



CITY OF RAPID CITY

RAPID CITY, SOUTH DAKOTA 57701-2724

COMMUNITY DEVELOPMENT SPECIALIST

300 Sixth Street
Rapid City, SD 57701

Barbara Garcia, Community Development Specialist

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MEMORANDUM

TO: Legal and Finance Committee

FROM: Barbara Garcia, Community Development Specialist *BG*

DATE: April 26, 2006

RE: Request for City Council Authorization for Mayor to Sign Application Request Letter to Fannie Mae to Establish a Revolving Line of Credit in the Amount of \$3,000,000 to Provide Loans for Development of Low-Income Single-family and Multi-family Housing and Possible Mixed Use Projects.

Staff is seeking City Council authorization for the Mayor to sign a letter requesting the establishment of a revolving line of credit for a term of five (5) years in the amount of \$3,000,000 under the Fannie Mae Community Express Program. The revolving line of credit would be utilized to provide loans to developers or non-profit agencies for development of low-income single-family or multi-family residential housing projects and infrastructure. Mixed-use projects may also be considered. The line of credit was identified by the Mayor's Housing Task Force as an alternative funding source available to the City to provide low interest loans for use in housing development.

There is no formal application for the revolving line of credit. Fannie Mae requires a request letter, and three years of audited financial statements.

Fannie Mae will provide the City with the terms and fee schedule upon receipt of the request letter. Terms are based on amount of funds borrowed, type of loan (revolving line of credit), and the City's credit rating. Estimated fees would include an origination fee (100 basis points) for the loan set-up, a funds standby fee on undrawn principal (15 basis points), renewal fees (25 basis points) at time of renewals, every five years. The interest rate would be 175 basis points over the 3 month LIBOR rate (which is just over 5% right now). In addition, there would be legal fees of approximately \$5,000. These base rates would be the same whether the City borrows \$3 million or \$5 million dollars.



EQUAL OPPORTUNITY EMPLOYER

(Addressee)

(Date)

Page 2

Fannie Mae will work with the City Attorney and Finance Department to prepare loan documents and see that the necessary ordinances are in place to meet legal requirements for the City to borrow the funds prior to the final review of the loan documents by City Council and executing the loan documents.

Staff Recommendation is that City Council authorize the Mayor to sign an application request letter for a revolving line of credit in the amount of \$3,000,000 for a term of five (5) years from Fannie Mae under the Fannie Mae Community Express Program to be used as a loan fund for the development of affordable housing.

(File Name)

May 1, 2006

Fannie Mae
Attn: Rita Edwards
101 N. Main, Ste. 309
Sioux Falls, SD 57104

Re: Application Request for Community Express Line of Credit

Dear Ms. Edwards,

The City of Rapid City wishes to submit an application request to Fannie Mae to establish a line of credit utilizing your Community Express Loan Program.

The City would like to apply for a line of credit in the amount of \$3,000,000.

Funds will be used to provide loans to local developers and non-profit organizations for development of single-family and multi-family residential housing and corresponding infrastructure in Rapid City.

The City has an A3 Moody Rating.

If you require additional information, please contact our Community Development Specialist, Barbara Garcia at (605) 394-4181, for assistance.

We appreciate your consideration of our loan request.

Sincerely,

Jim Shaw, Mayor
City of Rapid City

Attachment: 3 years audited financial statements