



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

**Date:** April 15, 2014  
**To:** Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee  
**Subject:** Revisions to Grow North program guidelines; establish new Minneapolis Advantage Program – Grow North

### Recommendations:

1. Approve the revised Grow North program guidelines as described below
2. Approve the attached Guidelines for the Minneapolis Advantage Program - Grow North
3. Authorize the appropriate City staff to enter into a new contract not to exceed two hundred thousand (\$200,000.00) dollars with Greater Metropolitan Housing Corporation to administer the Minneapolis Advantage Program - Grow North on behalf of the City.

### Previous Directives:

On June 28, 2013 the City Council approved conceptual guidelines for the Grow North program with specific terms to be approved on a case-by-case basis.

Prepared by: Casey Dzieweczynski, Senior Project Coordinator

Approved by: Cathy Polasky, Director of Economic Development & Policy \_\_\_\_\_

Charles T. Lutz, Interim CPED Director \_\_\_\_\_

Presenter in Committee: Casey Dzieweczynski

### Financial Impact:

- The business loan portion of the Grow North program is funded using CDGB dollars budgeted through the Great Streets program.
- General fund dollars have been approved in the 2014 budget to be used for the Minneapolis Advantage piece of the program.
- Action is within the CPED business plan.

### Community Impact:

- **Neighborhood Notification:** Prior to Council approval of the initial Grow North tool on June 28, 2013, a 45-day community review notice was distributed to all Minneapolis neighborhood organizations, business associations and community development organizations. Notification of the proposed modifications of the guidelines was sent March 27, 2014. **City Goals:** Many People, One Minneapolis; Jobs and Economic Vitality; Livable Communities, Healthy Lives; Eco-Focused
- **Sustainability Targets:** Incenting capital investments in sustainable building systems in North Minneapolis is an explicit objective of the proposed Grow North program.
- **Comprehensive Plan:** Projects will comply with the comprehensive plan.
- **Zoning Code:** Projects will comply with zoning.

- **Living Wage/Business Subsidy Agreement:** This will be determined on a case-by-case basis, with subsequent Council action.
- **Job Linkage:** Connecting North Minneapolis residents with new jobs recruited to the neighborhood is an explicit objective of the proposed program.

### Supporting Information

In 2013 CPED created the Grow North recruitment tool to attract jobs-intensive businesses to North Minneapolis. The tool was developed using a triple bottom line framework, incorporating economic, social, and environmental objectives. The three main incentives of the Grow North tool include:

- Forgivable loans for capital investments (acquisition, building improvements, new construction)
- Minneapolis Advantage homebuyer down payment assistance targeted to employees of recruited businesses wishing to purchase a home in North Minneapolis
- Workforce training and recruitment assistance through the City's employment and training programs

Originally, CPED proposed that these incentives be available to for-profit businesses that committed to:

- Bring at least 75 jobs to North Minneapolis
- Offer a significant number of jobs to Northside residents. The percentage of jobs to Northside residents was to be based on an assessment of skills needed and available.
- Pursue a high level of green construction for new construction or building renovations.

After further discussion with potential businesses and community stakeholders staff recommends revisions to the program in order to achieve the program's goals of reducing employment disparities and improving economic opportunities on the Northside.

### Forgivable Loan Incentive and Hiring Requirements

In recent discussions with key stakeholders and potential businesses, we have determined that requiring 75 jobs may be too restrictive as we attempt to recruit business to North Minneapolis. Staff recommends reducing the overall job target required to qualify for a Grow North loan; however, loan forgiveness will be linked to the number of North Minneapolis residents hired and/or employees that purchase a home in North Minneapolis.

1. In order for a business to qualify for a \$200,000 loan at least 40 new, full time jobs must be brought to North Minneapolis.
2. Loan forgiveness will be based on the number of **New Northside Resident Employees** employed. A New Northside Resident Employee means a new hire that resides in North Minneapolis and is employed full time at a living wage for at least 12 months; OR an employee who becomes an owner-occupied homeowner in North Minneapolis .
3. In order to qualify for any amount of loan forgiveness, a minimum of 15 jobs must be held by New Northside Resident Employees.
4. Loan forgiveness will be at a rate of \$5,000 per New Northside Resident Employee. The maximum amount of forgiveness shall be equal to the total loan amount. The forgiveness rate/job is consistent with other loan forgiveness programs, such as DEED's Minnesota

Investment Fund loan. The business will have 36 months from the time the loan is executed to meet the Northside Resident hiring targets triggering forgiveness.

