



**City of Racine, Wisconsin**  
**AGENDA BRIEFING MEMORADUM**

**AGENDA DATE:** December 9, 2019

**SUBJECT:**

City of Racine HOME Program - Subordination Agreement

**PREPARED BY:**

Matthew Rejc, Manager of Neighborhood Services

**EXECUTIVE SUMMARY:**

Department of City Development - Division of Neighborhood Services has received a request for a subordination agreement related to a previously approved applicant for HOME funds from the City of Racine for rental rehabilitation.

**PROJECT BACKGROUND AND ANALYSIS:**

The Common Council of the City of Racine approved a forgivable loan of \$185,597 to Racine Revitalization Partnership for the creation of two newly rehabilitated affordable rental units at 1418 Washington Avenue through Resolution No. 0240-17. This funding allocation was followed by an increase in the total amount of HOME funds up to \$235,597 through Resolution No. 0178-19.

Racine Revitalization Partnership has requested refinancing of the primary rehabilitation loan with Forward Community Investments (FCI). This building is owned by RRP, who is currently contracted with Sawfish General Contracting to undertake the rehabilitation. This new financing is set to be consummated in the December of 2019 and will replace the current financing provided by Town Bank, but it is dependent on the City's subordination.

**PROGRAM BACKGROUND:**

HOME provides formula grants to states and localities that communities use - often in partnership with local nonprofit groups - to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership. It is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low- and moderate-income households. In 2019, the City of Racine received an annual allocation of \$505,439.

**BUDGETARY IMPACT:**

The City's HOME funds currently have a second position lien against the property, subordinated to Town Bank. The proposed subordination agreement would retain the City's lien position immediately beneath FCI. This request does not commit additional HOME funds to the project.

**RECOMMENDED ACTION:**

Staff recommends that the Finance and Personnel Committee recommend the Common Council authorize the Mayor and City Clerk to sign and execute a subordination agreement related to a HOME loan 1418 Washington Avenue owned by Racine Revitalization Partnership.