City of Ann Arbor

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Legislation Text

File #: 11-1159, **Version:** 1

Resolution to Authorize the City Administrator, or Designee, to Sign Lien Discharges, Sign Subordinations, and Forgive Liens for Affordable Housing Single Family Owner Housing Programs
The City of Ann Arbor has provided homeowner down payment assistance and homeowner rehabilitation to low-income households for over 40 years. The City currently has over 200 active liens on properties. The source of funding is federal CDBG, NSP and HOME funds. The typical loan term is a 30-year, 0% interest, deferred payment loan that is forgiven after 30 years. If the owner sells or transfers the property prior to the 30-year term, then the loan is repaid to the City out of any proceeds from the sale.

Due to the recent increase in foreclosures and devaluing of homes in the past 5 years, it is becoming more common for the sales proceeds to be insufficient to pay off the City's loan. The City is typically in second lien position, behind a private lending institution. The City is repaid after any preceding liens, taxes, realtor fees, and closing costs. The City Attorney's office has indicated that if the lien pay -off amount is less than what is due, then either Council must approve forgiving the amount of the lien that is not paid-off or Council can authorize the Administrator, or designee to authorize it. A previous Council directive enabled the previous City Administrator this authority. However, it expired when Roger Fraser left the City's employment.

Community Development is requesting that Council give authority to the City Administrator, or designee, to sign lien discharges, lien subordinations and to forgive any amount that is not collectible due to a lack of proceeds from a sale for housing units that received acquisition, down payment or rehabilitation assistance from the City.

Lien discharges and subordinations are routine administrative activities for Community Development. By granting the City Administrator, or designee, this authority, it will facilitate a faster transaction for the buyer, seller, and lender.

Community Development recommends that Council approve authorization of the City Administrator, or designee, to sign lien discharges, lien subordinations and to forgive any amount that is not collectible due to a lack of proceeds from a sale for housing units that received acquisition, down payment or rehabilitation assistance from the City.
Prepared by: Jennifer Hall, Housing and Infrastructure Manager
Reviewed by: Mary Jo Callan, Community Development Director and Sumedh Bahl, Community Services Administrator
Whereas, The City provides funding for affordable housing projects through federal funding sources in order to add affordable housing units to the community or to preserve existing affordable housing units for low-income households;

Whereas, The City has liens on over 200 affordable housing properties with a typical term of 30 years as a 0% interest, deferred payment loan that is forgiven after 30 years;

Whereas, If the property is sold or transferred prior to the 30 year loan term, then the loan is repaid out of available sales proceeds;

Whereas, Due to the current housing market, an increasing number of houses have not been sold for a high enough amount to pay the City back in full; and

Whereas, Council must approve the forgiving of part or all of a loan that is not repaid;

RESOLVED, That City Council authorizes the City Administrator, or designee, at his discretion, to sign lien discharges, lien subordinations and to forgive any amount that is not collectible due to a lack of proceeds from a sale for single family housing units that received acquisition, down payment or rehabilitation assistance from the City;

RESOLVED, That the Mayor and City Clerk be hereby authorized and directed to sign any documents consistent with this resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney; and

RESOLVED, That the City Administrator, or designee, be authorized to take necessary administrative actions and to execute any documents necessary to implement this resolution.