

Minneapolis considers cash incentive to help some home buyers

Minneapolis proposes giving \$10,000 in help to those who buy in one of 18 foreclosure-plagued neighborhoods of the city.

By [STEVE BRANDT](#), Star Tribune

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Hoping to prime demand, Minneapolis is proposing a \$10,000 bonus for people who buy houses in its 18 most foreclosure-battered neighborhoods.

The \$500,000 proposal is making its way to City Hall and has the backing of Mayor R.T. Rybak.

"We want to aggressively rebuild the market," said Tom Streitz, the city's new housing director.

The money could be used to cover down payments, closing costs and repair costs that exceed the home's appraisal. Although structured as a zero-percent loan, the aid would be fully forgiven after five years.

The idea builds on work pioneered several years ago in a cluster of neighborhoods hit hard by foreclosures. First the Folwell neighborhood, and later the Webber-Camden and McKinley neighborhoods, began offering small doses of assistance to home buyers in an attempt to build buyer interest.

Those neighborhoods plan to piggyback their programs on the city proposal, meaning some owner buyers could be eligible for up to \$14,000.

"The excitement level in our neighborhood is very high," said Roberta Englund, staff director for the Folwell Neighborhood Association.

The proposal, to be considered by the council next month, has some catches. Borrowers must qualify for traditional credit, rather than the subprime mortgages for less credit-worthy borrowers that led to many foreclosures. The money can also be used for a contract-for-deed purchase from a nonprofit developer. The buyer must agree to homeownership counseling.

But unlike some city programs, the buyer need not be a first-time buyer.

The \$500,000 would help with the purchase of at least 50 houses. It comes from city proceeds from the sale of the downtown Hilton hotel.

The 18 city neighborhoods were chosen because they have above-average levels of boarded and vacant property. The rationale for the city help is that boarded houses cripple the sales of other homes on a block, according to Mark Anderson, a contract manager for the city's development agency.

Minneapolis recorded almost 2,900 foreclosures last year, and had another 330 properties sold at sheriff's auction last month.

Buyers must purchase in one of those neighborhoods. All but four neighborhoods on the North Side are included, along with the Phillips, Whittier, Central and Powderhorn Park neighborhoods on the South Side and the Beltrami and Holland neighborhoods of northeast Minneapolis.

"We really need to reestablish a market in some of the neighborhoods that are really challenged," said Barbara Johnson, a North Side council member.

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