

Dayton's Bluff Construction Training Center

Subordination Request

December 11, 2024



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Background

- In 2017, Dayton's Bluff Neighborhood Housing Services acquired a vacant building at 809 7th St E to create the Dayton's Bluff Construction Training Center. The HRA awarded a \$400,000 CDBG loan to DBNHS to renovate the building.
- DBNHS created a non-profit entity, Dayton's Bluff Construction Training Center (DBCTC) and transferred the property to DBCTC. The center includes a training facility managed by City Academy, office space managed by NDC, and space leased to local businesses.
- The CDBG loan includes two Notes:
 - "Deferred Note": \$200,000 with payments beginning November 30, 2025
 - "Forgivable Note": Forgiven each year if conditions are met. Current balance is \$31,723.97
- The Amended and Restated Loan Agreement identifies DBCTC as the Borrower.



Background

- DBCTC also received a \$855,000 New Markets Tax Credit (NMTC) Loan from Sunrise New Markets Fund with 7-year terms and interest only payments. This loan included two Notes:
 - Note A: \$612,493
 - Note B: \$242,507
- The CDBG Loan is currently subordinate to the Sunrise New Markets Fund's loan, effective April 2018.
- The NMTC compliance period is ending; to save DBCTC costs, the NMTC loan is being assigned to Sunrise Banks National Association and refinanced.



Background and Request

- The loan reassignment requires the existing subordination be amended to move the CDBG loan in 2nd position behind Sunrise Banks National Association
 - Only Note A requires subordination, Note B is being sold to DBCTC.
- Sunrise requests the HRA enter an Amended Subordination Agreement that subordinates the CDBG to Sunrise Banks National Association



Requested Action next HRA meeting

- Recommending the authorization and approval of a subordination of the \$400,000 CDBG loan to the Dayton's Bluff Construction Training Center
- This will amend the existing subordination and move the CDBG loan in second position behind Sunrise Banks National Association
- The Subordination will not limit the HRA's ability to collect on the CDBG Deferred Note



Questions?