5. The intent of this program is to bring new jobs and business to North Minneapolis vs. job retention. However, if less than 40 new jobs are to be created, but a significant number of jobs are to be retained as a result of the project, a business may be eligible for the Grow North loan. The forgivable portion of the loan will still be based on the New North Minneapolis Resident jobs.
6. The loan shall have a fixed interest rate of 4%.
7. The maximum loan term is 10 years for any portion of the loan that is not forgiven.

### **Green Building Requirements**

Depending on the scale of the project, businesses will be required to incorporate certain levels of green construction/energy savings in their new construction or renovation. At a minimum we will require projects to incorporate specific energy savings (Level 3 below), while larger projects will be encouraged to achieve a specific, recognized certification (Level 1 below). Staff will determine the appropriate level on a case-by-case basis.

#### Level 1

Implement a recognized rating system, such as:

- LEED New Construction
- Green Globes
- State Guidelines Building Benchmarking and Beyond (B3) Compliant
- Energy Star Rating

#### Level 2

Participate in Xcel Energy's Energy Design Assistance program, AND implement the resulting energy-saving recommendations.

#### Level 3

The construction should demonstrate measureable and impactful energy savings in multiple areas. The energy improvements will be shown to go above and beyond what is required under standard building/construction codes. Some of the areas of focus include:

- Energy conservation
- Interior/exterior water use
- Construction waste reduction
- Indoor environmental quality
- Storm water management
- Greenhouse gas emissions

### **Minneapolis Advantage Program - Grow North**

Part of the Grow North tool called for use of the Minneapolis Advantage Program to provide down payment and closing cost assistance to employees of recruited businesses. Staff has proposed guidelines specific to the use of the Minneapolis Advantage Program for Grow North-assisted businesses. In order

to attract a diverse group of a company's employees staff recommends that there be no income limit in order to qualify for this assistance. Because these home buyer assistance loans have been budgeted with general fund dollars income requirements present in prior versions of the Minneapolis Advantage Program are not necessary. The homebuyer assistance would be in the form of a five-year forgivable loan. Some of the key terms & requirements include:

1. Eligible borrowers would receive up to \$10,000 for down payment costs, normal and usual closing costs, or repairs to the home. The borrower may not receive any portion of these funds as cash.
2. Eligible properties include: a single family (including townhome or condominium) or duplex property located in a North Minneapolis neighborhood.
3. There is no sale price limit.
4. The loan rate shall be fixed at zero percent for the entire term.
5. There will be no monthly payment.
6. 1/60<sup>th</sup> of the loan will be forgiven each month so that at the end of the fifth year the loan is no longer repayable.
7. Prior to the fifth anniversary, the unforgiven portion of the loan is due on sale, transfer of title, when the primary mortgage is paid off, or when the property ceases to be the owner's primary place of residence, except that in the case of a refinance, the loan may be subordinated subject to the CPED Subordination Policy in effect at the time of the request for subordination.

Attached are the proposed Minneapolis Advantage Program - Grow North guidelines. If approved by the City Council, a new contract with GMHC will be created making up to \$200,000 available for mortgage assistance loans and to cover GMHC's administration fee. GMHC charges a \$650 application fee for each loan it administers. With a \$200,000 contract, approximately 19 mortgage assistance loans would be available ( $\$200,000/\$10,650=18.8$ ). This fee is consistent with other Minneapolis Advantage Program contracts with GMHC and has already been approved by the Council. If additional funds are needed we will seek Council approval and a new contract will be established with GMHC.

### **Other Program Requirements**

#### CDBG/Low/Mod Job Creation:

Because the Grow North loan is currently funded with Community Development Block Grant (CDBG) dollars individual projects will be required to fulfill job and reporting requirements associated with this funding source. In general, one job must be created for every \$35,000 of assistance within 5 years of the commitment of the federal funds.



## **Guidelines for the *Minneapolis Advantage Program* - *Grow North***

### **1. Program Summary:**

The ***Minneapolis Advantage Program Grow North*** is a down payment and closing cost assistance program to help attract homebuyers to North Minneapolis. The program offers a forgivable loan to employees of businesses who participate in the Grow North incentive package. There is currently a total of \$200,000 available for 2014. Additional funds may be requested as needed. The program offers a \$10,000 zero-percent interest loan that is forgivable at the end of five years.

