

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

Date: February 2, 2010

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

Subject: Approval of the NSP Advantage Program for 2010

Recommendation: Approve the following:

- The NSP Advantage Loan guidelines as outlined in this report;
- Authorize staff to reallocate 2008 Neighborhood Stabilization Program (NSP) funds in the amount of \$250,000 from Activity C—Land Banking to Activity A—Finance to increase the allocated funds from \$500,000 to \$750,000 to allow more funds to be available to meet NSP low-income homeownership requirements; and
- Authorize staff to amend the Greater Metropolitan Housing Corporation (GMHC) contract by increasing it \$750,000 to cover program costs.

Previous Directives:

On March 27, 2009, the City Council authorized the acceptance and appropriation of Neighborhood Stabilization Program (NSP) funds and authorized the execution of a grant agreement with Minnesota Housing. On October 21, 2008, the City Council authorized staff to submit to the Department of Housing and Urban Development (HUD) and amended 2008 Consolidated Plan consisting of an application for Neighborhood Stabilization Program funding.

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

Financial Impact

No financial impact

Community Impact

Neighborhood Notification: All neighborhood groups were notified of the Neighborhood Stabilization Program and were afforded an opportunity to participate in the public hearing regarding the program design.

City Goals: In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Supporting Information

In response to the recent housing crisis, the City Council authorized the City's involvement in the federal Neighborhood Stabilization Program (NSP). One of the NSP requirements is that 25 percent of the NSP program funds must serve borrowers at or below 50% of the area median income. With today's property values, it is possible for a household with that income level to qualify to purchase a home, but only with some extra financial assistance. As part of the NSP plan, the City included \$500,000 to go toward this financial assistance. This would lower the mortgage amount to a level that is more affordable allowing the borrower to qualify for a loan that in all likelihood will be more affordable than rent of a comparable unit.

Rather than creating a whole new program, the model staff used for this assistance was the Minneapolis Advantage Program (MAP). The program name attributed to this is the NSP Advantage Program and if it is approved, it would include the following guidelines:

- Borrowers must be purchasing a qualified house in an eligible NSP neighborhood that was purchased and renovated by a developer under the NSP program;
- Unlike the MAP program, the borrower may only receive enough assistance to qualify for the first mortgage through their primary lender with a maximum loan amount of \$20,000;
- The household income must be at or below HUD's 50% of the area median income limits;
- The all qualified borrowers must participate in and receive Homestretch home ownership counseling through a HUD approved counseling agency;
- Because of the federal rules relating to NSP assistance funds, the loan forgiveness will be based on the amount of assistance the borrower receives. The borrower must first complete what is called an Affordability Period before the loan can be forgiven. If the purchase price of the home is less than fair market value as a result of NSP development gap assistance previously provided to the developer, for the purposes of determining the Affordability Period, the Loan Amount equals the amount of direct disbursement to the homebuyer (up to \$20,000), plus the amount by which the purchase price is less than fair market value.
 - ~ If the Loan Amount is under \$15,000, the Affordability Period is 5 years.
 - ~ If the Loan Amount is \$15,000 to \$40,000, the Affordability Period is 10 years.
 - ~ If the Loan Amount is over \$40,000, the Affordability Period is 15 years.

It is anticipated that this funding will leverage the investment of funds from other programs including neighborhood sponsored programs. Staff requests that the City Council approves an amendment to add \$750,000 to the Greater Metropolitan Housing Corporation's contract.