Updated Staff Report Handed Out at Meeting

STAFF REPORT
City Council, Monday, April 21, 2025

Title:	Loan Information for Azalea Avenue Property
Speaker:	Dean Luebbe, Asst. City Manager/Finance Director Wilson Hooper, City Manager
Prepared by:	Dean Luebbe, Assistant City Manager/Finance Director, Wilson Hooper, City Manager
Approved by:	Wilson Hooper, City Manager

Background
At the April 7, 2025 meeting, City Council received a briefing on the possibility of building a low-to-moderate income housing development on three contiguous parcels off Azalea Ave. For the project to proceed, the city would need to purchase the three parcels for a total price of $1.1M. The city already holds an option to purchase the parcels; the option began in October and expires in June. The option required monthly payments that will, at expiration, total $175,000; thus the remaining purchase price for the property is $925,000. Discussion at the time, and later at the April 11 Budget Workshop, concluded that the city cannot afford to buy the property outright and, instead, must borrow money to complete the purchase.

Per Local Government Commission guidance, staff solicited loan proposals from banking institutions. The deadline for proposals expired at close of business Friday, April 18, 2025. Three proposals were received.

Discussion
Staff received proposals from United Community Bank, First Bank, and Civic Federal Credit Union.

Staff recommend moving forward with the proposal from United Community Bank, Inc.

It proposes a rate of 4.33% with no upfront fees, no prepayment fees, and closing costs not to exceed $5,000. It would require monthly payments of $17,459 for 59 months starting July 1, 2025.

Though this proposal contained the lowest rate and most generous terms, it was not the proposal with the lowest monthly payment. A competing proposal offered monthly payments of $17,443. Staff's interpretation is that the difference is because the other lending institution uses a slightly different method for calculating amortization.

Staff maintain, however, that the difference in monthly payments is nominal ($185/yr.) and, therefore, the United Community Bank proposal represents the best value because of the overall rate and generosity of the terms.

Fiscal Impact
The fiscal impact of this action was discussed at the April 7 meeting.

The Purchase Option was funded via the city's Housing Trust Fund (HTF), as was $525,000 of the city's $1.169M loan to the Fairhaven Meadows LIHTC-funded multifamily project. The remaining available balance of that fund sits at less than $20,000. At the Council's recent priority setting retreat and budget workshop, a strong message was sent to continue on with funding housing related projects, so staff anticipates that the FY26 budget will include a contribution of at least $200,000 (the FY25 contribution) to the fund.

Even with an infusion in July, the fund's cash balance is insufficient to purchase the property outright. And the decision whether to purchase the property will need to be made in the current fiscal year. However, the fund's current balance and the anticipated yearly contributions are enough to pay debt service if the purchase was financed. Hence, staff is recommending that if Council wishes to proceed, the city borrow the money to purchase the property.

This approach comes with several conditions, however:

1. A loan term of 60 months (five years) or more must be approved by the Local Government Commission. Staff have consulted with the LGC staff and know the steps forward. To have LGC approval by the time the purchase option expires, staff must apply soon. No LGC approval is required for loans of 59 months or less, but a shorter term means larger annual debt service payments, which has implications for the city's budget. If Council wishes to move forward with financing, staff recommend the full 59 month loan, meaning the debt service payment will be around $210k for the next five years.
2. Since the presence of the house was factored into the appraised value of the property, lenders are likely to make their loan contingent on its continued presence as collateral. If this is the case, the house would need to remain standing until the debt is retired. This aligns reasonably well with the expected timeline of the LMI housing project, and in the interim the city can rent the existing house at a monthly rate anticipated to bring in $19k-$25k/year.

Action
Council is asked to take one of the following actions:

1. Approve the attached resolution authorizing the City Manager to accept the loan terms offered by United Community Bank, Inc., take necessary legal steps to finalize the loan, and execute the purchase of the three parcels.
2. Reject the loan proposals and direct staff to re-solicit.
3. Direct staff to allow the purchase option to expire and do not proceed with the purchase of the properties.

Attachments:

1. Res_2025-XX_Accept Loan and Purchase Azalea Ave.
   2 United Community "Summary of Indicative Terms"

RESOLUTION NO. 2025-XX

RESOLUTION APPROVING THE SUMMARY OF INDICATIVE TERMS OF A LOAN OFFER FROM UNITED COMMUNITY BANK INC. FOR THE PURCHASE OF REAL PROPERTY OFF AZALEA AVENEUE FOR LOW-TO-MODERATE INCOME HOUSING.

