

IMPACT STATEMENT

Legislation title: *Establish the redemption interest rate and the redemption penalty rate to comply with Code Chapter 5.30 Collections and Foreclosure Process. (Ordinance)

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Purpose of proposed legislation and background information:

The City is engaged in a concerted effort to address problems with vacant and distressed properties that are causing health, safety, and livability concerns across the city. Foreclosure is one tool that is being brought to bear on the problem.

After a property is sold in a foreclosure sale, City Code grants any person with a recorded interest in that property a one-year period to redeem their property. Redemption requires payment of the foreclosure sale price in full plus redemption interest and redemption penalties.

City Code requires that the redemption period interest rate and penalty rate be set by ordinance. These rates are required to be in effect so property owners and potential bidders understand all costs related to the foreclosure sale process, including the one-year redemption period.

The recommended redemption interest rate of 12% is equal to the interest rate charged during the lien collection process as specified in City Code.

The recommended penalty rate of 20% is consistent with IRS Code and should be sufficient to induce purchasers to maintain and improve properties, despite the risk of redemption, which will address livability issues of these properties.

Financial and budgetary impacts:

If a property is redeemed, the full interest amount collected will be paid to the purchaser; there will be no impact to the City.

If a property is redeemed, all or part of the penalty will be used to reimburse the purchaser for costs incurred to maintain or improve the property; minimal revenue, if any, will come to the City.

Community impacts and community involvement:

These rates are required to be set by City Code and will accrue to purchasers of foreclosed property, thereby attracting bidders and addressing livability issues in the City.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES: Please complete the information below.
- NO: Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount