



Agenda Item Summary

File #: RES 17-655, **Version:** 1

Submitted By

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Reviewed By

LKS

Agenda Item Title

A Resolution Authorizing Subordination of a Lien for the Property Located at 146-154 North Humphrey Avenue

Overview

The loan recipient, The Humphrey Apartments, LLC, is requesting a subordination of their Multi Family Housing Incentives Program forgivable grant mortgage to a new first mortgage. The Village remains secure in junior position on the title.

Staff Recommendation

Approve the Resolution.

Fiscal Impact

There is no impact on the General Fund. Staff time to prepare the subordination and assignment are the only cost to the Village.

Background

The Neighborhood Services Division of the Development Customer Services Department administers the Multi-Family Housing Incentives Program (a/k/a DAP), which was established by Ordinance in 1984. The Multi-Family Housing Incentives Program is a program of grants and loans for owners of multi-family buildings with four or more units. The purpose of the program is to allow owners to upgrade the physical condition of multi-family buildings, and to expand the housing choices of renters to encourage diversity. To accomplish these purposes, the Village awards eligible property owners a grant and/or loan, and in return, the owners enter into a Marketing Services Agreement which requires the owner to market the building's rental units with the Oak Park Housing Center.

The Village records Multi-Family Housing Incentives grants as a forgivable mortgage lien against the property, with the purchase mortgage having priority over the Village's lien. When the grant term expires the mortgage is released. We record the grant as a mortgage so that we have an enforcement mechanism should the owner not comply with the Marketing Services Agreement. If an owner does not fully cooperate with the Marketing Services Agreement, one option would be to cancel the grant and seek reimbursement.

During the grant term, a building owner may seek to refinance their purchase mortgage. When a property is refinanced, the original purchase loan is paid off and the mortgage lien released. Ordinarily, this would mean that the next lien recorded against the property, the Village's lien, would take first priority. However, lenders will not refinance a principal mortgage unless their new mortgage lien has first priority against the title. In this situation, the lender and the property owner request that the Village agree to subordinate its lien so that it remains in second place against the title.

On July 18, 2016, the Village awarded the owner, The Humphrey Apartments, LLC, of 146-154 North Humphrey Avenue a Multi-Family Incentives Program grant in the amount of \$10,000 and the Marketing Service Agreement expires on July 18, 2019. The owner is refinancing the first mortgage for a new \$2,835,000 mortgage, and request that the Village subordinate its loan to the new mortgage. The property is appraised at \$4,050,000.00. The new first mortgage of \$2,835,000.00 and the Village mortgage of \$10,000.00 equal total debt of \$2,845,000.00, leaving 29.75% equity in the property.

Alternatives

If the Village does not approve this Assignment and Subordination of Lien, either the owner would be unable to obtain their new financing, or the owner would have to repay the grant funds which would normally be forgiven after three years of successful program participation.

Previous Board Action

NA.

Citizen Advisory Commission Action

NA.

Anticipated Future Actions/Commitments

NA.

Intergovernmental Cooperation Opportunities

NA.

Performance Management (MAP) Alignment

This action aligns with the Neighborhood Services Division Governance Priority #1: Multi-family and Single Family Grant and Loan Programs.