



**Housing and Redevelopment Authority Meeting Agenda
February 12, 2020
7:10 p.m.
Council Chambers, Woodbury City Hall**

Please note that all agenda times are estimates.

- 7:10 p.m. 1. Call to Order
 - 7:11 p.m. 2. Roll Call
 - 7:12 p.m. 3. Consent Agenda – No items
 - 7:13 p.m. 4. Public Hearings – No items
 - 7:14 p.m. 5. Discussion Agenda
 - A. Approval of January 22, 2020 HRA Meeting Minutes
 - B. Authorization to Assign Mortgage Securing a First-Time Homeownership Program Loan 20-06
- Staff recommends HRA adopt **HRA Resolution 20-05** authorizing the HRA to assign a mortgage securing a First-Time Homeownership Program Loan to MKR, LLC for \$22,500.
- 7:25 p.m. 6. Adjournment

The City of Woodbury HRA is subject to Title II of the Americans with Disabilities Act which prohibits discrimination on the basis of disability by public entities. The HRA is committed to full implementation of the Act to our services, programs, and activities. Information regarding the provision of the Americans with Disabilities Act is available from the Executive Director's office at 651-714-3523. Auxiliary aids for disabled persons are available upon request at least 72 hours in advance of an event. Please call the ADA Coordinator, Clinton P. Gridley at 651-714-3523 (TDD 651-714-3568) to make arrangements.

MINUTES

WOODBURY HOUSING AND REDEVELOPMENT AUTHORITY

January 22, 2020

5A

Pursuant to the due call and notice thereof, a regular meeting of the Woodbury Housing and Redevelopment Authority was duly held at the Woodbury City Hall, 8301 Valley Creek Road, on the 22nd day of January 2020.

Call to Order

Chair Anne Burt called the meeting to order at 7:10 p.m.

Roll Call

Upon roll call the following were present: Chair Anne Burt, Andrea Date, Amy Scoggins, Steve Morris, Jennifer Santini. Absent: None

Others Present: Dwight Picha, HRA Clerk; Scott Riggs, City Attorney; Mr. Clinton Gridley, Executive Director; and Karl Batalden, Community Development Coordinator

Consent Agenda

All items listed under the consent agenda are considered to be routine by the HRA Board and will be enacted by one motion and an affirmative vote by roll call of a majority of the members present. There will be no separate discussion of these items unless a Commissioner or citizen so requests, in which event, the items will be removed from the consent agenda and considered a separate subject of discussion by the Board.

Item A Approval of Minutes – December 11, 2019 HRA Meeting

Item B To adopt the following resolution **Resolution 20-01**

Resolution of the Housing and Redevelopment Authority of the City of Woodbury, Washington County, Minnesota amending the HRA by-laws to create the office of Deputy Executive Director.

Item C To adopt the following resolution **Resolution 20-02**

Resolution of the Housing and Redevelopment Authority of the City of Woodbury, Washington County, Minnesota appointing the 2020 HRA officers and establishing the 2020 HRA regular meeting schedule.

Item D To approve motion to designate CorTrust Bank as the HRA’s depository of public funds for the year 2020

Item E To adopt the following resolution **Resolution 20-03**

Resolution of the Housing and Redevelopment Authority of the City of Woodbury, Washington County, Minnesota authorizing \$35,339 to be carried forward from the 2019 HRA budget.

Member Date moved, seconded by Member Scoggins, to approve the Consent Agenda items.

Voting via voice:

- Andrea Date – aye
- Amy Scoggins – aye
- Steve Morris – aye
- Jennifer Santini - aye
- Anne Burt – aye

PUBLIC HEARINGS

No items scheduled

MINUTES

WOODBURY HOUSING AND REDEVELOPMENT AUTHORITY

January 22, 2020

DISCUSSION

A. Revision to HRA Loan Program Delinquency Policy

Mr. Karl Batalden, Community Development Coordinator explained that at the December 11, 2019 Board Meeting one of the Members asked regarding delinquency, defaults, and how the loan pool is doing in general. That question set the HRA up very well for tonight's meeting because the City Attorney was in the process of reviewing the delinquency policy. That policy review has now been completed and the attorneys recommended some edits, most of which are housekeeping-type items.

