

Norfolk Insider

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“City of Norfolk Accepts \$500,000 Loan Payoff”

Many times it's better to get a majority of an amount owed to you right now than to wait 20 years to get the entire amount. That was the thought behind the Norfolk City Council's decision Monday night to accept a \$500,000 lump sum loan payoff from Meadow Ridge Partners L.L.C.

The original amount of the loan was \$935,000 issued to the Meadow Ridge Partners by the City of Norfolk for construction of an 84-unit apartment complex in 1995. The loan was made from a US Department of Housing and Urban Development HOME Investment Partnerships Program grant the City received for construction of affordable rental housing. No local tax dollars were used. Payments on the loan are only made if cash flow is available. No payments were made until the loan was restructured in 2006 and the loan has since been paid down to \$756,952.

Randy Gates, Finance Officer for the City of Norfolk, recommended the Council take \$500,000 now, rather than wait for uncertain loan payments on a loan that is not accumulating interest.

“In council subcommittee meetings, we considered the uncertainty as to the timing and amount of any future loan payments and also the impact of inflation on those payments. The subcommittee felt it was in the City's best interests to take the \$500,000 now,” Gates said.

Gates added that payments, since the loan restructuring in 2006, averaged about \$25,000 per year. At that rate, the loan would not be paid off until 2045 and if inflation runs at the long term average of about 3%, getting \$500,000 now is a better deal for the City.

The \$500,000 can also be turned right around and used to promote more housing in Norfolk.

“The Norfolk area has seen a serious housing shortage in recent years which can discourage people from moving here to work and raise their families. Housing is an economic development issue and we look forward to these funds providing more housing for Norfolk residents.” said Gary Hilkemann, City of Norfolk Housing Director.