

# MINUTES OF THE CITY COUNCIL OF LAUREL

March 23, 2005

A special meeting of the City Council of the City of Laurel, Montana, was held in the Council Chambers and called to order by Mayor Ken Olson at 7:43 p.m. on March 23, 2005.

COUNCIL MEMBERS PRESENT:            Dick Fritzler            Doug Poehls  
   Kate Stevenson        Mark Mace  
   Gay Easton            Daniel Dart  
   Jennifer Johnson      John Oakes

COUNCIL MEMBERS ABSENT:            None

OTHERS PRESENT:                        Steve Klotz            Mary Embleton  
   Nathan Tubergen

**PUBLIC INPUT:** None.

## **HOME FIRST-TIME HOME BUYER'S PROGRAM:**

### **RESOLUTION NO. R05-33**

#### **RESOLUTION OF THE CITY COUNCIL AUTHORIZING THE MAYOR, IF NECESSARY, TO SIGN A PROMISSORY NOTE TO AMERICAN TITLE & ESCROW AND/OR MONTANA BOARD OF HOUSING FOR THE PURCHASE OF A HOME LOCATED AT 411 EIGHTH AVENUE IN LAUREL, MONTANA.**

Mayor Olson stated that the staff has been watching the status of a house in the HOME First-Time Home Buyer's Program. The City of Laurel has \$18,500 invested in this property, and the house is going to foreclosure tomorrow. The Montana Board of Housing has secured a bid for the house for \$69,000, which would not include the city's \$18,000. Because of the situation, staff has requested the council's authorization to purchase the house if it comes within the said agreement of \$87,945. If the city purchases the house, it would then be sold to get the \$18,000 investment back. The bid process is scheduled for tomorrow, and that is why a special council meeting was necessary.

Mayor Olson asked Mary Embleton to present the history of the issue.

Mary stated that this house was part of the first issue of HOME Program funding given to the City of Laurel. Several homes in the first award of monies were given over \$15,000, which required a ten-year deferred loan to go with the money. The recipients received the money interest free if they lived in the home for ten years. Once the ten-year timeframe was completed, the lien that the city filed would be released. If something happened in the interim and the house had to be sold, the City then would recover the money, put it back into the HOME Fund, and use the funds again to help someone else. The whole idea of this program is to try to keep these homes affordable for the participants for as long as possible. When the City of Laurel received the second award of monies, the committee recommended, and the council agreed by virtue of approving the plan, that the ten-year timeframe should be avoided because a lot can happen in ten years. This is an example of what can happen in ten years. These folks ran into circumstances and different events that brought them to this point, and it simply was unavoidable. The city has been working with the Board of Housing and the city attorney. The Board of Housing has been very helpful and already extended the foreclosure date for fifteen days to offer additional time to find a different solution than where it is as of today. When dealing with them today, they were very helpful in explaining the city's options. The main goal is that the city needs to protect its investment of \$18,500. There are bargain hunters that look for foreclosures to bid on. If the city does nothing and it goes to bid tomorrow, a bargain hunter could pay \$70,000 for this home. That would satisfy Board of Housing's \$69,000 minimum bid. The city would be out the \$18,500 and would end up having to write the check out of the General Fund to the State in Helena to pay it back. A lot of effort has been put out to avoid that, and this is one option. If a city representative is present to monitor the bidding, the city would be able to protect its interest by getting the bid to at least \$87,900. If the house is purchased for more than that amount, the bank, or the Board of Housing, would get its \$69,000 first. Then the city would put in a claim for the \$18,500 and would be second in line to get the money. The city needs to be there and be able to step in and protect the investment. Hopefully, that will be the scenario at the foreclosure

on Thursday. If it is not, Mary recommended that the city have something in place and someone there to be able to take possession if absolutely necessary as a last resort. Then the city could turn around and protect the investment and keep the house in the program or whatever. The Mayor had contacted a realtor, and the realtor sent information to Mary. The information shows that the home is easily worth \$97,000 to \$115,000 on the market.

