Office of City Treasurer
Velda Jones-Potter

NEWS RELEASE

Wednesday, February 6, 2019

Treasurer Acts Swiftly to Avoid Adverse Fiscal Impact from Wind-Down of Wilmington Housing Partnership Corporation (WHP)

The Treasurer's Office Aims to Reduce Taxpayer's Interest Burden from City's roughly $3.4 Million Non-Performing Loan to WHP

Wilmington, Del. - City Treasurer Velda Jones-Potter expressed concern that a roughly $3.4 Million exposure may be overlooked by those involved with addressing the wind-down of the Wilmington Housing Partnership Corporation (WHP); and this week her office attempts to avoid potential loss. "I'm sure the Housing Partnership, and those involved, will do what they feel is most prudent, however, my first duty is to ensure that taxpayer dollars are protected and the City's credit is shielded from downside risks," said Jones-Potter.

The Wilmington Housing Partnership Corporation is a non-profit entity with its own staff and Board of Directors. The corporation partners with the City to acquire, rehabilitate and construct affordable housing.

On December 12, 2018 the City Treasurer's Office placed WHP on official notice of failure to make quarterly interest payments on their $3.4 Million debt, originated in 2013, from a loan the City took out directly. "The failing loan was a clear signal WHP was experiencing financial pressure," offered the City Treasurer.

On January 18, 2019, information was released on a review by the City's Internal Audit Department on the financial management of WHP, confirming its weakened position. The $3.4 Million loan to WHP, which is a direct liability of the City (backed by its full, faith and

To date, the City Treasurer's Office has paid nearly $90,000 in interest payments owed by WHP to keep from defaulting on the City's obligation to the bank. Parties involved with the wind-down have not directly responded to memos from the Treasurer's Office on the subject, however, those closest say they are still formulating a plan for transitioning WHP's property assets. "It does not seem wise to wait for a plan to address the properties meanwhile continue paying $10,000 in interest every month when the City has the cash available to clear the debt," said the City Treasurer, "even still, we plan to recover all monies due to the City - if we're unable to fully recover, at least we minimize the damage." The Treasurer continues to stress the importance of proactively managing situations such as these to maintain the City's strong credit.

This week, after consultation with the City's Bond Counsel, the Treasurer's Office requested legislation which offers solution to the non-performing debt. The Ordinance, if passed, authorizes the City Treasurer to prepay the loan maturing September 2019 and avoid additional interest payments. "WHP will still be responsible to repay the City, however, if we are left holding the bag on this, it is better to cut losses while we have the opportunity," said Jones-Potter.

credit) was not referenced in the report. "It is unclear why this has not been part of the public discussion. However, bottom line, this is the City's debt and regardless of WHP's agreement to reimburse the City, the City is on the hook at the end of the day," stressed Jones-Potter.

The City's loan agreement stipulates payoff must occur on the last day of an interest period to avoid penalty - the next date for this is March 31, 2019. "The loan matures in September, we shouldn't wait until the eleventh hour to address this," said Jones-Potter. The Treasurer's Office looks to work with City Council and the Administration to resolve this issue.

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