

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

09-0166R

RESOLUTION AUTHORIZING HOUSING AND REDEVELOPMENT AUTHORITY OF DULUTH (HRA) TO FORGIVE A COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REHABILITATION LOAN MADE UNDER THE PROPERTY REHABILITATION PROGRAM.

CITY PROPOSAL:

RESOLVED, the city council of the city of Duluth hereby authorizes forgiveness by HRA of the repayment of the property rehabilitation program CDBG emergency loan in the amount of \$4,800.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

CD KH:KO:jle 3/2/2009

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize forgiveness by HRA of the community development block grant emergency rehabilitation loan provided in 2006 for the repair of a roof on an owner-occupied single-family home located in the East Hillside neighborhood. The loan was secured by a lien on the property.

In 2006, the city of Duluth entered into City Contract #20173 with the Housing and Redevelopment Authority of Duluth, Minnesota, pursuant to which HRA agreed to administer and operate a housing rehabilitation program. In accordance with the program guidelines, HRA entered into an agreement dated November 2, 2006, (the HRA agreement) with Jeffery A. Dittbrenner and Linda L. Lavoie-Dittbrenner (owners) pursuant to which HRA advanced a community development block grant (CDBG) emergency rehabilitation deferred loan in the amount of \$4,800, to repair a leaking roof. The owner agreed to repay the loan in the event the owner sold, transferred or otherwise conveyed the property, or in 30 years, whichever occurred first. The loan was secured by a lien on the property.

US Bank Mortgage, the company holding the first mortgage on the property, has foreclosed on the property and will assume ownership on March 11, 2009. A low-income buyer is willing and able to purchase the home, prior to the bank assuming ownership. Closing on the sale is scheduled for March 10, 2009. If the foreclosure is finalized, the HRA's lien will be extinguished. If the property is sold to the prospective buyer, the owner will not receive any proceeds from the sale of the property and so is not able to repay the lien.

The HRA is requesting the city's approval to forgive the lien, as this is necessary to allow the buyer to purchase the home prior to foreclosure, and therefore avoiding the likelihood of the property being vacant for a significant time before the lender can arrange another sale. The HRA considers this to be the best alternative, given the situation. The community development manager concurs.