Alderman Dart asked how long the city had an understanding of this situation. He would have felt better if a full appraisal had been done on the property.

Mary and Steve Klotz looked at the house today. The house is in good shape and is not trashed like a lot of abandoned properties. Mary stated that the city was always hoping the issue would be resolved. At the last minute, the owner could come forward and buy the house, but that is doubtful. This is new territory for the city, and we have been very fortunate that this situation has not happened very often.

Alderman Oakes asked if the city could still put in a claim for the \$18,500 if the buyer came forward tomorrow and bought the house outright.

Mary stated that the buyer would have to go through the bidding process. The only people who could reclaim it at this point are the owners. If the owners could come up with the money to pay all the costs and fees for the foreclosure, they would have until 10:00 a.m. tomorrow to do that. If they had been able to resolve this before, they would have done so.

Alderman Fritzier asked if a city representative would attend the bidding to assure that the house would sell for at least \$87,000 or for the city to purchase the house.

Mary has contacted Casey Joyce, who is working with our HOME Program, to see if people are waiting for homes to come on the market that are already approved and eligible for this program. The second award of monies has been slowed up because of a lack of available houses on the market in this affordable price range for the people to buy. Casey said that two or three individuals could purchase right away, so it would be thirty to forty-five days. If a real estate person were involved, a commission would have to be paid. The city has an attorney on staff to draw up the paperwork, so it could be done at a low cost. An inspection and an appraisal might be necessary.

Alderwoman Johnson mentioned that many people looked at a foreclosed house in her neighborhood. It is hard to find a place with a similar price right now in Laurel, and she does not think that it would be a problem to sell the house.

Mary stated that the tri-level house was built in 1972. The living room and kitchen are on one level, and there are three bedrooms and a bathroom upstairs. The downstairs has a bathroom, a bedroom, and a rec room. There is a big back yard and a big garage in the alley and there is a school across the street. It would be a decent investment for the city if it is necessary to get involved in it. We would only do that if absolutely necessary because the city is not in the real estate business. But if the city needs to protect the \$18,500, Mary thinks it would be in the best interest to purchase the house.

Alderman Poehls stated that, knowing the house and the people who lived in the house, he would buy it if he had the funds. It is a terrific house and will sell for more than this quite easily.

Mayor Olson stated that the city would not continue bidding if the bidding went above \$87,945. The council's consideration tonight is to authorize the expenditure of up to \$87,945. If the bidding goes above that, the city is out and would receive its vested \$18,500 from the successful bidder.

Alderman Fritzier asked if it would be considered a conflict of interest if anyone got involved in the purchase of the house.

Mayor Olson stated that the house is up for public auction. The people he talked to were fairly confident that the house would sell for over \$100,000. The City of Laurel is not in the real estate business, but we need to protect the \$18,500.

Motion by Alderman Easton to approve Resolution No. R05-33, seconded by Alderwoman Stevenson.

Mary explained that she discussed with the Board of Housing regarding whether the city would need to bring a check, cash, or a letter of credit from the bank in order to be prepared to purchase the house. They are authorizing this promissory note from the city, so we really would not even have any cash outlay. Mary was pleased to be able to work with the Board of Housing.

Alderman Fritzier asked if a representative would attend the bidding to protect the city's interest.

Mayor Olson has appointed someone to be there.

A roll call vote was taken on the motion. All eight aldermen/women present voted aye. Motion carried 8-0.

**ADJOURNMENT:**

Motion by Alderman Poehls to adjourn the council meeting, seconded by Alderman Dart. A roll call vote was taken on the motion. All eight aldermen/women present voted aye. Motion carried 8-0.

There being no further business to come before the council at this time, the meeting was adjourned at 8:00 p.m.

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Cindy Allen, Secretary

Approved by the Mayor and passed by the City Council of the City of Laurel, Montana, this 5<sup>th</sup> day of April, 2005.

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Kenneth E. Olson, Jr., Mayor

Attest:

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Mary K. Embleton, Clerk-Treasurer