WHEREAS, the City of Brevard wishes to acquire developable property for the construction of low-to-moderate income housing; and

WHEREAS, in late 2024 the City, after consultation with Development Finance Initiative (DFI) on the developability of three adjacent parcels off Azalea Ave, entered into a Purchase Option agreement with the properties' owners so as to have some control over the property in order to conduct further due diligence; and

WHEREAS, in the interim geotechnical analysis, architectural renderings, community engagement, and preliminary financial proforma have been conducted, each affirming that the property is a good candidate for low-to-moderate income housing development; and

WHEREAS, the balance of the City's Housing Trust Fund is not adequate enough to purchase the property outright, so the purchase must be financed; and

WHEREAS, this information was shared with City Council at its April 7, 2025 meeting, and the Council informally agreed to proceed with the purchase.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF BREVARD, NORTH CAROLINA THAT:

Section 1. The City Council accepts the terms and conditions of the $925,000 loan offered by United Community Bank, Inc. that are summarized in the affixed staff report.

Section 2. Staff are directed to advertise for and hold a Public Hearing on May 5, 2025 regarding the purchase of parcels 8596-05-5538-000, 8596-05-6391-000, and 8596-05-8315-000 via installment financing.

Section 3. The City Manager or his designee is authorized to take necessary steps to finalize the loan and purchase of the three parcels identified above according to the terms memorialized in the October 2024 Purchase Option pending the completion of necessary Public Hearing and other legal requirements.

Adopted and approved this the 21th day of April, 2025.

Maureen Copelof
Mayor

ATTEST:

Denise Hodsdon, CMC
City Clerk

United Community

The City of Brevard, NC

Summary of Indicative Terms

4/18/2025

United Community Bank ("Bank"), on behalf of itself and any designated affiliate (individually and collectively, "Lender") is pleased to provide this Summary of Indicative Terms ("Term Sheet") for discussion. This Term Sheet is a basic outline of the potential terms on which Lender would consider providing or arranging the loan described below. This is not an offer, agreement, or commitment by Lender to lend. Lender will not be bound to any agreement unless or until Lender's authorized representative signs definitive loan documentation stating that it constitutes the entire understanding and agreement of the parties as to the matters set forth therein. If the terms of a financing transaction are ultimately approved and agreed by Lender, the definitive loan documentation will contain other customary provisions, including, without limitation, representations and warranties, covenants, conditions, specified events of default and other provisions, all of which must be satisfactory to Lender in all respects.

Borrower:	The City of Brevard, NC
Lender:	United Community Bank, Inc. or a designated affiliate (United Community Public Finance, Inc.)
Loan:	Installment Financing Agreement in an amount up to $925,000.
Use of Proceeds:	Proceeds of the Loan may be used to finance the cost real property located in Transylvania County, NC and paying related financing costs.
Security:	The City's obligation under the Agreement will be secured by a security interest in the properties being financed (as outlined in the RFP). PIN 8596-05-6391 (543 Old Hendersonville Hwy, Brevard, NC. PIN 8596-05-5538 PIN 8596-05-8315
Guarantor(s):	None.
Maturity:	59 months from closing, as outlined in the RFP.

Repayment:	Fully funded at closing in an account at United Community Bank with monthly principal and interest payments beginning on July 1, 2025 (as outlined in the RFP).
Interest Rate:	Tax-Exempt Rate of 4.33%. Accrual Basis: Actual 360 (based on the same accrual method as the last financing) No prepayment penalty.
Expenses and Fees:	All expenses incurred by or on behalf of Lender in connection with its analysis, structuring, negotiation, documentation and closing of the Loan will be paid or reimbursed by Borrower at closing. Upfront Fees: None.
Financial and Other Covenants:	Covenants to mirror current covenants on the City's existing loans with UCB.
Conditions Precedent and Other Terms:	1. Borrower's Counsel Opinion: An opinion of Borrower's counsel covering matters customary to transactions such as this and in all respects acceptable to the Bank, Lender and its counsel. 2. Bond Counsel Opinion: An approving opinion of bond counsel related to the loan in form and substance satisfactory to the Lender and for Tax-Exempt options, shall include, without limitation, an opinion delivered at the time of conversion that the interest rate on the loan is excludable from gross income for Federal income tax purposes. 3. Other Items: Lender shall have received such other documents, instruments, approvals or opinions as may be reasonably requested. 4. Loan proceeds, whether fully funded or draw down will be deposited into an account at United Community Bank.
Lender's Legal Counsel:	Estimated fees for the closing of the loan will not exceed $5,000. All legal fees shall be paid by the Borrower whether or not the Loan described herein is closed.

