

Ordinance No. 432-2022

By Council Members Starr, Hairston and Griffin (by departmental request)

AN EMERGENCY ORDINANCE

Authorizing the Director of Community Development to enter into a Bond Sale and Assignment Agreement with Vesta Corporation, and to accept \$4,000,000 from Vesta Corporation in exchange for the sale and assignment of the Bond.

WHEREAS, under Ordinance No. 1226-01, passed July 10, 2001, as amended by Ordinance No. 1865-01, passed October 29, 2001, (“Ordinance No. 1226-01”) this Council authorized the acquisition of real property from the United States Department of Housing and Urban Development (“HUD”) known as Rainbow Terrace Apartments located at 7310 Carson Avenue (“Rainbow Terrace Apartments”) to the City of Cleveland for the purpose of providing safe, decent and sanitary affordable housing in the City; and

WHEREAS, HUD determined that it was necessary and appropriate to make an up-front grant available to the City in an amount not to exceed \$11,701,404 (the “Grant Funds”) in connection with rehabilitation and development of Rainbow Terrace Apartments and under Ordinance No. 1226-01, the grant agreement between HUD and the City was authorized; and

WHEREAS, Ordinance No. 1226-01 further authorized the sale of Rainbow Terrace Apartments along with other City-owned property (collectively, the “Redevelopment Property”) to Vesta Corporation, or its designee, Vesta-Cleveland, LLC (“Vesta”) and also authorized a redevelopment agreement between the City and Vesta to redevelop a portion of the Redevelopment Property into affordable rental housing; and

WHEREAS, in order to complete the rehabilitation of the Redevelopment Property and in accordance with federal regulations, the City of Cleveland used the Grant Funds to purchase a tax-exempt County of Cuyahoga Subordinate Multifamily Housing Mortgage Revenue Bond Series 2001B Bond (the “Bond”). These bond funds were then loaned to Vesta to complete the rehabilitation of the Redevelopment Property; and

WHEREAS, when the Bond matures in 2045, Vesta is required to repay the balance due on the Bond to the City; and

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WHEREAS, the current redemption amount of the Bond is approximately \$11,701,500; and

WHEREAS, Vesta has proposed to pay to the City \$4,000,000 now in exchange for a sale and assignment of the Bond to Vesta; and

WHEREAS, this ordinance constitutes an emergency measure providing for the usual daily operation of a municipal department; now, therefore,

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF CLEVELAND:

Section 1. That the Director of Community Development is authorized to enter into a Bond Sale and Assignment Agreement with Vesta Corporation, and to accept \$4,000,000 in exchange for the sale and assignment of the Bond to Vesta Corporation. The total approximate sale amount is approximately 1/3 of the current Bond redemption amount.

Section 2. That the Director of Community Development is authorized to file all papers and execute all documents necessary to receive the funds under the Bond Sale and Assignment Agreement.

Section 3. That the Director of Community Development is authorized to deposit the payment from Vesta Corporation into the fund or funds approved by the Director of Finance.

Section 4. That this ordinance is declared to be an emergency measure and, provided it receives the affirmative vote of two-thirds of all the members elected to Council, it shall take effect and be in force immediately upon its passage and approval by the Mayor; otherwise it shall take effect and be in force from and after the earliest period allowed by law.

RB:nl
4-11-2022
FOR: Director Hernandez

