

**COUNCIL ACTION FORM**

**SUBJECT: SALE OF PROPERTY AT 1126 BURNETT AVENUE STREET – CDBG ACQUISITION/REUSE AFFORDABLE HOUSING PROGRAM**

**BACKGROUND:**

Under the City's Community Development Block Grant (CDBG) Acquisition/Reuse Program, the City seeks to acquire, demolish/remove single-family properties and/or lots for reuse for affordable housing to assist low- and moderate-income families. The program also initially provides "minor" repairs to single-family properties. Where possible, the program takes a more comprehensive approach at targeting single-family properties as follows:

- Converting single-family rental properties that are "for sale" back to single-family homeownership. Where possible, these homes are sold to eligible low-income (80%), first-time homebuyers through the City's CDBG Homebuyer Assistance Program.
- Assist in code enforcement for abandoned, deteriorated properties; and then sell the vacant lots for affordable housing.
- Acquire vacant properties and resell them at a reduced price to non-profit organizations and/or for-profit organizations for rehabilitation and sale for affordable housing.
- Acquire vacant lots and resell them at a reduced price to non-profit organizations and/or for-profit organizations for construction of affordable housing.
- Concentrate, where possible, in targeted low-income census tracts.

Staff has been working to sell properties that were purchased back in 2009 and 2010. The intent is to make them available to first-time homebuyers who have participated in the City's Homebuyer Assistance Program, or to sell them to Habitat for Humanity for eligible buyers through their program. Staff conducted homebuyer seminars this past year and was successful in identifying Erika Renz, who is qualified and is interested in purchasing the property at 1126 Burnett Avenue. City staff has negotiated an offer for Ms. Renz to purchase the property for \$100,000 pending final loan approval. Additionally, as part of the Homebuyer Assistance Program, she will be eligible to receive assistance towards the down payment in the form of a 2% low-interest loan payable over a 12-year period. The proceeds from selling this home, as well as repayment funds from the down payment loan, will be reinvested back into the City's CDBG program.

The City originally purchased this home for \$119,000. To date approximately \$17,000 of major repairs/improvements have been completed, including a new roof, gutters and downspouts, radon mitigation systems, attic insulation, electrical updates, plumbing and mechanical updates, addressing bacterial growth in the basement, water filtration measures, and addressing lead-based paint hazards. Most of the repairs/improvements address health and safety concerns on the property based on HUD's Housing Quality

Standards (HQS).

A down payment assistance lien will be recorded against the property in order to insure repayment of the down payment assistance. In addition, the City will have a twenty year silent "Equity Gap" re-payment clause to recapture the difference (if any) between the selling price and the appraised value at the point of future sale. The amount would be due if the property is sold, abandoned, rented or transfer to another person other than a surviving spouse.

**ALTERNATIVES:**

1. The City Council can set July 22, 2014 as the date of public hearing for the sale of City-owned property located at 1126 Burnett Avenue to Erika Renz at a price of \$100,000 under the City's affordable housing program for lower-income first time homebuyers.
2. The City Council can choose not to sell the home at 1126 Burnett Avenue at this time.

**MANAGER'S RECOMMENDED ACTION:**

The sale of this property to Erika Renz will allow the City Council to address its goal of providing assistance to lower-income first-time homebuyers through the sale of affordable housing. The property at 1126 Burnett was a single-family rental unit that will now be converted back to single-family homeownership. Additionally, this property will now contribute to a revitalized core neighborhood in our community and assist first-time low and moderate income home buyer who otherwise would not be financially equipped to purchase and address the major property maintenance issues.

Therefore, it is the recommendation of the City Manager that the City Council approve Alternative #1, thereby setting July 22, 2014 as the date of public hearing for the sale of City-owned property located at 1126 Burnett Avenue to Erika Renz at a price of \$100,000 under the City's affordable housing program for lower-income first time homebuyers.