

MINUTES } CITY OF PIKEVILLE

PIKEVILLE CITY COMMISSION
SPECIAL MEETING MINUTES
MARCH 1, 2002

The Board of Commissioners of the City of Pikeville met in Special Meeting on Friday, March 1, 2002, at Noon. The meeting was held in the City Hall Public Meeting Room located at 118 College Street, Pikeville, Kentucky.

The meeting was called for the following purpose:

To discuss the construction financing for KY. Avenue Phase II housing and take any necessary action.

There being a quorum present, Mayor Pro Tem Steven D. Combs called the meeting to order. Commission Members present at roll call were as follows:

COMMISSIONER:	STEVEN D. COMBS
	EUGENE W. DAVIS
	FRANK JUSTICE, II
	DALLAS LAYNE

Mayor Frank Morris was absent.

Will Linder and Sara Morgan were present representing Wilbur J. Linder & Associates, consultant for the Pikeville Redevelopment Project. Mr. Linder presented a written overall project report. Of the 105 buildings to be acquired in the project, funding for the acquisition of 73 buildings has been committed. The funding for the acquisition of the remaining 32 buildings is expected over the next two years.

Ms. Morgan presented a written status report for Kentucky Avenue - Phase II. A condition for the use of HOME funds requires the construction of 40 affordable housing units on the site. The HOME funds were used to acquire the property and relocate the tenants. Funds designated for construction of the housing units include an Affordable Housing Trust Fund grant and a Renaissance Direct Appropriation Grant. The Pikeville Affordable Housing Corporation (referred to as the "non-profit agency") has applied for a \$2.4 million construction loan with Community Trust Bank. The loan will be paid with equity from the sale of tax credits. Permanent financing will be paid back over a 25 year period, at 7% interest, with funds generated from rent of the housing units. To facilitate the construction loan, Ms. Morgan and the loan officer propose for the city to guarantee the construction loan for one year. The construction loan is needed in order to begin construction so that the tax credits can be sold during the 2002 calendar year. Waiting to sell the tax credits would result in delaying construction until May or June. The housing units could not be placed in service by the end of the year, thus resulting in the loss of the tax credits.

Commissioner Combs opined that the city manager should have been present during the loan negotiations and appeared before the loan committee on behalf of the city. Ms. Morgan explained city staff and Will Linder & Associates staff met with local financial institutions regarding construction financing. Community Trust Bank was the only institution interested in providing financing, with the stipulation that Kentucky Housing Corporation be named as a co-first mortgage holder. It was explained that while the HOME funds will not have to be repaid, KHC wants to be named as a co-first to ensure the housing units remain affordable housing units for a 20 year period. Commissioner Layne asked if the city had previously guaranteed bank notes. It was explained the city had backed bonds, but had not been a guarantor for any bank note. According to Ms. Morgan, Community Trust Bank did not require a guarantor of the loan until the last week of February. The funding commitment letter from Community Trust Bank did not indicate the city would need to endorse the construction loan. Ms. Morgan advised the bank assumed the tax credits would be sold

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~~prior to approval of the construction loan.~~ Ms. Morgan advised the tax credits should be sold no later than June, 2002.

Commissioner Davis made the motion to authorize Commissioners Layne and Combs and City Manager Blackburn to meet with the Community Trust Bank loan officer to determine the need of a guarantor, what the risks to the city are, and to negotiate the period of time the city will endorse the loan. Commissioner Justice seconded the motion. During discussion, Commissioner Justice requested the loan liability period be reduced to the time the tax credits are sold. The motion carried 4 - 0.

Commissioner Justice asked if the city would be asked to endorse a similar loan when Phase IV-Kentucky Avenue construction begins. Ms. Morgan explained that is not known at this time. Because the city acquired a loan from KHC to begin acquisition of the properties in Phase IV, Ms. Morgan does not think there will be the same time restraints as there were in Phase II.

There being no further business to come before the Commission, Commissioner Combs made the motion, seconded by Commissioner Justice to adjourn the meeting. The motion carried 4 - 0.

APPROVED Frank M. Morris
FRANK M. MORRIS, MAYOR

ATTEST:

Karen W. Harris
KAREN W. HARRIS, CITY CLERK