

MEMORANDUM

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT

TO: Thomas Thomas, City Manager

SUBJECT: College Hill Residential Development – Loan Release

DATE: 4/9/2013

The College Hill Residential Development dates back to 2004 when the PUD was issued to build 74-units of residential condos (duplex townhomes). The City entered into a \$370,000 forgivable loan agreement with the developer on November 30, 2004. The loan was in second (2nd) position to the initial mortgage loan of \$1,800,000 provided by Northwest Bank & Trust Company. Since then, the developer filed bankruptcy and went out of business. Northwest Bank & Trust Company foreclosed on its first lien which normally would have eliminated the City's second lien. However, Northwest Bank & Trust accepted a deed in lieu of foreclosure which stopped the formal foreclosure process. This left the City's lien in place on a few select parcels. The current outstanding balance due to Northwest Bank by the developer on the loan is in excess of \$1,500,000. Northwest bank is offering the City \$2,500 to release all of the College Hill parcels with a remaining lien. Accepting this offer from the bank would allow the bank to sell the remaining lots in the subdivision. Northwest Bank would need to average over \$32,000 per lot on the remaining 52 lots to break even on its loan. The City will see no development in this subdivision until the lien issue is resolved.

An alternative option is that the bank restarts the foreclosure process which in turn voids our 2nd lien. This option would cost the City money to defend the foreclosure which is unlikely to be successful. This option will also stall any development in this location for at least one year during the process.

Rock Island Economic Growth Corporation (GROWTH) has plans to purchase the lot in question. Currently, GROWTH has the option to purchase 10 of the remaining lots from Northwest Bank. This agreement states that the first 6 lots will be purchased at \$25,000 and the remaining 4 lots will be purchased at \$30,000. GROWTH's intent is to build 10 single-family homes on these acquired lots.

Recommendation:

For City Council to authorize the City Manager the ability to execute the release of the City's mortgage against the remaining College Hill Residential Lots in full for the sum of \$2,500.

Submitted by: Jeffery A. Eder, Community and Economic Development Director

Approved: Thomas Thomas, City Manager

PARTIAL RELEASE OF MORTGAGE

KNOW ALL MEN BY THESE PRESENTS, That the Mortgage given by College Hill Development, LLC, an Illinois limited liability company ("Mortgagor") to the City of Rock Island, Illinois, a municipal corporation ("Mortgagee") January 31, 2005 and filed February 23, 2005 as Document No. 2005-04396 in the Office of the Recorder of Rock Island County, Illinois as to the following described real estate only, to-wit:

Lot 10 of Villas at College Hill 2nd Addition as per plat recorded February 1, 2008 as Document No. 2008-02262, situated in the City of Rock Island County of Rock Island and State of Illinois

is satisfied, released and discharged. Mortgagee specifically reserves and retains the mortgage lien and all mortgage rights against all of the remaining property embraced in the mortgage above described.

Witness my hand and seal this _____ day of _____, 2013.

CITY OF ROCK ISLAND, ILLINOIS, a municipal corporation

By: _____

Name: _____

Title: _____

STATE OF ILLINOIS)
) ss.
COUNTY OF ROCK ISLAND)

On this _____ of _____, 2013, before me, a Notary Public in and for the State of Illinois, personally appeared _____, to me personally known, and who, to me personally known to be the _____ of the City of Rock Island, Illinois; that the seal affixed to the foregoing instrument is the corporate seal of the corporation, and that the instrument was signed and sealed on behalf of the corporation, by authority of its City Council, as contained in Resolution No. _____ passed (the Resolution adopted) by the City Council, under Roll Call No. _____ of the City Council on the _____ day of _____, 2013, and that _____ acknowledged the execution of the instrument to be their voluntary act and deed and the voluntary act and deed of the corporation, by it voluntarily executed.

Notary Public

Prepared by/Return to:
Pastrnak Law Firm, P.C.
313 W. 3rd Street
Davenport, Iowa 52801
(563) 323-7737

RELEASE OF MORTGAGE

KNOW ALL MEN BY THESE PRESENTS, That the Mortgage given by **College Hill Development, L.L.C.**, an Illinois limited liability company ("Mortgagor") to the **City of Rock Island**, an Illinois municipal corporation ("Mortgagee"), dated January 31, 2005 and filed February 23, 2005 as Document No. 2005-04396 in the Office of the Recorder of Rock Island County, Illinois, on the Real Estate legally described as set forth on Exhibit A attached hereto and incorporated herein by this reference, is satisfied, released and discharged.

Witness my hand and seal this _____ day of _____, 2013.

CITY OF ROCK ISLAND, ILLINOIS, a municipal corporation

By: _____

Name: _____

Title: _____

STATE OF ILLINOIS)
) ss.
COUNTY OF ROCK ISLAND)

On this _____ of _____, 2013, before me, a Notary Public in and for the State of Illinois, personally appeared _____, to me personally known, and who, to me personally known to be the _____ of the City of Rock Island, Illinois; that the seal affixed to the foregoing instrument is the corporate seal of the corporation, and that the instrument was signed and sealed on behalf of the corporation, by authority of its City Council, as contained in Resolution No. _____ passed (the Resolution adopted) by the City Council, under Roll Call No. _____ of the City Council on the _____ day of _____, 2013, and that _____ acknowledged the execution of the instrument to be their voluntary act and deed and the voluntary act and deed of the corporation, by it voluntarily executed.

Notary Public

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