



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: January 17, 2012

To: Council Member Lisa Goodman, Chair, Community Development Committee
Council Member Betsy Hodges, Ways and Means/Budget Committee

Subject: Acceptance of a Wells Fargo Foundation grant and approval of a loan program

Recommendation: Approve the following:

- Accept a grant from Wells Fargo Foundation in the amount of \$100,000;
- Guidelines for the Wells Fargo Foundation funded Affordability Assistance Loan;
- Increase the 2012 Revenue Budget for the Community Planning & Economic Development agency Fund 01600 – Other Grants – State and Local (01600-8900900-321404) by \$100,000;
- Amend the 2012 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01600 – Other Grants – State and Local (01600-8900000-8900220) appropriation by \$100,000;
- Amend the 2012 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01SRF – Residential Finance (01SRF-8900000-8900220) appropriation by \$100,000 from the available fund balance;
- Authorize the appropriate City staff to amend the Community Reinvestment Fund contract to add \$20,000 to cover servicing costs.

Previous Directives: There have been no previous directives concerning this Wells Fargo Foundation grant.

Prepared by: Cherie Shoquist, Principal Project Coordinator and Mark S. Anderson, Senior Contract Management Specialist
 Approved by: Thomas Streitz, Director of Housing Policy and Development _____
 Charles T. Lutz, Deputy CPED Director _____
 Presenter in Committee: Mark Anderson

Financial Impact

 X Action requires an appropriation increase to the Capital Budget _____ or Operating Budget X

Community Impact

Neighborhood Notification: All affected neighborhoods have been notified.

City Goals: In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city’s infrastructure will be well-maintained and people will feel safe in the city.

Supporting Information

As strong partners in foreclosure recovery, Wells Fargo's suggested that City staff submit a proposal to the Wells Fargo Foundation for a grant of \$100,000 for the City's Minneapolis Advantage Program. That proposal was accepted with the requirement that the City use the funds specifically to support sustainable home ownership as part of the City's foreclosure recovery program activities associated with the Neighborhood Stabilization Program (NSP).

One of the NSP requirements is that 25 percent of the program funds must serve borrowers at or below 50% of the area median income. With today's property values, it is possible for a household with that income level to qualify to purchase a home, but only with some extra financial assistance. Staff is recommending that this new Wells Fargo assistance loan be used as additional downpayment in combination with the NSP funds. This would lower the mortgage amount to a level that is more affordable allowing the borrower to qualify for a loan that in all likelihood will be more affordable than rent of a comparable unit. As approved by the Wells Fargo Foundation, the funds would be available in the Willard-Hay, Jordan, Hawthorne, and Near North neighborhoods.

These loans would have the following requirements:

1. Borrowers household income would not exceed 50% of the area median by family size;
2. Borrowers will be required to attend Home Stretch homebuyer counseling prior to closing of the mortgage;
3. Borrowers must owner occupy the home;
4. Borrowers would receive enough loan to lower their primary loan payment, including principal, interest, taxes and insurance, to 25% of their monthly gross income when possible, however, the maximum loan would be \$5,000;
5. The loans would have a simple interest rate of one percent (1%);
6. To promote sustainable homeownership, the loans would have no ongoing payments and would only have to be repaid if they cease to occupy the home as their principal residence or when they no longer own the home.
7. Must be a home developed under the NSP program.

The City has a contract with Greater Metropolitan Housing Corporation (GMHC) to administer and originate CPED loan programs. If this loan is originated with another second mortgage of a higher amount, GMHC typically does not charge for including this loan, however, they have a minimum charge of \$1,000 to originate loans. To assure coverage of these administrative costs, staff requests that the City Council approve amending the GMHC contract to add \$20,000 for these costs.