



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

Date: August 22, 2006

To: Council Member Lisa Goodman, Community Development Committee

Subject: Approval of an appropriation increase in the amount of \$100,000 in fund SRF0 to provide additional support for the Foreclosure Prevention Program

Recommendation: Amend the 2006 Appropriation Resolution by increasing the Community Planning & Economic Development Agency fund SRF-Residential Finance - (890-8953) by \$100,000 and approve an amendment to the Foreclosure Prevention Program contract to increase it from \$250,000 to \$350,000.

Previous Directives: The City Council amended the 2006 Appropriation Resolution on March 31, 2006 to provide \$44,224 worth of CDBG funds to increase the amount of funds for the Foreclosure Prevention Program to a total of \$250,000.

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Approved by:

Chuck Lutz, Deputy Director CPED

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: Elizabeth Ryan, Director of Housing Policy & Development

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:

City Goals:

Comprehensive Plan:

Zoning Code:

Other:

Background/Supporting Information:

In March of this year the City Council approved an increase in funding for the Foreclosure Prevention Program raising the total amount of support from Minneapolis back to the historical level of \$250,000. The City staff has prepared a contract with the Home Ownership Center to administer this program with their partner agencies in Minneapolis.

The funding level for this program has not risen above \$250,000 since the program's inception in 1991 even though the costs of providing this program have increased over the years. To provide additional support for at least the remainder of 2006, staff is recommending that an additional \$100,000 be given to the Home Ownership Center to operate the program. The additional funds will come from program income from loan repayments and administrative fees that have been charged for the City's residential finance programs.

\$50,000 of the proposed \$100,000 increase would be reserved specifically for services to north and northeast Minneapolis which has seen an increase in requests for help to avoid foreclosure. A recent report from the north side partner counseling agency, Northside Residents Redevelopment Council, compared requests for services to prevent a foreclosure during the first six months of 2006 to the first six months of 2005. The report reflected a 14% increase in requests for assistance.

The following are statistics appeared in a March report to the City Council and they demonstrate the importance of this program to Minneapolis.

- Since 1991, more than 8,100 families have been served by the program.
- Three years after participating in the program, 61% of those who have left the program have remained current on their mortgage

In the first half of 2005:

- 85% of the households served were families with children.
- 63% of the households served were families of color.
- 84% of the households served were at or below 50% of the area median income.
- 77% of the households that received intensive case management had their foreclosure prevented.

Staff is requesting the approval of the above appropriation increase and approval of an amendment to the contract with the Home Ownership Center to increase it from \$250,000 to \$350,000.