Mr. Batalden continued by noting that the HRA has operated its loan programs for a little more than 10 years. They were begun in 2009 and there have been more than \$5.7M in loans issued since the inception of those programs. There is a delinquency rate of 0.037%, less than 1/10th of 1%, which is far less than typical commercial lending standards.

One of the reasons for such a good delinquency rate is that the city does full manual underwriting of all of their loan programs. When time is taken on the front end there is more likely to be success with the repayments.

The changes to the policy add for staff flexibility, and are straightforward to set the HRA up for continued success when it comes to loan servicing.

Member Scoggins moved, seconded by Member Santini,

To adopt the following resolution

Resolution 20-04

Resolution of the Housing and Redevelopment Authority of the City of Woodbury, Washington County, Minnesota updating HRA Directive HRAD-1.2: HRA Loan Program Delinquency Policy.

Voting via voice:

Andrea Date – aye
Amy Scoggins – aye
Steve Morris – aye
Jennifer Santini - aye
Anne Burt – aye

ADJOURNMENT

Member Morris, seconded by Member Scoggins, moved to adjourn the January 22, 2020 Housing and Redevelopment Authority meeting.

Voting in Favor: Date, Scoggins, Morris, Santini, Burt
Absent: None

Chair Burt adjourned the meeting at 7:14 p.m.

Anne W. Burt, Chair

Approved by the Woodbury Housing and Redevelopment Authority on February 12, 2020.

City of Woodbury, Minnesota
Office of the HRA Executive Director

HRA Letter 20-06

February 12, 2020

To: The Honorable Chair and Commissioners of the Woodbury HRA

From: Clinton P. Gridley, HRA Executive Director

Subject: Authorization to Assign Mortgage Securing a First-Time Homeownership Program Loan

Summary

The Housing and Redevelopment Authority in and for the City of Woodbury (the “HRA”) issued a first-time homeownership program loan in an amount of \$25,000 to an income-qualified borrower on February 2, 2017 to assist the borrower with the purchase of 234 Cambria Court (the “Property”). Since the transaction, the borrower has been delinquent on a number of payments. Consistent with the HRA’s Loan Program Delinquency Policy, the HRA entered into a loan modification agreement with the borrower dated November 19, 2018 in an attempt to prevent foreclosure. These efforts were not fully successful and the borrower’s first mortgage holder has initiated the foreclosure process with a sheriff’s sale scheduled for February 21, 2020. The total amount of the mortgage’s principal balance, accrued interest, and late charges due are \$26,427.70.

MKR LLC (the “Investor”) has offered to pay the HRA \$22,500 in exchange for the HRA assigning its mortgage to the Investor. While this amount is less than the amount of the mortgage, it is a way to recapture most of the funds that are owed to the HRA. The HRA is faced with three options.

1. Do nothing. The HRA can choose to take no action and the homeowner will likely lose the home to foreclosure and the HRA’s mortgage will be eliminated as part of the process. The HRA would have limited, if any, ability to recapture funds but would not incur additional legal or staff costs.
2. Wait until after the foreclosure to redeem the HRA’s rights. Following the sheriff’s sale there will likely be a 6-month redemption period. At the end of this period, as a junior lienholder, the HRA can redeem its mortgage by paying off the lienholders in senior position. In other words, the HRA would be able to buy out the bank and list the property for sale. While the HRA may recapture its funds, or even make a profit, this is the riskiest of the three options because it is unknown what real estate conditions will be in the future and there could be significant legal and transactional costs.
3. Accept the Investor’s offer. The HRA will only recapture 90 percent of the principal balance of the mortgage and will lose additional accrued interest and late charges. However, the loss is a known amount and this option allows the HRA to recapture most of the funds it is owed without significant additional legal and staff costs.

In the event that the Investor is not successful at the sheriff's sale, the HRA will still be able to evaluate Options 1 and 2 in the future.

Recommendation

Staff recommends the HRA choose Option 3 listed above and adopt **HRA Resolution 20-05** authorizing the HRA to assign a mortgage securing a First-Time Homeownership Program loan to the Investor for \$22,500, upon the approval of the City Attorney.

Fiscal Implications

The proposed assignment of the HRA's mortgage will result in a non-payment of \$2,500 of mortgage principal as well as \$1,427.70 of accrued interest and late charges due. However, it is the opinion of staff that this loss is the most acceptable path forward given that other options present more risk with no guarantee of fiscal success.

