

# Memo

**To:** Honorable Mayor and City Council  
**From:** Joe Kohlmann, City Administrator  
**Date:** August 15, 2012  
**Re:** Satisfaction of Repayment Agreement

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The City of Tonka Bay is part of the CDBG-funded housing rehabilitation program's Consolidated Pool of smaller communities within suburban Hennepin County. Hennepin County administers the program. Information on the program is attached.

A resident of Tonka Bay (confidential information as to who it is) received a housing rehabilitation deferred loan through this program in January of 2001 and now wishes to pay off the loan as her house has sold. The loan pay-off will be added to the CDBG housing rehabilitation budget for the Consolidated Pool where it will be available for eligible residents of Tonka Bay.

In order to formally remove the cloud on the title to the resident's home, the attached document must be executed by the Mayor and City Administrator and returned to this office so it can be forwarded to the title company when the repayment has been received.

**Council Action Requested:**

Authorize Mayor and City Administrator to execute the attached Satisfaction of Repayment Agreement.

**SATISFACTION OF REPAYMENT AGREEMENT**

**STATE OF MINNESOTA**

SS

**COUNTY OF HENNEPIN**

**KNOW ALL BY THESE PRESENTS**, That the undersigned City of Tonka Bay, a body corporate and politic of the State of Minnesota, having its principal office at 4901 Manitou Road, Tonka Bay, Minnesota, for a valuable consideration, receipt of which is hereby acknowledged.

**DOES HEREBY CERTIFY**, That a certain Repayment Agreement, bearing date the 29th January 2001, made and executed by [REDACTED] as Owner, to the City of Tonka Bay as grantor, filed for record in the office of the County Recorder in and for the County of Hennepin and State of Minnesota, and entered as [REDACTED] on the 14th day of January, 2003, together with the lien provided is, with the indebtedness described in and secured by said Repayment Agreement, fully paid, discharged and satisfied. And the County Recorder for said County of Hennepin and the State of Minnesota is hereby authorized and directed to discharge the same upon the record thereof.

**IN TESTIMONY WHEREOF**, The said City of Tonka Bay caused these presents to be executed in its name by William LaBelle its Mayor and by Joe Kohlmann, its City Administrator, this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

**CITY OF TONKA BAY**

\_\_\_\_\_  
William LaBelle, Mayor of the City  
of Tonka Bay

\_\_\_\_\_  
Joe Kohlmann, City Administrator of the City  
of Tonka Bay



# HENNEPIN COUNTY HOUSING REHABILITATION PROGRAM

## PROGRAM DESCRIPTION

The owners of single-family, owner-occupied properties (including duplexes) may be able to receive housing rehabilitation assistance in Hennepin County provided that funds are available and that the household meets eligibility requirements.

The funds are available in the form of a deferred loan- no monthly payments – secured by a lien (in the form of a mortgage) against the property for a period of fifteen years (ten years for mobile homes). If the property is sold, or title conveyed or transferred, or if the property ceases to be the permanent residence of the borrower, the amount borrowed must be repaid. In certain cases, interest must also be paid

Households (including everyone living in the home) must have incomes which do not exceed 80% of area median as adjusted for family size (see Table 1 below). Households with incomes at or below 50% of area median are eligible for the interest free loan. Households with incomes between 51% and 80% of area median have loans which are subject to interest. Every year for the first ten years of the lien the amount owed is increased by 3% of the initial loan amount. For example, a household borrowing \$10,000 would have the amount owed increased by \$300 each year so, after ten years, the amount owed would be \$13,000.

Household Size	50% of median income (interest free loans)	80% of area median income (subject to 3% annual simple interest)
1 person	\$29,400	\$45,500
2 persons	\$33,600	\$52,000
3 persons	\$37,800	\$58,500
4 persons	\$41,950	\$65,000
5 persons	\$45,350	\$70,200
6 persons	\$48,700	\$75,400
7 persons	\$52,050	\$80,600
8 persons	\$55,400	\$85,800

In order to be eligible for assistance, the following criteria must be met.

- Funds have to be available
- All required application materials must be submitted
- Household income cannot exceed 80% of area median income
- Household income must be adequate to support the monthly expenses of the household

- Borrowers must be current on federal income tax payments or be able to demonstrate that they are current on an IRS approved payment schedule
- Borrowers must be current on property tax statements or have entered into a Confession of Judgment with the County and be current on the payment schedule
- Borrowers must have a reasonable credit history
- Borrowers must own and occupy the home as their principal place of residence and must have a recordable interest in the property (be willing and able to sign the mortgage which will be recorded against the title)
- Borrowers must accept a fifteen-year lien against title to their home (ten years for mobile homes)
- There should be enough equity in the property so that the CLTV (combined loan to value or the total of all liens and mortgages against the property – including that associated with this loan) does not exceed 90% of the EMV (estimated market value as it appears on the Property Tax Statement)
- If the property is in a flood zone it must be properly insured

The maximum loan \$30,000 but the actual amount may be less to ensure that the CLTV does not exceed 90%. Funds are rarely, if ever, paid directly to the Borrower.

Once a Borrower's eligibility has been determined, staff from Hennepin County will arrange to schedule an appointment to carry out a property inspection to establish, with the help of the Borrower, the improvements and repairs that are eligible and necessary. If the house was built before 1978, an assessment of lead-based paint hazards must also be carried out by Hennepin County staff. If children under the age of six live in. or frequently visit the property, Borrowers may also be eligible for a small loan which will contribute towards the cost of any work needed to deal with any lead-based paint hazards. A Scope of Work will be prepared and the homeowner will use the Scope to secure at least two bids for the proposed improvements. A contractor or contractors will be selected and contracts will be executed by the homeowner and the contractor(s). Whenever a payment is requested, for partial or final completion of work, the homeowner must sign a certificate authorizing payment and the work must be inspected and approved by all appropriate parties. The contractor is paid directly by Hennepin County.

If you have any questions, please call Jim Graham at 612 348-2235.