



Legislation Details (With Text)

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Title: Resolution Authorizing Loan Modification for Sale and Rehabilitation of 1522 Willow Road

Sponsors:

Indexes:

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Attachments: 1. 15-0122 RESOLUTION AUTHORIZING LOAN MODIFICATION FOR SALE AND REHABILITATION OF 1522 WILLOW ROAD.pdf

Date	Ver.	Action By	Action	Result
2/18/2015	1	City Council	adopt	Pass

Resolution Authorizing Loan Modification for Sale and Rehabilitation of 1522 Willow Road

Department: Neighborhood Development
Council District: 1

Public Hearing: No
Advertising Date/By:

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PURPOSE:

City Council is requested to approve a reduction in the amount owed to the City on a housing rehabilitation loan. This action will facilitate a sale of heir property located at 1522 Willow Road to a new owner who will rehabilitate the property. This loan modification is an alternative to foreclosure.

BACKGROUND:

In 1990, the City provided the homeowner at 1522 Willow Road with a housing rehabilitation loan in the amount of \$10,174. The loan was deferred with principal and accumulated interest due upon sale of the property or death of the owner.

The borrower is deceased and the heirs would like to sell the property. There was damage due to copper theft and vandalism after the borrower’s death. The house is currently in dilapidated condition and needs significant rehabilitation investment. A buyer has offered \$21,800 and will invest approximately \$24,000 in the rehabilitation of the house for use as affordable rental property. The property is a two bedroom one bath house with a tax value of \$57,400.

Current principal and accumulated interest on the City loan is \$16,758.40. Back taxes, water liens and code enforcement action total \$6,696.38. Additional judgment, commission, legal and repair expenses to be covered by sale proceeds total \$8,800.

The heirs have requested that the City forgive the accumulated interest (currently totaling \$7,116.40) and

reduce the outstanding principal balance on the rehabilitation loan from \$9,642 to \$6,300 in order to keep all costs under the amount of sale proceeds. Code enforcement, water liens and property taxes would be paid in full. The heirs would be responsible for any tax implications due to debt forgiveness.

BUDGET IMPACT:

Reduction in anticipated CDBG program income from \$16,758.40 to \$6,300.00.

RECOMMENDATION / ACTION REQUESTED:

As an alternative to foreclosure action, staff recommends that the City accept a reduction in the amount of loan proceeds for 1522 Willow Road from \$16,758.40 to \$6,300.00. City Council is requested to approve a loan write off in the amount of \$10,458.40.