



CITY OF RAPID CITY

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MEMORANDUM

TO: Legal & Finance Committee

FROM: Barbara Garcia, Community Development Specialist

DATE: October 11, 2006

RE: City Application for Fannie Mae Community Express Revolving Line of Credit

On May 15, 2006 City Council authorized the Mayor to submit an application request to Fannie Mae for a revolving line of credit utilizing the Community Express Loan Program. The application provided the City with the terms and guidelines of the loan program for review and consideration. The Finance office and City Attorney had concerns about how the revolving line of credit would affect the City's bonding rate. Upon review and discussions with Fannie Mae, it has been determined that this loan will not affect the City's bonding rate since it is not a tax exempt loan.

The Community Express Revolving Line of Credit can be used for any type of housing project that may include strategic acquisitions, predevelopment expenses, housing-related infrastructure and/or construction financing. Closing costs associated with the credit facility are an eligible use of loan proceeds.

Attached is the Summary of Terms for the loan.

The City may borrow up to \$3,000,000 for the revolving line of credit. The maximum term allowed for the City's funds is 5 years from date of closing with Fannie Mae. The City may apply for renewal of the line of credit at the time of maturity. There is no collateral required and recourse is limited to non-restricted assets. The City does **NOT** pledge its general obligation taxing authority to repay the loan.

There are costs involved with the set-up and use of the revolving line of credit.
Those fees include:

Legal Fees:	Paid whether loan is closed or not. Estimated at around \$5,000
Origination fee:	One Hundred (100) basis points of the loan amount, paid at closing
Stand by Fee:	Fifteen (15) basis points paid quarterly on the monthly portion of funds not drawn .
Interest:	Paid quarterly, adjusted quarterly. Variable rate based on 3 month LIBOR + 95 basis points (Currently 5.37% +.95 = 6.32%) Initial interest rate will be set when first draw is made.

The City may make a draw at the time of loan set-up to pay for the loan origination fee, and then charge an origination fee and higher interest rate to borrowers to recover the origination fee and cost of program administrative oversight. Rita Edwards indicated that she may be able to provide us with a grant to help cover some of the legal fees.

Staff recommendation is for City Council to authorize the Mayor and Chief Finance Officer to sign a formal application letter to Fannie Mae requesting a five (5) year term, \$3,000,000 Community Express Revolving Line of Credit to be used for housing projects within the corporate boundaries of City of Rapid City and areas shown on the Annexation Short Term and Long Term Priorities and Progress Map. Staff also recommends authorization for usage of the funds to include closing costs associated with the credit facility, strategic acquisitions, predevelopment expenses, housing-related infrastructure and/or construction financing, and allocation of City funds to cover loan related legal fees, standby fees and interest payments not covered by outstanding loans.