



**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 a sub-recipient grant agreement with Northside Neighborhood Housing Services

RECOMMENDATION: Approve a grant agreement with NHS of Minneapolis in support of the NHS home improvement programs.

Previous Directives: There have been no previous directives pertaining to this program, however, the MCDA annually designated funds to be provided to NHS to support their home improvement programs.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- 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: 3, 4, 5, 6, 8, & 9

Neighborhood Notification: Not applicable

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: Not applicable

Zoning Code: Not applicable

Living Wage/Job Linkage: Not applicable

Background/Supporting Information

The Neighborhood Housing Services non-profit organizations were started in Minneapolis 25 years ago as part of the City's overall plan to directly impact housing conditions in strategic parts of the city. During 2003 alone, Northside NHS invested over \$12 million in the city that went toward home improvements, home purchases, and home ownership counseling services.

Southside Neighborhood Housing Services took action last year to dissolve the organization and turn its business and assets over to Northside Neighborhood Housing Services. In recognition of its new responsibilities and expanded service area, Northside has now changed their name to NHS of Minneapolis (NHS).

NHS is now requesting to renew its contract with the City of Minneapolis to continue their overall investment in the city. At this time, CPED is holding \$213,090 in CDBG funds for further support for NHS programs and services. Although this amount is small in comparison to the overall financial activities, NHS indicates that it is important support for the continued operation of NHS. They also indicate that it represents the only public investment in NHS' activities.

Because of the substantial changes that have occurred in the last year, CPED has required NHS to provide a proposal for the management and use of the CDBG funds so that it can be presented to the City Council for its review and approval. NHS has responded with a proposal to use a portion of their funds for CDBG eligible administrative costs up to a maximum of 15% of the funding they receive. The remainder of the funds would be used to offer both purchase and renovation and regular home improvement assistance to households within their service area. The proposal is to divide the resources evenly between the north area and the south area to allow them to maintain geographically balanced access to the programs.

As proposed, the program would be available to address eligible improvements to owner occupied residential property. Items that are considered a luxury or recreational in nature are not allowed and priority will be given to completing health and safety deficiencies in the home. The loans will be made at an interest rate that varies depending upon the household income. Any loan that is closed must comply with HUD requirements for abatement or containment of lead hazards.

The NHS proposal would offer the same programs both north and south. NHS is proposing that the funds be available for any program purpose within the constraints of the attached guidelines, with no reservation of funds for a specific type of lending. NHS leverages their resources by selling loans to NHS of America. This allows them to recycle the resources back into the program to make additional loans in their service area.

In addition to approval of the grant agreement, NHS has requested that the City sign a letter of understanding involving the NHS of America that outlines some of the parameters under which the loans are sold. When the loans are sold, NHS has to agree to either maintain cash in their accounts to buy back loans that go into default or they must maintain other qualified loans in their portfolio that would be available to substitute one loan for another. This letter of understanding simply identifies that the City understands and accepts this arrangement and that in the event that NHS becomes bankrupt, insolvent, or is otherwise dissolved, the City agrees to honor the terms of this agreement in place of NHS.