



DEPARTMENT OF COMMUNITY DEVELOPMENT SERVICES

Grants Management Division

m e m o r a n d u m

TO: Urbana Community Development Commission

FROM: John Schneider, Manager

DATE: November 21, 2007

**SUBJECT: 506 EAST ILLINOIS STREET – ILLINOIS STATE POLICE DEPARTMENT
REQUEST FOR PARTIAL FORGIVENESS OF MORTGAGE FOR FULL
HOME PROJECT # G/DL-1106**

Description

The purpose of this memo is to request that the Community Development Commission concur with forgiveness of part of the debt secured by a mortgage to the City of Urbana made by Roger V. Armstrong on December 16, 1998 in the amount of Eight Thousand Eight Hundred Sixty Four Dollars (\$8,864.00). The mortgage secured funding that was provided to Mr. Armstrong for repairs to the property at 506 East Illinois Street, Urbana, through housing rehabilitation project number G/DL-1106.

Issues

The issue is whether the Community Development Commission concurs with the Grants Management Division Manager to forgive part or all of the debt, in an amount not to exceed an amount equal to the difference between the outstanding debt on the property and the net proceeds from the sale of the property, associated with the housing rehabilitation loan provided to Mr. Roger V. Armstrong for 506 E. Illinois Street, Urbana.

Background

In December 1998, as part of its Whole House Rehabilitation program, the City of Urbana Grants Management Division provided HOME program funding via a Grant\Deferred loan to Mr. Roger V. Armstrong for the rehabilitation of his property at 506 E. Illinois, Urbana. The Grant/Deferred Loan (G/DL) program provides a grant to an income-qualified owner-occupant for one-half of the total project costs. The remaining half is a deferred loan, secured by a mortgage, which is required to be repaid to the City upon sale of the property. A copy of the mortgage, in the amount of \$8,864 that Mr. Armstrong executed for 506 E. Illinois, Urbana, is attached for reference.

Section 2 of the mortgage document states, "... the Manager of the Grants Management Division, with the concurrence of the Community Development Commission, may forgive part of the obligation secured by the mortgage, in an amount not to exceed an amount equal to the difference between the outstanding debt on the property and the net proceeds from the sale of the property."

On November 20, 2007, the City of Urbana Grants Management Division received a letter (copy attached) from M/SGT William Colbrook, Asset Forfeiture Section Manager of the Illinois State Police Department requesting forgiveness of part of the debt as provided for in Section 2 of the mortgage. The letter indicates that the property at 506 E. Illinois, Urbana, was forfeited by Mr. Armstrong to the Director of the Illinois State Police as a result of a narcotics investigation by the Champaign County Sheriff's Department. The Illinois State Police Asset Forfeiture Section now has the responsibility to sell the property, satisfy liens and distribute the remaining funds pursuant to the Drug Asset Forfeiture Procedure Act, 725 ILCS 150/1 et. seq.

Prior to placing the property on the market for sale, the Asset Forfeiture Section had the property appraised. Because of the poor condition of the property, the appraisal indicated a market value of \$38,000. The property was then listed with a local realtor at a sales price of \$42,900. Several competitive offers to purchase were made for the property yielding a final sales price of \$48,000. The closing for the sale of the property is scheduled to take place on December 19, 2007.

The letter from M/SGT Colbrook provides a breakdown of the estimated costs associated with the property sale, including lien amounts, real estate sales commission, property taxes and closing costs. The Asset Forfeiture Section was recently notified that a complaint of foreclosure has been filed on the subject property, which may result in additional costs to settle the sale.

The Asset Forfeiture Section of the Illinois State Police is requesting that the City forgive \$4,078.48 (or a greater amount depending on remaining unknown costs) of the City mortgage amount of \$8,864 in order to facilitate a break-even sale of the property.

Fiscal Impacts

The funds recovered from the sale of a property assisted with HOME Program is considered Program Income and is required to be reused for future HOME eligible projects. Forgiving the requested amount of the loan would mean a reduction of the amount of program income available for future projects.

Recommendations

Staff recommends that Community Development Commission concur with the forgiveness of mortgage indebtedness in the amount requested to enable the sale of the property and minimize the costs to the Asset Forfeiture Division of the Illinois State Police. Because the property is currently vacant, the sale and repair of the property would help improve the neighborhood appearance and this helps our goals of neighborhood stabilization.

Memorandum Prepared By:

John A. Schneider, Manager
Grants Management Division

Attachments