



## Background/Supporting Information

This letter is an update to the October 7, 2008 letter regarding the status of City loans to the Green Institute. Attached to this Council update is a letter from the Executive Director of the Green Institute describing the status of efforts underway to improve financial performance as well as actions initiated to sell the Eco-Enterprise Center.

The city has two loans with the Green Institute. Below is the current financial status of each loan as of 11/30/08:

**Section 108 HUD Loan** – The original loan amount was \$3,500,000 and the current outstanding principal balance with HUD is \$2,920,000. The Green Institute's current loan balance outstanding with the City related to this loan including payments missed in 2008 and accrued interest through 11/30/08 is estimated to be \$3,154,458.30.

During 2008, the following activity took place with respect to the Section 108 Loan:

February 1, 2008 quarterly interest payment	\$ 39,945.15
Green Institute payments made in March & April	(9,500.00)
May 1, 2008 quarterly interest payment	24,451.91
August 1, 2008 quarterly interest payment	23,286.11
August 1, 2008 principal payment	128,000.00
November 1, 2008 quarterly interest payment	25,184.47
Accrued interest on late payments – through 11/30/08	<u>3,090.66</u>
Net 2008 missed/late payments owed City	234,458.30
Remaining Principal Balance	<u>2,920,000.00</u>
Total Loan Amount outstanding	\$3,154,458.30

The City has made all payments to HUD (the loan originator) on a timely basis despite the delinquencies from the Green Institute. The City's self supporting debt service fund has been the temporary source for HUD loan payments and will require reimbursement when loan repayment funds become available.

**Delinquency Loan** – This loan was executed on May 1, 2007 for \$216,188.66 and represented an accumulation of missed principal and interest payments on the Section 108 loan at that point in time. Timely payments were made on this loan through June 1, 2008 but the July – November 2008 payments totaling \$11,870.20 have been missed. The City received one payment of \$2,374.04 on November 18, 2008 and is expecting another payment before the end of November 2008. The estimated outstanding balance at 11/30/08 including accrued interest is \$187,114.80. The Green Institute is planning to make two more payments during December of 2008 and hopes to get current on this loan as soon as cash flow allows.

The City loans are backed by a fully executed mortgage on the Green Institute property but are subordinate to Western Bank, the first mortgage holder. Western Bank has an outstanding loan of approximately \$500,000 and the Green Institute is current on this loan. Western Bank has confirmed their willingness to extend the loan in lieu of the balloon payment scheduled for February 1, 2009 if necessary.

The Finance Department continues to be in direct contact with the Green Institute and is receiving updates on the progress of marketing efforts as they occur. The property was officially listed with Krause-Anderson Realty on November 10, 2008 at \$6.17 million which is the estimated value determined by Krause-Anderson. The City's appraisal indicated a \$5.4 million market value. The anticipated market time is expected to be within 12 months. Upon sale of the facility, the first use of the proceeds will be to payoff Western Bank, the City's Section 108 HUD Loan, the Delinquency Loan and all interest in arrears on the City loans.

The Green Institute is pursuing relocation opportunities for the ReUse Center but has not yet found an acceptable solution that meets their needs. The Green Institute board has directed staff to continue exploring solutions for relocation. In the meantime, the footprint for the ReUse Center will be reduced to 8,059 square feet by January 1, 2009 which reduces the Green Institute's footprint in the building from 28% of the leasable space to 13%. Early marketing feedback indicates a positive response to the building being fully occupied.

The Finance Department will continue to stay abreast of the marketing of the property and will prepare an additional update on the loans and/or status of negotiations around the end of the first quarter of 2009 if not yet sold.