



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

Date: January 31, 2012

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

Subject: Acceptance of an MHFA CRV funding award and approval of a loan program

Recommendation: Approve the following:

- Accept a CRV funding award from MHFA in the amount of \$200,000;
- Guidelines for the Minneapolis Advantage Program – CRV;
- Increase the 2012 Revenue Budget for the Community Planning & Economic Development agency Fund 01600 – Other Grants – State and Local (01600-8900900-321513) by \$200,000;
- Amend the 2012 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01600 – Other Grants – State and Local (01600-8900220) appropriation by \$200,000;
- Amend the 2012 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01SRF – Residential Finance (01SRF-8900220) appropriation by \$26,000 from the available fund balance;
- Authorize the appropriate City staff to enter into a new contract with Greater Metropolitan Housing Corporation to administer the program on behalf of the City.

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

Prepared by: Mark S. Anderson, Senior Contract Management Specialist	
Approved by: Thomas Streitz, Director of Housing Policy and Development	_____
Charles T. Lutz, Interim CPED Director	_____
Presenter in Committee: Mark S. Anderson	
Funding source and appropriation language reviewed by Development Finance	_____

Financial Impact

- Action requires an appropriation increase to the Capital Budget or Operating Budget
Dept Name: Community Planning and Economic Development
Fund Name: Other Grants – State and Local (01600-8900220)
Project Name & Number (if capital budget): _____ - _____
Amount: \$ 200,000
- Action requires an appropriation increase to the Capital Budget or Operating Budget
Dept Name: Community Planning and Economic Development
Fund Name: Residential Finance (01SRF-8900220)
Project Name & Number (if capital budget): _____
Amount: \$ 26,000

- Action provides increased revenue for appropriation increase

Dept Name: Community Planning and Economic Development
Fund Name: Other Grants – State and Local (01600-8900900)
Project Name & Number (if capital budget): _____ - _____
Amount: \$ 200,000

- This is within the CPED business plan.
- Request provided to the Finance Department

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

The City has made a strong commitment to the communities affected by the recent foreclosure crisis. As part of its effort to address this crisis and to increase the level of homeownership, the City has created several programs to assist potential homebuyers with their purchase of a home in these communities. The Minneapolis Advantage Program is the primary program to help reach this homeownership goal. To provide funds to continue this program the City staff has applied to and been approved by the Minnesota Housing Finance Agency (MHFA) for \$200,000 in CRV funds.

As part of the goal of increasing the levels of homeownership in these distressed communities, the City wants to assure that such homeownership is sustainable over time. With today’s property values, it is possible for many households to qualify to purchase a home, but as recent housing trends have demonstrated that homeownership is not always sustainable when the homeowners encounter a crisis. Staff is recommending that this new Minneapolis Advantage Program assistance loan be used as additional downpayment potentially in combination with the other funds with the goal to help the homeowners to bring their housing ratio of payment to income to a maximum of 25% whenever possible. This would lower the mortgage amount to a level that frequently is more affordable than rent on a comparable unit.

As approved by MHFA homes in the following neighborhoods would be eligible for the program:

Jordan	Folwell	McKinley
Central	Webber-Camden	Hawthorne
Shingle Creek	Near North	Willard-Hay
Lind-Bohanon	Midtown Phillips	East Phillips
Victory	Cleveland	Harrison
Sumner-Glenwood	Columbia Park	Waite Park
Marshall Terrace	Audubon Park	Bottineau
Holland	Windom Park	Sheridan
Logan Park	Northeast Park	Beltrami
Ventura Village	Phillips West	Powderhorn Park
Corcoran	Regina	Field (north half)
Bryant	Bancroft	Standish

These loans would have the following requirements:

1. For the first six months the program would only be accessible to homebuyers purchasing a home that was renovated as part of the Neighborhood Stabilization Program. Thereafter any home located in any of the above neighborhoods that was foreclosed and has not yet been resold after completion of the foreclosure redemption period, will be eligible.
2. Borrowers household income may not exceed 115% of the area median by family size;
3. Borrowers will be required to attend Home Stretch homebuyer counseling prior to closing of the mortgage;
4. Borrowers must owner occupy the home as long as our loan remains in place;
5. Borrowers would receive \$10,000 with the goal of reducing their primary loan payment, including principal, interest, taxes and insurance, to a maximum of 25% of there monthly gross income when possible.
6. The loans would be at zero percent interest;
7. To promote sustainable homeownership, the loans would have no ongoing payments and would only have to be repaid if the buyer ceases to occupy the home as their principal residence, when they no longer own the home, or at the end of 30 years from the date of the mortgage.
8. The loan is repayable directly to the Minnesota Housing Finance Agency.

The City has an agreement with Greater Metropolitan Housing Corporation (GMHC) to administer and originate CPED loan programs. To assure coverage of these administrative costs, staff requests that the City Council approve amending the GMHC contract to add \$26,000 for these costs.