Governing Law & Jurisdiction:	State of North Carolina
Municipal Advisor Disclosure:	Please note: (i) the transaction contemplated herein is an arm's length commercial transaction between Borrower and the Lender, (ii) in connection with such transaction, the Lender is acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), agent, or a fiduciary of Borrower, (iii) to the extent applicable, Bank is relying on the bank exemption in the Municipal Advisor Rules (or such other applicable exemptions, including as it relates to general information), (iv) Lender has not provided any advice or assumed any advisory or fiduciary responsibility in favor of Borrower with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto, (v) Lender has financial and other interests that differ from those of Borrower, and (vi) Borrower has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate (including any Municipal Advisors). Nothing herein is intended to serve as legal, tax or accounting advice. Borrower may be required to certify to the foregoing in a closing certificate. Before acting on the information or material contained herein, the Borrower should seek the advice of an IRMA and any other professional advisors which it deems appropriate for the Loan described herein, especially with respect to any legal, regulatory, tax or accounting treatment.
Patriot Act:	Pursuant to the requirements of the Patriot Act, the Lender and its affiliates are required to obtain, verify and record information that identifies loan obligors, which information includes name, address, tax identification number and other information regarding obligors that will allow the Lender to identify obligors in accordance with the Patriot Act, and the Lender is hereby so authorized. This notice is given in accordance with the requirements of the Patriot Act and is effective for the Lender and its affiliates.
Expiration Date:	This Term Sheet shall expire on 5/16/2025 unless a formal commitment letter has been issued prior to such date.

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Amortization Schedule

Date	Description	Total Payment	P&I Payment	Principal Payment	Interest Payment	Principal Balance
Jun 02, 2025	Beginning Balance					925,000.00
⊞ Jul 01, 2025	Regular Payment	17,458.80	17,458.80	14,232.35	3,226.45	910,767.65
⊞ Aug 01, 2025	Regular Payment	17,458.80	17,458.80	14,062.91	3,395.89	896,704.74
⊞ Sep 01, 2025	Regular Payment	17,458.80	17,458.80	14,115.34	3,343.46	882,589.40
⊞ Oct 01, 2025	Regular Payment	17,458.80	17,458.80	14,274.13	3,184.67	868,315.27
⊞ Nov 01, 2025	Regular Payment	17,458.80	17,458.80	14,221.20	3,237.60	854,094.07
⊞ Dec 01, 2025	Regular Payment	17,458.80	17,458.80	14,376.95	3,081.85	839,717.12
⊞ **2025 Totals**		**104,752.80**	**104,752.80**	**85,282.88**	**19,469.92**	
⊞ Jan 01, 2026	Regular Payment	17,458.80	17,458.80	14,327.83	3,130.97	825,389.29
⊞ Feb 01, 2026	Regular Payment	17,458.80	17,458.80	14,381.25	3,077.55	811,008.04
⊞ Mar 01, 2026	Regular Payment	17,458.80	17,458.80	14,727.51	2,731.29	796,280.53
⊞ Apr 01, 2026	Regular Payment	17,458.80	17,458.80	14,489.78	2,969.02	781,790.75
⊞ May 01, 2026	Regular Payment	17,458.80	17,458.80	14,637.84	2,820.96	767,152.91
⊞ Jun 01, 2026	Regular Payment	17,458.80	17,458.80	14,598.39	2,860.41	752,554.52
⊞ Jul 01, 2026	Regular Payment	17,458.80	17,458.80	14,743.34	2,715.46	737,811.18
⊞ Aug 01, 2026	Regular Payment	17,458.80	17,458.80	14,707.79	2,751.01	723,103.39
⊞ Sep 01, 2026	Regular Payment	17,458.80	17,458.80	14,762.63	2,696.17	708,340.76
⊞ Oct 01, 2026	Regular Payment	17,458.80	17,458.80	14,902.88	2,555.92	693,437.88
⊞ Nov 01, 2026	Regular Payment	17,458.80	17,458.80	14,873.24	2,585.56	678,564.64
⊞ Dec 01, 2026	Regular Payment	17,458.80	17,458.80	15,010.32	2,448.48	663,554.32
⊞ **2026 Totals**		**209,505.60**	**209,505.60**	**176,162.80**	**33,342.80**	
⊞ Jan 01, 2027	Regular Payment	17,458.80	17,458.80	14,984.67	2,474.13	648,569.65
⊞ Feb 01, 2027	Regular Payment	17,458.80	17,458.80	15,040.54	2,418.26	633,529.11
⊞ Mar 01, 2027	Regular Payment	17,458.80	17,458.80	15,325.22	2,133.58	618,203.89
⊞ Apr 01, 2027	Regular Payment	17,458.80	17,458.80	15,153.76	2,305.04	603,050.13
⊞ May 01, 2027	Regular Payment	17,458.80	17,458.80	15,282.80	2,176.00	587,767.33
⊞ Jun 01, 2027	Regular Payment	17,458.80	17,458.80	15,267.25	2,191.55	572,500.08
⊞ Jul 01, 2027	Regular Payment	17,458.80	17,458.80	15,393.03	2,065.77	557,107.05
⊞ Aug 01, 2027	Regular Payment	17,458.80	17,458.80	15,381.57	2,077.23	541,725.48
⊞ Sep 01, 2027	Regular Payment	17,458.80	17,458.80	15,438.92	2,019.88	526,286.56
⊞ Oct 01, 2027	Regular Payment	17,458.80	17,458.80	15,559.79	1,899.01	510,726.77
⊞ Nov 01, 2027	Regular Payment	17,458.80	17,458.80	15,554.50	1,904.30	495,172.27
⊞ Dec 01, 2027	Regular Payment	17,458.80	17,458.80	15,672.06	1,786.74	479,500.21
⊞ **2027 Totals**		**209,505.60**	**209,505.60**	**184,054.11**	**25,451.49**	
⊞ Jan 01, 2028	Regular Payment	17,458.80	17,458.80	15,670.94	1,787.86	463,829.27
⊞ Feb 01, 2028	Regular Payment	17,458.80	17,458.80	15,729.37	1,729.43	448,099.90
⊞ Mar 01, 2028	Regular Payment	17,458.80	17,458.80	15,895.81	1,562.99	432,204.09
⊞ Apr 01, 2028	Regular Payment	17,458.80	17,458.80	15,847.28	1,611.52	416,356.81
⊞ May 01, 2028	Regular Payment	17,458.80	17,458.80	15,956.45	1,502.35	400,400.36
⊞ Jun 01, 2028	Regular Payment	17,458.80	17,458.80	15,965.87	1,492.93	384,434.49
⊞ Jul 01, 2028	Regular Payment	17,458.80	17,458.80	16,071.64	1,387.16	368,362.85
⊞ Aug 01, 2028	Regular Payment	17,458.80	17,458.80	16,085.32	1,373.48	352,277.53
⊞ Sep 01, 2028	Regular Payment	17,458.80	17,458.80	16,145.30	1,313.50	336,132.23
⊞ Oct 01, 2028	Regular Payment	17,458.80	17,458.80	16,245.93	1,212.87	319,886.30

