



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: September 28, 2004

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Mark S. Anderson, Senior Contract Management Specialist, Phone 612-673-5289

Presenter in Committee: Mark S. Anderson

Approved by: Elizabeth Ryan, Senior Policy Manager _____

Subject: Approval of changes to the CDBG home improvement loan guidelines for Code Abatement program and Home Repair Loan

RECOMMENDATION: That the City Council approve:

1. Code Abatement program guidelines be changed to move the income limit to 50% of median.
2. For the Code Abatement program, start the program over, setting a ten year expiration time limit on the maximum funds so homeowners can re-access the funds.
3. Allow Home Repair Loan applicant to reapply for a loan as long as the combined amounts do not exceed the maximum loan limit of \$25,000.

Previous Directives: The guidelines for the CDBG program were last amended in May of 2001.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: All wards

Neighborhood Notification: Not applicable

City Goals: This action is consistent with Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the city.

Comprehensive Plan: Not applicable

Zoning Code: Not applicable

Living Wage/Job Linkage: Not applicable

Background/Supporting Information

The City has phased back much of its home improvement activities and is relying on programs from the State of Minnesota and NRP to cover the home repair and improvement needs for home improvement program assistance. At this time there are two programs remaining:

1. The Home Repair Loan serves borrowers with income of 80% of median or less. This program provides a loan with a present interest rate of 5.25%. The borrower generally repays monthly payments with a maximum term of one year for every \$1,000 they receive. The program goes to borrowers who are higher risk. They can receive up to a maximum of \$25,000 through this program. These funds can be used for code repairs only. This program will be put on hold once the current funding is fully originated, because of the need to redirect CDBG funding to other programs and services. If future funding can be directed to the program it will be reinstated.

REQUEST: The proposal is to allow borrowers to obtain additional funds as long as the combined total of the loans does not exceed the maximum limit of \$25,000.

2. The Code Abatement Program serves borrowers at 30% of median income or less. This loan is deferred and therefore has no monthly payments. It is interest free and is repaid when the borrower no longer owns the home. This program can be used for code repairs only.

REQUEST: There are two proposals for this program:

- (1) Move the income limit for this program to 50% of median. I've attached a letter from the lender for this program, Greater Metropolitan Housing Corporation that outlines this request.
- (2) Effective with the date of this approval of this proposal, allow the limitation of \$20,000 to start over for all homeowners and allow the restriction of a maximum loan of \$20,000 to expire after ten years from the date the loan closes so that homeowners can once again access this program.