Policy

The HRA's Loan Program Delinquency Policy, in the form of HRA Directive 1.2 provides guidance to staff regarding loan delinquencies.

Consistent with Section 20 of the HRA's mortgage, 12 CFR 1024.33(b), and Minnesota Statutes, Section 47.205, the HRA is required to provide adequate notice to the borrower not less than 15 days before the effective date of the transfer of the servicing of the mortgage loan. The HRA's notice will be drafted by the City Attorney and will comply with the above-referenced state and federal requirements.

Public Process

This is the first public process for this item.

Background

The HRA has issued 242 loans in an aggregate amount greater than \$5.75 million since 2009. Of this total amount the HRA currently has more than \$3.3 million in notes receivable. The vast majority of borrowers make their required monthly payments on time and on schedule with some borrowers opting to make optional pre-payments of principle.

The HRA has experienced one loan default in the twelve years of administering its loan pool. The loan connected to the purchase of 234 Cambria Court, as described above, has experienced a wide variety and range of delinquencies since the loan issuance. The proposed assignment of this loan to the Investor will allow the HRA to avoid a second complete loan default by recapturing 90 percent of the principle owed to the HRA.

Written By: Karl Batalden, Community Development Coordinator
Approved Through: Tim Johnson, HRA Treasurer
Attachments: HRA Resolution 20-05

HRA Resolution 20-05

**Resolution of the Board of Commissioners
of the Housing and Redevelopment Authority
in and for the City of Woodbury, Washington County, Minnesota**

**Authorizing the HRA to Assign a Mortgage Securing a
First-Time Homeownership Program Loan to MKR LCC**

WHEREAS, the Housing and Redevelopment Authority in and for the City of Woodbury (the "HRA") issued a first-time homeownership program loan in an amount of \$25,000 to an income-qualified borrower on February 2, 2017 and recorded as Document Number 4103829 (the "Note") to assist the borrower with the purchase of the real property located at 234 Cambria Court, Unit 1 and as legally described on the attached Exhibit A (the "Property"); and

WHEREAS, consistent with the HRA's Loan Program Delinquency Policy, the HRA entered into a loan modification agreement with the borrower dated November 19, 2018 in an attempt to prevent foreclosure; and

WHEREAS, the borrower's first mortgage holder has now initiated the foreclosure process with a sheriff's sale scheduled for February 21, 2020; and

WHEREAS, MKR LCC (the "Investor") has offered to pay \$22,500 to the HRA in exchange for the HRA assigning its mortgage to the Investor contingent upon the completion of the sheriff's sale; and

WHEREAS, the Investor has provided the HRA with its formal offer letter dated February 4, 2020 (the "Offer Letter") attached hereto as Exhibit B and the Assignment of Mortgage (the "Assignment of Mortgage") attached hereto as Exhibit C; and

WHEREAS, pursuant to the authority of Minnesota Statutes, Section 47.205, 12 U.S.C. § 2601 et seq and in accordance with the terms of the Note, the HRA desires to assign its interest in the Property subject to all of the terms and conditions contained herein, and in the Offer Letter and the Assignment of Mortgage attached hereto as Exhibits B and C.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the HRA, that the HRA is authorized to assign its mortgage covering the Property as referenced above to the Investor contingent upon the receipt of \$22,500 and upon the final approval of the City Attorney; and

NOW, THEREFORE, BE IT FURTHER RESOLVED by the Board of Commissioners of the HRA, that the substantial form of the Offer Letter and the Assignment of Mortgage included herein are hereby approved; and

NOW, THEREFORE, BE IT FURTHER RESOLVED by the Board of Commissioners of the HRA, that the HRA Chair and/or Executive Director are authorized and directed by the HRA to execute the documents needed to facilitate this transaction, upon the approval of the City Attorney, including all documents required to comply with the notice requirements of Minnesota Statutes, Section 47.205 and 12 U.S.C. § 2601 et seq.

Resolution 20-05
February 12, 2020
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This Resolution was declared duly passed and adopted and was signed by the Chair and attested to by the Executive Director this 12th day of February, 2020.

