

Memorandum

Community and Economic Development Department

To: Rock Island City Council
Subject: CDBG Forever Loans Release
Date: January 31, 2023



The City of Rock Island has been an entitlement community receiving Community Development Block Grant (CDBG) funds for 49 years. In that time, staff have developed a wide variety of different housing rehabilitation programs with a variety of different rules. This memo pertains to a collection of housing rehabilitation loans made prior to 2018 which staff believe should be released. Staff calls these the “forever loans.”

The older program worked like this. The homeowner would receive housing rehabilitation assistance from the City at no cost to them in exchange for continuing to live in the house. Unlike the housing rehabilitation program of today where the homeowner agrees to remain in the house for a minimum of five years, the forever loans stipulated that they had to remain in the house indefinitely. In fact, these loans were structured so that even if the homeowner died, the lien against their house securing the loan would not be released.

This has led to situations where, for example, a homeowner who had a new roof put on their house in 1984 has had to return to the City multiple times for subordination on a mortgage. That is illogical when the roof is past its useful life or has since been replaced by a newer roof. In other cases, homeowners have died and their children have had to pay off thousands of dollars in order to take title to their parents’ house. Staff today take the position that this loan structure is unethical. It is hurting vulnerable people for no good reason. It is also creating an escalating administrative burden for the City. As past program participants try to sell their houses, move into assisted living, or pass away, staff have to navigate these older paper records and process these various requests. It is costly, time consuming, and often ethically challenging.

In 2018, staff changed the housing rehabilitation program structure to the five-year forgivable loan model. Staff have catalogued 432 forever loans made prior to that change that add up to \$3,010,283.82 total. Staff would like to release these loans and wipe that amount off the books. Doing so will cost \$55 per loan for the recording fees which adds up to \$23,760 total. This can be paid out of the 2023 CDBG program year. Today, the goal of the housing rehabilitation program is to help low to moderate income folks bring their houses up to code and stay there another five years. The goal is not to penalize them for needing to sell their homes for perfectly good reasons twenty, thirty, or even forty years after getting rehabilitation assistance.

Recommendation:

The Community & Economic Development Department recommends that the City Council approve the release of all CDBG housing rehabilitation loans older than five years.

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Approved by: Todd Thompson, City Manager