

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

Date: April 5, 2010

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

Subject: Approval closing cost loan program

**Recommendation:** Approve the Closing Cost Loan for a spring homebuyer's tour.

**Previous Directives:** The City previously had a closing cost loan program which was offered with the CityLiving mortgage program.

Prepared by: Mark Anderson, Senior Contract Management Specialist
Approved by: Tom Streitz, Director of Housing Policy and Development _____ Charles T. Lutz, Deputy CPED Director _____
Presenter in Committee: Mark Anderson

**Financial Impact**

  X   No financial impact

**Supporting Information**

During the 1990s and early 2000 the City offered a Closing Cost Loan of \$3,000 that was combined with the City's *CityLiving* mortgage program. That loan was temporarily set aside in favor of other funds offered by the Minneapolis/Saint Paul Housing Finance Board at no additional expense to the City. Staff would like to reinstate that program on a limited basis in connection with an open house that is scheduled for May 28<sup>th</sup> of this year.

Working with the area realtors, NSP developers and community groups, staff is planning an Open House to draw attention to newly renovated NSP houses and other existing for-sale houses offered by area realtors. The hope is that by introducing these homes through an Open House prospective homebuyers will recognize the great values that are available in today's housing market. In addition, by coordinating this open house with area realtors, NSP developers and the various community groups it will draw a broader audience and even draw the attention of local print and broadcast media.

In discussions with the various partners the idea that offering a financial incentive on a limited basis will bring a sense of urgency to these opportunities currently available to homebuyers. Based upon those discussions, staff is recommending that the Closing Cost Loan be reintroduced at this Open House.

Closing Cost Loan terms:

- Loan would be for \$1,500
- It would be at zero percent interest and be repayable to the City of Minneapolis if the borrower:
  - Ceases to occupy;
  - Sells the home; or
  - In 30 years, whichever event comes first.
- It would only be available in connection with the purchase of a house formally listed as part of this Open House.
- Loans would need to close within 90 days of the Open House event date.
- The buyer would need to use the *CityLiving* mortgage program for their primary loan financing.

Staff expects there to be between 20 and 25 houses available to tour in each of the three areas of the city - north, northeast, and south. While it is highly unlikely that all these homes will sell during the proposed 90 days, if all did sell that would represent a total investment of \$112,500. The Minneapolis/Saint Paul Housing Finance Board will directly finance this assistance as part of the *CityLiving* mortgage program using funds on deposit at the *CityLiving* Program Trustee.