

Office of the County Auditor
Auditor's Analysis

Council Bill No. 3-2025

Introduced: January 7, 2025

Auditor: Rebecca Gold

Fiscal Impact:

The fiscal impact of this legislation includes the repayment of a \$5,848,000 loan over the duration of a 20-year agreement with the U.S. Department of Housing and Urban Development (HUD) and total interest payments of approximately \$3,616,650. Borrowed funds from HUD will be distributed to properties managed by Enterprise Community Development, Inc.

The County's repayment to HUD is anticipated to begin in FY 2026, on August 1, 2025, and will end in FY 2045. The interest rate on the loan is variable and will be based on three-month Treasury Bill Rates plus 35 basis points. The majority of the County's repayments will be allocated from the Department of Housing and Community Development (DHCD).

The County will also allocate \$350,000 annually toward the loan payment from Community Development Block Grant funds.

Purpose:

This legislation authorizes the County to enter into a multi-year contract with HUD, allowing the County to borrow up to the principal amount of \$5,848,000 plus interest, under the Section 108 Loan Guarantee Assistance program.

Other Comments:

The DHCD estimates that, using an assumed interest rate of 4.87 percent, the County will pay \$3,616,650 in interest to HUD over the term of the agreement. Annual payments will be interest-only, or \$285,000, for FY 2026 through FY 2028. From that point forward, payments to HUD will include principal and interest payments (a total of approximately \$506,000 annually).

The County will need to establish a \$550,000 debt service reserve account in the General Fund as security for the loan repayment. The DHCD indicated that these funds will be allocated to the General Fund from the Community Renewal Fund as part of the FY 2026 Operating Budget request.

Of the \$5,848,000 loan total, the Ranleigh Court re-development will receive \$2,887,000 and the Waverly Winds re-development will receive \$2,961,000.