Attest:

Anne W. Burt, Chair

Clinton P. Gridley, Executive Director

EXHIBIT A
Legal Description of the Property

PID: 05.028.21.13.0046

APARTMENT NO. 36, BUILDING NO. 9, APARTMENT OWNERSHIP NO. 3, SUNDOWN
CONDOMINIUMS GATSBY SECTION, WASHINGTON COUNTY, MINNESOTA

ABSTRACT PROPERTY.

EXHIBIT B
The Offer Letter



4770 White Bear Parkway, Suite 100
White Bear Lake, MN 55110
www.gdolaw.com
651-426-3249

chrisolson@gdolaw.com
Direct Dial: 651-289-6731

February 4, 2020

City of Woodbury / Attn: Karl Batalden
Community Development Coordinator
8301 Valley Creek Road
Woodbury, MN 55125

Re: Assignment of 2nd Mortgage Lien
Address: 234 Cambria Ct, Woodbury, MN 55125 (the "Property")

Dear Mr. Gridley:

I am the attorney representing MKR, LLC. It is my understanding that the following are true: 1.) the City of Woodbury is the holder of a Mortgage from Haile-Yesus Tegegne, in the amount of \$25,000, dated February 2, 2017, and recorded on February 24, 2017, as Document No. 4103829 ("Mortgage"); 2.) the Mortgage is a 2nd mortgage lien against the Property; and 3.) both the first mortgage and your Mortgage are in default, and that the first mortgage holder has commenced foreclosure proceedings, with the Sheriff's Sale on that first mortgage set for February 21, 2020.

MKR, LLC has authorized me to convey an offer of \$22,500.00 in return for an assignment of the City's Mortgage. MKR, LLC intends to use the Mortgage to redeem from the foreclosure of the first mortgage if Haile-Yesus Tegegne does not redeem during his six month redemption period. As such, this offer is contingent upon the Sheriff's Sale occurring on the first mortgage on February 21, 2020. MKR, LLC would deliver the City a Cashier's Check in the amount of \$22,500.00 by February 24, 2020.

Please advise as to whether this offer is acceptable to the City. If it is acceptable, I can prepare assignment documents for the City's review. Thank you for your time and attention to this matter. I look forward to working with you on this matter.

Sincerely,

GDO LAW

Christopher Olson

Christopher L. Olson
Attorney at Law

EXHIBIT C
The Assignment of Mortgage

ASSIGNMENT OF MORTGAGE
by Business Entity

DATE: February _____, 2020

FOR VALUABLE CONSIDERATION, City of Woodbury Housing and Redevelopment Authority, a body corporate politic and a political subdivision duly organized and existing under the law of the State of Minnesota (“**Assignor**”), does hereby sell, assign, transfer, and set over to MKR LLC, a Minnesota limited liability company, its successors and assigns (“**Assignee**”) the Assignor’s interest in that certain mortgage dated February 2, 2017, executed by Haile-Yesus Tegegne, an unmarried person, as mortgagor, to Assignor, as mortgagee, and recorded on February 24, 2017, as Document No. 4103829, in the office of the County Recorder of Washington County, Minnesota, together with any and all amendments and modifications thereto, and together with all right and interest in the debt thereby secured (the “**Mortgage**”). This Assignor covenants with Assignee, its successors and assigns, that Assignor has good right to sell, assign and transfer the Mortgage after the notice requirements of 12 C.F.R. § 1024.33(b) and Minn. Stat. § 47.205 have been satisfied. Assignor represents that total debt secured by the Mortgage, as of the date of this Assignment of Mortgage, is \$26,427.70, and that Assignor is aware of no challenge as to the validity or priority of the Mortgage. For purposes of providing adequate notice under 12 C.F.R. § 1024.33(b) and Minn. Stat. § 47.205, this Assignment of Mortgage shall be deemed effective on March 6, 2020. Other than as expressly stated herein, this Assignment is made with no representations or warranties.

Check here if all or part of the described real property is Registered (Torrens)

IN WITNESS WHEREOF, Assignor has caused this Assignment of Mortgage to be executed and delivered as of the _____ day of February, 2020.

Assignor:

City of Woodbury Housing and Redevelopment
Authority, a body corporate politic and a
political subdivision duly organized and existing
under the law of the State of Minnesota

Anne W. Burt
Its: Chair

Clinton P. Gridley
Its: Executive Director

