



Yolo County Housing

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DATE: May 13, 2010
TO: YCH Board of Commissioners
FROM: Lisa A. Baker, Executive Director
SUBJECT: **Authorize Staff to pay down the Administration Building Loan with Capital Funds approved for Debt Service in YCH's 2006, 2007 and 2008 Capital Grants**

RECOMMENDED ACTIONS:

That the Board of Commissioners:

- 1) Authorize payment to First Northern Bank with Capital Grant Funds for the purpose of principal reduction from funds set aside from 2006, 2007 and a portion of 2008 fund years; and
- 2) Authorize the Executive Director to execute the agreements and instruments to effect principal reduction.

BACKGROUND / DISCUSSION:

YCH has been including an allocation of Capital Grants to Debt Service since 2006. These funds had been held in abeyance by HUD pending approval of YCH's Capital Fund Financing Plan (CFFP) application. Now that the CFFP has been approved, HUD has released the hold on these funds.

Although the original intention was to reimburse YCH for debt service payments that had been made on the Administration Building Loan, the approved CFFP only allows for payments going forward from the March 15, 2010 approval date. HUD has, instead, authorized using the approved funds to make principal reduction payments on the existing loans.

The Board had previously authorized the Executive Director to enter into agreements and to execute documents that would lead to the expenditure of Capital Funds under a CFFP Plan for reimbursement of previously paid debt service. Staff now seeks authorization to make principal reduction payments in accordance with HUD technical assistance.

FISCAL IMPACT:

Capital Funds used to pay down the loans will result in a shorter amortization period for the loans and, therefore, less total capital outlay. Capital Funds approved in the grants are as follows:

2006	\$189,092
2007	\$205,019
2008	<u>\$156,751</u>
	\$550,652

This will be Capital Fund Revenue earned in the 2009-2010 fiscal year and will reduce Long Term Debt. The funds will be paid on YCH's 12/15/2005 \$2,240,000 loan which has a principal balance of \$2,040,605. This prepayment will reduce the eventual payoff of the loan by nearly eight (8) years. 2006 Capital Grant Funds must be expended by July 17, 2010 or be lost. 2006 and 2007 Capital Grant Funds cannot be reallocated to other line item costs or they will be recaptured since the time is now beyond the date in which to obligate funds.

CONCLUSION:

Staff recommends authorization to make this prepayment.