There is one for \$100,000 and one for \$25,000.

Lincoln House has been operating for 15 years. It will continue to fulfill the needs of low income people in the area for many years. However in year 16, the initial term of the tax credit compliance is complete, and the Affordable Housing Program (AHP) loan of \$126,000 will be forgiven. It has been our experience that most CDBG loans are forgiven at this time as well.

We are starting to talk with the Scottsbluff HRA about their possible purchase and rehab of the property in 2015. Having these loans forgiven would help that transaction as well.

Sincerely,

*Jean Huwe*

MetroPlains Properties Inc.  
General Partner

**From:** John A. Selzer [<mailto:jaselzer@simmonsolsen.com>]  
**Sent:** Wednesday, March 12, 2014 12:52 PM  
**To:** Huskey, Lara; [bobdoty@nebraska.gov](mailto:bobdoty@nebraska.gov)  
**Cc:** Cindy Dickinson; [Rkuckkahn@scottsbuff.org](mailto:Rkuckkahn@scottsbuff.org); Howard Olsen  
**Subject:** RE: Question re: CDBG Loan [IWOV-SOLF1.FID189121]

Lara – I have been advising Cindy Dickinson with regard to a loan made by the City of Scottsbluff of \$100,000 CDBG Funds obtained under the attached contract. The loan included an additional \$25,000 of CDBG Reuse funds. Interest accrues at 1% per annum but is not payable until the loan becomes due in 2030.

Any payments on the loan would be “program income” and under section 1.09 of the Contract those payments need to be used for an approved reuse plan or returned to the NDED. I originally thought there was no approved reuse plan for these funds but maybe that is not the case. It seems to me, whether there is an approved reuse plan or not, that once the funds are no longer used for approved projects, the funds are to be returned to NDED. That being the case I advised Cindy that the City should not consider forgiving a loan of CDBG Funds without the approval and consent of the NDED. I have spoken briefly with Howard Olsen, the City Attorney, and he has concerns, as do I, as to whether the City should forgive a loan that is otherwise collectable, even if NDED consents.

I would appreciate your thoughts on this.

John

John,

If you are unable to find an approved reuse plan, which may very well be the case, the City could adopt a new one using the current housing program income reuse guidelines. If you need the guidelines to develop a reuse plan, just let Bob Doty know (who is also addressed on your note).

In general, I agree that it is not advisable to forgive a loan that is collectable. In this case though, the City would need to decide whether (1) if collecting on the loan will have a negative effect on the continued financial viability of the project (which I assume is still of value to the City) and/or (2) if any collected funds, program income, would be useful given restrictive parameters for the use of those funds and the City’s costs to administer the reuse of those funds within the CDBG program rules.

With your response I see why you would seek DED approval and consent. If after reviewing all of this the City determines that as the lender the City would like to forgive the debt basis that doing so will

increase the likelihood of ensuring or improving ongoing financial viability and sustainability of the project, you can submit a letter from the Chief Elected Official with this information and a request from DED to also approve the debt forgiveness. It is likely that DED would respond with approval, however, I won't say it is guaranteed because it will depend on what is submitted and a more thorough review by our program staff. This can be sent to Bob Doty, Housing Program Manager.

Bob, if you have anything to add, clarify, or correct, please feel free to do so in response to John.

Thanks.

Lara Huskey  
Deputy Director  
Nebraska Department of Economic Development  
Phone: (402) 471-3759  
Fax: (402) 471-3778

Thanks Lara for your prompt response. I will have Cindy see if Scottsbluff as an approved reuse plan for these funds and go from there.

John

John – We had a Reuse Plan – however, it was specific for certain grants which did not include the Lincoln House grant. The most recent grant listed was one awarded in 1995, which was probably closed out around 2000.

We also use to have the Rental Rehab Revolving loan fund, which has been closed out as our the loans were repaid. The remaining funds have been used or returned to DED.

I am getting the agenda packet ready for the 3/17/14 meeting and will include the correspondence with Lara. Please let me know if you think there is anything else that I should include for the Council's discussion.

Thanks - Cindy