⊞ Nov 01, 2028	Regular Payment	17,458.80	17,458.80	16,266.07	1,192.73	303,620.23
⊞ Dec 01, 2028	Regular Payment	17,458.80	17,458.80	16,363.24	1,095.56	287,256.99
⊞ **2028 Totals**		**209,505.60**	**209,505.60**	**192,243.22**	**17,262.38**	
⊞ Jan 01, 2029	Regular Payment	17,458.80	17,458.80	16,387.74	1,071.06	270,869.25
⊞ Feb 01, 2029	Regular Payment	17,458.80	17,458.80	16,448.84	1,009.96	254,420.41
⊞ Mar 01, 2029	Regular Payment	17,458.80	17,458.80	16,601.97	856.83	237,818.44
⊞ Apr 01, 2029	Regular Payment	17,458.80	17,458.80	16,572.07	886.73	221,246.37
⊞ May 01, 2029	Regular Payment	17,458.80	17,458.80	16,660.47	798.33	204,585.90
⊞ Jun 01, 2029	Regular Payment	17,458.80	17,458.80	16,695.98	762.82	187,889.92
⊞ Jul 01, 2029	Regular Payment	17,458.80	17,458.80	16,780.84	677.96	171,109.08
⊞ Aug 01, 2029	Regular Payment	17,458.80	17,458.80	16,820.81	637.99	154,288.27
⊞ Sep 01, 2029	Regular Payment	17,458.80	17,458.80	16,883.52	575.28	137,404.75
⊞ Oct 01, 2029	Regular Payment	17,458.80	17,458.80	16,963.00	495.80	120,441.75
⊞ Nov 01, 2029	Regular Payment	17,458.80	17,458.80	17,009.72	449.08	103,432.03
⊞ Dec 01, 2029	Regular Payment	17,458.80	17,458.80	17,085.59	373.21	86,346.44
⊞ **2029 Totals**		**209,505.60**	**209,505.60**	**200,910.55**	**8,595.05**	
⊞ Jan 01, 2030	Regular Payment	17,458.80	17,458.80	17,136.85	321.95	69,209.59
⊞ Feb 01, 2030	Regular Payment	17,458.80	17,458.80	17,200.75	258.05	52,008.84
⊞ Mar 01, 2030	Regular Payment	17,458.80	17,458.80	17,283.65	175.15	34,725.19
⊞ Apr 01, 2030	Regular Payment	17,458.80	17,458.80	17,329.33	129.47	17,395.86
⊞ May 01, 2030	Regular Payment	17,458.63	17,458.63	17,395.86	62.77	
⊞ **2030 Totals**		**87,293.83**	**87,293.83**	**86,346.44**	**947.39**	
⊞ **Grand Total**		**1,030,069.03**	**1,030,069.03**	**925,000.00**	**105,069.03**	