



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

Date: August 8, 2006

To: Council Member Lisa Goodman, Community Development Committee
Council Member Paul Ostrow, Ways & Means Budget/Committee

Subject: Request to provide up to \$500,000 of Residential Finance Mortgage program income to the Affordable Ownership Housing Program.

Recommendation:

- 1). Provide up to \$500,000 of Residential Finance Mortgage program income to the Affordable Ownership Housing Program.
- 2). Amend the 2006 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund SRF0-Residential Finance Mortgage Fund (SRF0-890-8952) by \$500,000.

Previous Directives:

On January 20, 2004, the Community Development Committee reviewed the Housing Policy Agenda and directed staff to prepare guidelines and criteria for the Workforce Ownership Housing Development Program.

On September 14, 2004, the Community Development Committee approved the guidelines for and implementation of the Workforce Ownership Housing Development Program.

On April 5, 2005, the Community Development Committee approved combining the Workforce Housing, Perpetual Affordability and Limited Equity Cooperative Funding programs creating one consolidated program, the Affordable Ownership Housing Program.

On April 28, 2006, the City Council approved technical revisions to the Affordable Ownership Housing Program.

Prepared by: Cherre' Palenius, Sr. Project Coordinator **Phone:** 673-5241

Approved by: Chuck Lutz, Deputy Director CPED _____

Elizabeth Ryan, Director of Housing Policy & Development _____

Permanent Review Committee (PRC) Approval Not Applicable

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Presenter in Committee: Cherre' Palenius, Sr. Project Coordinator

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information).

- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: On March 22, 2004, CPED sent a 45-day notice to all of the neighborhood groups and interested parties on the Workforce Ownership Housing Development Program for review and comments. On February 14, 2006, CPED sent a 45-day notice to all of the neighborhood groups and interested parties requesting comments on proposed revisions for the Affordable Ownership Housing Program.

City Goals: Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs and promotes future growth.

Comprehensive Plan: Sections 4.09, 4.10 and 4.15: Minneapolis will grow by increasing its supply of housing and will increase the housing that is affordable to low and moderate income households. Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

Zoning Code: Projects will comply.

Other: N/A

Background/Supporting Information

The Affordable Ownership Housing Program (AOHP) provides gap financing to assist for-profit and non-profit developers in the development of single-family, duplex or multi unit housing for owner-occupancy and to provide affordability loans to low-moderate income residents to assist them in qualifying for first mortgage financing. The financing is available as a forgivable loan for new construction and rehabilitation projects that need either construction gap financing assistance to cover the difference between total development costs and the appraised value, or affordability gap assistance in the form of a 2% deferred affordability loan to the buyer based on verification of need, or a combination of both.

The funding is available for properties sold to owner-occupant households whose income is at or below 50% of median income and/or for owner-occupant households whose income is at or below 60% of median income. The AOHP will provide up to half of the total project gap funding. The maximum CPED assistance is \$45,000 per unit for properties sold to households earning ≤ 50% of median income. The maximum CPED assistance for properties sold to households earning ≤ 60% of median income is \$30,000 per unit. Developers are required to provide documentation that the project will remain affordable at the same income level for approximately 30 years.

In 2004, the AOHP program received \$1,500,000 of levy funds. In 2005, the program received \$1,000,000 of bond fees. For fiscal year 2006, the AOHP was funded with \$500,000 of bond fees. There is a very high level of demand for gap funding for affordable ownership housing projects. Additional funds have been identified from program income, increasing the amount of funding for the program to its previous funding levels.

Attachment: City Council Resolution