



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

Date: November 19, 2013

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Approval of financing for the renovation of 1806 15th Avenue South

Recommendation: Approve the following:

- A one-time waiver of the Maximum Code Abatement Program funding cap of \$20,000 to allow for a loan of up to \$150,000 using Fund 01SRF – Residential Finance.
- A one-time waiver of the Code Abatement Program guidelines to allow the loan to be forgiven after ten years.
- Execution of a contract with Greater Metropolitan Housing Corporation (GMHC) to provide the lending and project management services necessary for this loan.
- Authorize up to \$5,000 from Fund 01SRF – Residential Finance to cover administrative costs associated with GMHC's lending and project management services.

Previous Directives: The Code Abatement Loan Program has been in existence since the 1990s. In 2004 the income limit for the program was lowered from 80% of the area median to 50% of the area median.

Department Information:

Prepared by: Edie Oliveto-Oates, Senior Project Coordinator (612-673-5229) Mark S. Anderson, Senior Contract Management Specialist (612-673-5289)
Approved by: Charles T. Lutz, Deputy CPED Director _____ Thomas S. Streitz, Director Housing Policy & Development _____
Presenter in Committee: Mark S. Anderson

Financial Impact:

- This will be funded from the existing appropriation in Fund 01SRF – Residential Finance which has funds that were originally planned for the payment of administration costs for MHFA funded mortgage and home improvement assistance programs. The City was not awarded as much MHFA funding as expected thereby reducing the need for administration funds.

Community Impact:

- City Goals: Livable Communities, Healthy Lives
 - Our built and natural environment adds character to our city, enhances our health and enriches our lives
 - High-quality, affordable housing for all ages and stages in every neighborhood.
- Comprehensive Plan: This action is consistent with The Minneapolis Plan for Sustainable Growth.
- Zoning Code: The existing structure complies with the current zoning.

Supporting Information:

The property located at 1806 15th Avenue South is a duplex in the Ventura Village neighborhood that is owner-occupied by two sisters, Kathy and Kristy Zehringer. Both sisters are elderly and disabled and they live on a fixed income.

From 1980 until 1989 the Minneapolis Community Development Agency (MCDA) provided \$19,000 to the Zehringers to do exterior painting and interior code repair work. During the period from 1991 through 2008, the Zehringers received additional funding totaling \$57,872.58. \$27,872.58 of this came from the State and the remainder from the City. Due to numerous obstacles related to the construction work, including problems with the contractor, the construction work was never completed leaving over \$15,000 in unfinished items. Despite these efforts, which span 28 years, the property remains in substandard condition.

Council Member Robert Lilligren was informed of the condition of the home and has been able to establish a positive working relationship with the Zehringers. In cooperation with CPED staff, Council Member Lilligren has been working to implement a plan that would be mutually agreeable to complete the rehabilitation of the home.

There is now an opportunity to finalize this long outstanding project. Staff secured the services of Greater Metropolitan Housing Corporation (GMHC) to inspect the property and prepare a scope of work identifying all the work that will be a part of this project. GMHC's estimate to bring this home into compliance is approximately \$150,000; however, staff will be in a better position to determine actual costs once the project is bid out. In addition to obtaining bids, staff and Council Member Lilligren are working with organizations such as Rebuilding Together, Twin Cities Habitat for Humanity's Brush with Kindness program, and Hennepin County to identify additional resources for the project.

Staff proposes to use the Code Abatement Loan Program which is a home improvement program that targets homeowners with household incomes at or below 50% of the area median income. Loans are used to finance home repairs identified as a potential city housing maintenance code violation and the available financing must be sufficient to repair any outstanding code orders issued by the Minneapolis Department of Inspections.

Because the owners have very low income, they are unable to take on any additional monthly expense. Therefore, staff is requesting approval to provide up to \$150,000 from Fund 01SRF – Residential Finance using the above mentioned Code Abatement Loan Program to complete this work. Staff is also proposing that there be a one-time waiver of the program guidelines for the following items:

- Maximum Code Abatement funding cap of \$20,000 needs to be waived.
- That the loan be forgiven after ten years from the date of closing.

If the proposed changes are approved, the City will provide a mortgage on this property for a non-interest bearing deferred (non-amortizing) loan; it will be fully repayable during the first ten years with the loan forgiven on the tenth anniversary provided the house remains the borrower's primary residence during that time. Staff believes that this is an appropriate expenditure of City funds which will result in the following:

- Resolve a longstanding incomplete home repair project for these homeowners and ensure that the owner-occupants live in safe and healthy housing; and
- Stabilize a long term owner-occupied duplex.

The City of Minneapolis has an agreement with Greater Metropolitan Housing Corporation (GMHC) to provide the lending services. Subject to the approval of the City Council, it is staff's intent to enter into a contract with GMHC to provide the lending and project management services to help the Zehringers complete this project. The anticipated cost of the administrative services is expected to be around \$2,500; however, staff is recommending that the contract include a figure of \$5,000 to cover any additional inspections and testing that may occur during the project.