



PLANNING AND DEVELOPMENT

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Memorandum

To: Community Development Committee

From: Dawn Reinhart

Date: 9/6/19

File ID: 19-1329

Re: Action on offer to purchase 1402 Charles St



Assessed Value: \$219,400, property has 2 bedrooms, 1 bath, 1,104 sq. ft., two car detached garage, full basement with 2 egress windows and stubbed plumbing.

List Price: \$169,000; City will provide a forgivable mortgage of \$15,000 and deferred 2nd mortgage of up to \$49,000. Property was listed on 8/21/2019

Challenge: While the RHP is selling homes at or below the assessed value; Buyers do not receive a discount on property taxes. The Buyer is responsible to pay property taxes at the full assessed value. The program requires Buyers have a 1st mortgage of \$105,000 or \$120,000; which typically the Buyer could afford. Property taxes on a home valued at \$120,000 are roughly \$290.00/mo. On 1402 Charles St the assessed value is \$219,400, which equates to a monthly property tax payment of \$468.42. This adversely effect Buyers ability to afford RHP properties.

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Offer to purchase (OTP) #1: \$169,000, contingent upon the City to provide a deferred 2nd mortgage of \$49,000 and a forgivable mortgage of \$15,000.

Buyer is preapproved for a 1st mortgage of \$120,000 however due to the property taxes, the Buyer's affordable mortgage (after escrow and child support payment) equates to \$58,000. This client would need a deferred 2nd mortgage of \$96,000. Another guideline that the program has is not to allow the 2nd mortgage to be greater than the 1st.

OTP #2: \$169,000, contingent upon the City providing a deferred 2nd and a forgivable mortgage of \$15,000.

Buyer is preapproved for a 1st mortgage of \$120,000 however due to the property taxes, the Buyer's affordable mortgage (after escrow) equates to \$89,000. This client would need a deferred 2nd mortgage of \$65,000.

Staff Recommendation: Either wait a month to see if other applicants can afford a larger first mortgage or accept OTP #2, provide buyer a deferred 2nd mortgage of \$65,000 and a \$15,000 forgivable mortgage. OTP contingent completing an updated application and meeting all Replacement Housing requirements listed in the application; such as credit score, homebuyer education class, etc.