



Louisville Metro Government

Legislation Text

File #: O-297-21, Version: 1

ORDINANCE NO. _____, SERIES 2021
AN ORDINANCE APPROVING A PARTIAL FORGIVENESS OF A LOAN TO
WOODSMILL PARTNERS, LTD. PURSUANT TO LOUISVILLE METRO CODE OF
ORDINANCES ("LMCO") SECTION 39.131(B).

SPONSORED BY: COUNCIL MEMBER SHANKLIN

WHEREAS, Louisville/Jefferson County Metro Government, by and through its Office of Develop Louisville, Office of Housing, FKA Department of Family Services, Housing & Community Development Division FKA Louisville Metro Housing and Community Development ("Metro Government" or "Metro") entered an agreement dated December 23, 2008 ("Loan Amendment") (attached hereto as Exhibit "A") with Woodsmill Partners, LTD, a Kentucky Limited Partnership (hereinafter "Woodsmill"); and

WHEREAS, Woodsmill's indebtedness to Metro is evidenced by two promissory notes, one dated August 10, 2004, originally signed by Millswood Partners, LTD, in the original principal amount of \$687,500, which note is secured by a Mortgage recorded in Mortgage Book 8860, Pages 426 in the Office of The County Clerk of Jefferson County, Kentucky; and a second promissory note dated August 10, 2004, in the original principal amount of \$562,500, which note is secured by a Mortgage recorded in Mortgage Book 8860, Page 417, also in the Office aforesaid. These promissory notes were modified on May 31, 2005, in which modification Woodsmill Partners, LTD made a combined interest and principal payment, bringing the total indebtedness owed under both notes to \$1,000,000. Most recently, both loans were modified by a Third Modification of Note, Mortgage, Assignment of Rents and Leases and Regulatory Agreement dated May 28, 2021, which extended the maturity date of the aforementioned Notes and Mortgages from June 1, 2021, until September 1, 2021; and

WHEREAS, according to the Loan Amendment the Parties agreed that Woodsmill is obligated to pay a monthly assignment of funds to Metro, conduct a yearly audit of the Woodsmill-Millwood Project, as referenced in the Loan Amendment, and upon repayment to Metro of the entire principal of both notes, Woodsmill will receive a retroactive interest rate reduction from 6.2% to 0% dating from May 31, 2005. Woodsmill has fulfilled its obligations under the Loan Amendment; and

WHEREAS, the Loan Amendment entered in 2008 represents an informal, but binding modification of the terms of Woodsmill's indebtedness to Metro that the parties now wish to formalize and memorialize; and

WHEREAS, the Parties wish to further modify the terms of the indebtedness. The Parties have agreed to an extension of the maturity date of the notes and mortgages referenced herein to June 1, 2028 and a reduction in the interest rate to 0% for that extended term, in exchange for the following: (1) an agreed 2nd lien priority among Woodsmill's creditors (2) a principal payment to the balance of Metro's aforementioned notes from the surplus funds, if any, received from Woodsmill's refinancing of its current primary indebtedness; and (3) the personal guarantees of John Clark and Todd Clark, who shall both sign the renewed obligation to Metro, individually; and

WHEREAS, the future modification agreement shall reflect that, upon payment of the principal in full, either at maturity or prior to 2028, the accrued interest from May 31, 2005 to 2021, estimated to be \$1,577,789, shall be forgiven. Over the course of the extended maturity date, a period of seven years, the interest forgiven by a reduction of Woodsmill's interest rate from 6.2% to 0% results in a modification or additional forgiveness of an obligation to Metro totaling \$1,349,736.05 in interest. The forgiveness of interest results in an effective balance on the Notes of \$1,000,000 which shall remain due and owing to Metro; and

WHEREAS, under LMCO 39.131(B), the Mayor, by and through, Develop Louisville, on behalf of Metro Government may forgive a debt in excess of \$150,000 with Metro Council approval by

ordinance; and

WHEREAS, for the funds to be forgiven under the program, Woodsmill Partners, LTD shall continue to comply with the affordability and wealth building goals of the underlying HOME Agreements.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AS FOLLOWS:

SECTION I: Metro Government approves the modifications, as referenced in the clauses above, to those agreements dated the 10th day of August, 2004, and recorded at Mortgage Book 8860, Pages 417 and 426, in the Office of the Jefferson County Clerk, Jefferson County Kentucky, as amended.

SECTION II: The Mayor and other officials and employees of Develop Louisville and its Department of Housing are authorized and directed to execute all necessary agreements, notes, affidavits and other documents and to do and perform all necessary or convenient actions to carry out the purposes authorized by this Ordinance.

SECTION III: This Ordinance shall take effect upon its passage and approval.

Sonya Harward
Metro Council Clerk

David James
Metro Council President

Greg Fisher
Mayor

Approval Date

APPROVED AS TO FORM AND LEGALITY:

Michael J. O'Connell
Jefferson County Attorney

By: _____

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