



# City of Grand Island

Tuesday, April 13, 2021

Council Session

## Item G-16

**#2021-85 - Approving Subordination Request for 236 S. Plum (Lois Stade)**

Staff Contact: Amber Alvidrez

# Council Agenda Memo

**From:** Amber Alvidrez, Community Development

**Meeting:** April 13, 2021

**Subject:** Approving Subordination Agreement for Lois Stade, 236 S. Plum Street

**Presenter(s):** Amber Alvidrez, Community Development

## Background

The City of Grand Island has a Deed of Trust filed on property owned by Lois Stade, a single person, located at 236 S. Plum Street, in the amount of \$14,000.00. In 2013 Community Development Block Grant funds totaling the amount of \$14,000.00 were loaned to Lois Stade to assist her with the down payment as part of the Community Development Block Grant program. The legal description is:

Lot Four (4), Block Two (2), Koehler Place, an Addition to the City Of Grand Island, Hall County, Nebraska.

The owner is requesting permission from the City to subordinate to a new mortgage amount of \$82,000.00 and accept second position to the first mortgage. Lois Stade is seeking to refinance her mortgage and is working through First National Bank of Omaha. The lender is requesting first position on the Deed of Trust. The house will remain occupied and property taxes will continue to be paid. The equity in the property is in excess of the lien amounts held by both the City and the bank.

## Discussion

The City's current lien is in the amount of \$14,000.00, which has a balance of \$4,417.28 as of September 30, 2020 due to 10% being forgiven annually. A new lien in the amount of \$82,000.00 with First National Bank of Omaha would replace the City of Grand Island's senior lien. By law, the new lien, with First National Bank of Omaha, would be junior in priority to the City's lien; however, First National Bank of Omaha has asked the City to subordinate its lien to the new lien.

The anticipated appraised value of the property is \$130,000.00, as of March 2021, and is sufficient to secure the new lien of \$82,000.00 and the City's remaining mortgage of \$4,417.28. The City's loan is a zero percent interest loan that is completely forgivable

after 10 years of living at the residence or the prorated amount being due only when the homeowner sells the house.

### **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve the Subordination Agreement
2. Refer the issue to a Committee
3. Postpone the issue to a later date
4. Take no action on the issue

### **Recommendation**

City Administration recommends that Council approve the Subordination Agreement with First National Bank of Omaha, placing the City in the junior position to the new Deed of Trust.

### **Sample Motion**

Move to approve the Subordination Agreement with First National Bank.

**SUBORDINATION AGREEMENT**

COMES NOW the City of Grand Island, Nebraska, secured party/beneficiary and hereby partially subordinates its trust deed/real estate lien recorded November 27, 2013 on the following described real estate:

Lot Four (4), Block Two (2), Koehler Place, an Addition to the City of Grand Island, Hall County, Nebraska.

It is the intent of this Agreement that the trust deed for amounts loaned by First National Bank of Omaha to Lois Stade (Borrower), that was filed **date of new lien** as Instrument Number **###** shall be superior to the trust deed/real estate lien of the City of Grand Island, its successors and assigns recorded **Month Day, Year**, up to the amount of \$82,000.00 plus interest and amounts advanced to protect the collateral. Thereafter, the City of Grand Island's lien shall have priority. It is further understood that this subordination shall include all current obligations, extensions, renewals, advances or modifications made by the City of Grand Island, Nebraska to Borrowers which is secured by the trust deed/real estate lien recorded December 2, 2013 as Document Number 201309408 in the records of the Register of Deeds of Hall County, Nebraska. Nothing in this Subordination Agreement is intended as a promise to provide financing or make advances to Borrowers by the City of Grand Island, Nebraska and it is not the intention of the City of Grand Island, Nebraska to warrant or guarantee the obligations of Borrowers but merely to partially subordinate its lien interests under the instrument recorded at Document Number 201309408. It is understood that First National Bank of Omaha intends to lend funds to Borrowers but that the subordinated amount is not to exceed \$82,000.00 plus interest and amounts advanced to protect the collateral.

Nothing in this instrument is intended to relieve Borrowers of their obligation to the City of Grand Island, Nebraska or to subordinate any other lien interests including, but not limited to, real estate taxes and special assessments.

Dated: \_\_\_\_\_

City of Grand Island, Nebraska

By \_\_\_\_\_  
Roger G. Steele, Mayor

STATE OF NEBRASKA     )  
  )ss.  
COUNTY OF HALL        )

The foregoing instrument was acknowledged before me on \_\_\_\_\_,  
2020, by Roger G. Steele, Mayor of the City of Grand Island, Nebraska.

\_\_\_\_\_  
Notary Public

RESOLUTION 2021-85

WHEREAS, the City of Grand Island, is the lender and secured party of a Deed of Trust dated November 27, 2013 and recorded on December 2, 2013, as Instrument No.0201309408 respectively, in the total amount of \$14,000.00 secured by property located at 236 S. Plum Street and owned by Lois Stade, said property being described as follows:

Lot Four (4), Block Two (2), Koehler Place, an Addition to the City Of Grand Island, Hall County, Nebraska.

WHEREAS Lois Stade wishes to execute a Deed of Trust in the amount of \$82,000.00 with First National Bank of Omaha, to be secured by the above-described real estate upon the subordination of the City's Deed of Trust to their lien priority; and

WHEREAS, the value of the above-described real estate is sufficient to adequately secure both loans; and

WHEREAS, the requested subordination of the City's lien priority is in the best interests of all parties.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Mayor is hereby authorized and directed to execute an agreement subordinating the lien priority of the above described Deeds of Trust Lois Stade, to the City of Grand Island, as beneficiary to that of the new loan and Deed of Trust of First National Bank of Omaha, Beneficiary, as more particularly set out in the subordination agreement.

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Adopted by the City Council of the City of Grand Island, Nebraska, April 13, 2021

\_\_\_\_\_  
Roger G. Steele, Mayor

Attest:

\_\_\_\_\_  
RaNae Edwards, City Clerk

Approved as to Form	☐ _____
April 9, 2021	☐ City Attorney