

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

10-0305R

RESOLUTION AUTHORIZING A FIRST AMENDMENT TO THE HOUSING INVESTMENT FUND PROGRAM AGREEMENT WITH AMERICAN INDIAN COMMUNITY HOUSING ORGANIZATION (AICHO).

CITY PROPOSAL:

RESOLVED, that the proper city officials are authorized to enter into a first amendment to the housing investment fund program agreement, substantially in the form of that on file in the office of the city clerk as Public Document No. _____, with American Indian Community Housing Organization (AICHO) making the loan obligation non-recourse to AICHO and AICHO, LLC, and acknowledging that the mortgage in favor of the city is executed by AICHO, LLC.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

PLNG/ATTY JC:dma 5/28/2010

STATEMENT OF PURPOSE: The city and AICHO entered into an agreement dated December 6, 2007, pursuant to which the city agreed to provide a loan of HIF monies in the amount of \$600,000 to assist AICHO's Gimaajii Mino-Bimaadiziyaan housing project on the former YWCA site. The property is owned by AICHO, LLC. The amendment acknowledges that the mortgage is given in favor of the city by AICHO, LLC.

Additionally, the loan obligation is required to be non-recourse to AICHO and AICHO, LLC, for purposes of syndication of historic tax credits. For tax credit transactions, generally all loans must be nonrecourse so that the tax credits and deductions flow to the partners pro rata in accordance with their ownership interests. The tax credit investor will acquire a 99.99 percent ownership interest in the project owner so that it will receive 99.99 percent of the tax credits. But if the loan is recourse, the general partner would be fully liable despite its small ownership interest, which causes the IRS to reallocate tax credits and deductions. This would mean the tax credit investor would not get the amount of tax credits that it paid for.