



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Elizabeth Tyler, AICP, City Planner/Director

FROM: Bob Grewe, AICP, Manager, Grants Management Division

DATE: April 22, 2004

SUBJECT: Release of MORTGAGE Grant/Deferred Loan between Denece Hill, 1412 Eads Street, Urbana, IL and the City of Urbana

Description

On the agenda for the April 27, 2004 meeting of the Community Development Commission is the proposed release of a MORTGAGE Grant/Deferred Loan between Denece Hill, 1412 Eads Street, Urbana, IL and the City of Urbana.

Issues

The issue is whether the Community Development Commission should concur with the Manager of the Grants Management Division to release the MORTGAGE Grant/Deferred Loan between Denece Hill - 1412 Eads Street, Urbana, IL and the City of Urbana.

Background

In the course of implementing the Owner-Occupied Housing Rehabilitation Program, the City of Urbana executed a MORTGAGE Grant/Deferred Loan agreement with Ms. Denece Hill on June 8, 1999 for the property at 1412 W. Eads Street. A copy of the mortgage is enclosed.

The amount of the mortgage is \$14,837.50. The mortgage is the standard instrument used to secure the City's interest in the investment of funds for the rehabilitation of owner-occupied housing units. The terms of the mortgage provide that it is only payable when the title is transferred.

Mr. William Hatch, an attorney representing Ms. Denece Hill has inquired as to whether the City of Urbana will release this mortgage in order to avoid foreclosure on the house at 1412 W. Eads Street. Enclosed is a copy of the foreclosure notice. Mr. Hatch proposes that the house be sold for \$25,000. The enclosed appraisal indicates that the houses appraises for the same amount. The enclosed settlement sheet indicates that the City of Urbana could realize a net

amount of \$3,046.01 from a sale. This settlement sheet should be used only as an estimate. The final settlement amounts will not be finalized until the purchase agreement is signed and the closing date is set.

The City of Urbana Mortgage provides the following terms for the release of mortgages:

- 2. Forgiveness of Part of Amount Due. In the event of transfer of title after three years of the date of this Mortgage, where such transfer is an arm's-length transaction and the sale proceeds are less than the outstanding liens on the Subject Premises, including the loan secured hereby, the Manager of the Grants Management Division of the City of Urbana, with the concurrence of the City of Urbana Community Development Commission, may forgive part of the obligation secured by this Mortgage not to exceed an amount equal to the difference between the outstanding debt on the Subject Premises secured by this Mortgage and the net proceeds from the sale of the Subject Premises.*

Urbana legal staff has reviewed the matter and have determined that releasing the mortgage is the only realistic alternative by which the City might recoup any of its funds.

Note that \$5,000 of the \$14,837,50 mortgage was provided by the Illinois Housing Development Authority (IHDA). As such, the first \$5,000 of the recaptured funds would be returned to IHDA. Considering this, the City would not realize any recaptured funds, as the remainder would be forwarded to IHDA. However, IHDA is a valued partner in the City's efforts to create affordable housing opportunities and Urbana would like to support IHDA's interest in this matter.

Options

1. Concur with the Manager of the Grants Management Division that the mortgage be released in a not to exceed amount equal to the difference between the outstanding debt on the Subject Premises secured by this Mortgage and the net proceeds from the sale of the Subject Premises.
2. Concur with the Manager of the Grants Management Division that the mortgage be released in a not to exceed amount equal to the difference between the outstanding debt on the Subject Premises secured by this Mortgage and the net proceeds from the sale of the Subject Premises, with additional terms and conditions.
3. Recommend that the mortgage not be released.

Fiscal Impacts

There would be no fiscal impact to the city budget. Repayment from mortgage loans is not included in program year budgets. Rather, any repayments from mortgage loans will be budgeted in the next program year budget.

Recommendations

Staff recommends that the Community Development Commission concur with the Manager of the Grants Management Division that the mortgage be released in a not to exceed amount equal to the difference between the outstanding debt on the Subject Premises secured by this Mortgage and the net proceeds from the sale of the Subject Premises.

Memorandum Prepared By:

**Bob Grewe, AICP
Manager, Grants Management Division**

Attachments:

- (1) MORTGAGE Grant/Deferred Loan between Denece Hill - 1412 Eads Street, Urbana, IL and the City of Urbana
- (2) Foreclosure Notice dated December 20, 2003
- (2) Uniform Residential Appraisal Report for 1412 W. Eads Street prepared by Dees Real Estate Appraisals.
- (2) Settlement Sheet
- (3) Commitment for Title Insurance for 1412 W. Eads Street, prepared by Chicago Title Insurance Company

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The following attachments to the memo are not available in electronic format.

(2) Foreclosure Notice dated December 20, 2003

(2) Uniform Residential Appraisal Report for 1412 W. Eads Street prepared by Dees Real Estate Appraisals.

(2) Settlement Sheet

(3) Commitment for Title Insurance for 1412 W. Eads Street, prepared by Chicago Title Insurance Company

Please contact the City of Urbana, Grants Management Division at 217.384.2441 if you desire a paper copy of the attachments.