### **2. Loan terms:**

- a) Zero percent interest
- b) No monthly payment
- c) 1/60<sup>th</sup> of the loan will be forgiven each month so that at the end of the fifth year the loan is no longer repayable.
- d) Prior to the fifth anniversary, the loan is due on sale, transfer of title, when the primary mortgage is paid off, or when the property ceases to be the owner's primary place of residence, except that in the case of a refinance, the loan may be subordinated subject to the CPED Subordination Policy in effect at the time of the request for subordination.
- e) These loans are considered a "Special Mortgage" under the terms of Minnesota Statute 58.13. The mortgage may be subordinated as part of a refinance of the primary loan.

### **3. Loan amount:**

Qualifying borrowers will receive a \$10,000 loan.

**4. Use of funds:**

- a) The funds may be for the payment of down payment, normal and usual closing costs, or repairs to the home. The borrower may not receive any portion of these funds as cash.
- b) Any portion of the loan that is not applied to the payment of downpayment, closing costs, or construction costs must be repaid to the City of Minneapolis and the loan balance will be reduced accordingly.
- c) Since the intent of the Local loan is to help buyers with their home purchase, the loan may not be used to reimburse a borrower for a purchase transaction that has already occurred.

**5. Eligible properties:**

- a) A single family (including a townhome or condominium) or duplex property located in a North Minneapolis neighborhood. (see Exhibit A, attached, for a list of eligible neighborhoods).
- b) There is no sale price limit.
- c) The homebuyer must occupy the home within 60 days following the home purchase closing, except that in the case of a home purchase and repair transaction, the homeowner must occupy the home within 60 days of the completion of the construction work.

**6. Eligible borrower:**

- a) Borrower must be employed by an eligible business participating in the Grow North Program.
- b) Borrower must be a U.S. Citizen or be a legal U.S. Resident (have legal immigration status).
- c) The Borrower does not have to be a first time buyer.
- d) All cash buyers will be underwritten by the Program Administrator using standards approved by the City.

**7. Homeownership Counseling:**

First-time home buyers must complete homeownership counseling through the Homestretch counseling program sponsored by the Minnesota Home Ownership Center (telephone 651-659-9336 or online at [www.hocmn.org](http://www.hocmn.org)) or a comparable approved counseling program prior to closing of the loan.

**8. Combining funds:**

- a) Eligible primary financing:
  - i. The loan may be offered in connection with any fixed-rate FHA, VA, Fannie Mae, or Freddie Mac insured or uninsured loan product that is generally considered in the lending industry to be an "A" or "prime" lending product.
  - ii. The loan may also be offered in combination with a contract for deed financed and held by a nonprofit developer who has renovated a foreclosed property for resale, provided that the nonprofit developer does not sell the contract for deed without the written approval of the City. The contract for deed program must be approved by the City prior to participation in the Local program.

- iii. This loan may not be used with sub-prime lending products.
- b) The Local program funds may be combined with other assistance programs to provide greater opportunity for the borrower to secure the purchase of a home.

**9. Loan security:**

- a) The City loan funds and any neighborhood loan funds will be separately secured by a Promissory Note and Mortgage.
- b) The loan may be secured in a subordinate lien position behind other program funds.
- c) No title insurance is required.
- d) No mortgagee clause is required in the owner's hazard insurance policy.

**10. Catastrophic Language:**

In the event the Mortgage holder and the servicer, in their sole and absolute discretion, after a loss mitigation analysis, find that a catastrophic event, including but not limited to Borrower's death or extended illness, or the extended illness of a close family member who depends primarily on the borrower for support, has occurred which substantially and permanently impairs their ability to repay this Promissory Note and Mortgage and requires them to sell the Property for an amount less than the existing balance on the Promissory Note and Mortgage, that portion of the lien of Promissory Note and Mortgage that can not be satisfied from the proceeds of such sale shall be released.

**Exhibit A**

**Minneapolis Advantage - Grow North Program  
Eligible Neighborhoods**

<b>Neighborhood</b>
Cleveland
Folwell
Harrison
Hawthorne
Jordan
Lind-Bohanon
McKinley
Near North
Shingle Creek
Sumner-Glenwood
Victory
Webber-Camden
Willard-Hay