



## Request for City Council Committee Action from the Department of Community Planning and Economic Development

**Date:** June 17, 2014  
**To:** Council Member Lisa Goodman, Chair, Community Development and Regulatory Services Committee  
**Referral to:** Council Member John Quincy, Chair, Ways & Means/Budget Committee  
**Subject:** Approval to sell a City owned loan asset

**Recommendation:** Approve the following:

- 1) Approve the sale of a City loan on 3104 52<sup>nd</sup> Street East for \$8,675.00;
- 2) Authorize the Finance Officer to approve future requests for the sale of City loan assets on single family residential property when the City's loan could be discharged as a result of a foreclosure action on a senior lienholder's debt;
- 3) Authorize the Finance Officer to execute any necessary documents transferring the City's loan to buyer of the loan for the current and future loan sale requests.

**Previous Directives:** There have been no previous directives relating to the sale of City loan assets.

Prepared by: Mark S. Anderson, Senior Contract Management Specialist	
Approved by: Charles T. Lutz, Deputy Director	_____
Cathy Polasky, Director, Economic Policy and Development	_____
Presenter in Committee: Mark S. Anderson, x5289	

### Financial Impact

This will ensure that the City of Minneapolis receives at least some reimbursement for loan assets that would be discharged when a senior lienholder forecloses.

### Community Impact

- Not required
- City Goals: Livable communities, healthy lives - High-quality, affordable housing for all ages and stages in every neighborhood

### Supporting Information

On May 16, 2012 the City closed on a revolving loan on 3104 52<sup>nd</sup> Street East in the amount of \$9,725. Last year the borrower went into default on their primary mortgage and the senior lienholder has now foreclosed. The redemption period on the senior lienholder's loan ends in mid-July.

The City's loan servicer, Community Reinvestment Fund, was recently contacted by a lienholder whose lien is junior to the City's lien and that junior lienholder wants to buy the City's loan. The present amount owed to the City is a little over \$8,670 in principal and over \$425 in accrued interest for a total of over \$9,095. The junior lienholder has made an offer in the amount of \$8,675.00 to buy the City's loan. Once the redemption period expires on the senior lienholder's foreclosure action, and assuming the City of Minneapolis

does not pay off the senior lienholder and redeem the property themselves, the City's lien will be totally discharged. Staff is not recommending redeeming the property because the cost of paying off the senior lienholder, legal costs, the cost of managing the property until it is sold, and likely costs of renovating the property will exceed any financial benefit to the City. Staff is therefore recommending that the City Council approve this offer.

Staff has received similar inquiries from other parties interested in purchasing City loan assets. None of these have been timely enough to allow the City's approval process to be completed before the redemption period would expire so no action has been taken to obtain approval to accept such offers. However, because these requests are occurring often enough, staff is recommending that the City adopt a more timely process to accept such offers when it will benefit the City. Staff is recommending:

- That the City Council authorize the Finance Officer to approve future requests for the sale of a City loan assets on single family residential property when the City's loan could be discharged as a result of a foreclosure action on a senior lienholder's debt;
- Authorize the Finance Officer to execute any necessary documents transferring the City's loan to buyer of the loan for the current and future loan sale requests.