

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

Date: December 8, 2009

To: Council Member Lisa Goodman, Chair, Community Development Committee
Council Member Paul Ostrow, Ways and Means/Budget Committee

Subject: Acceptance of a Wells Fargo Foundation grant and approval of a loan program

Recommendation: Approve the following:

- Accept a grant from Wells Fargo Foundation in the amount of \$62,500;
- Guidelines for the Wells Fargo Foundation funded Affordability Assistance Loan;
- Increase the 2009 Revenue Budget for the Community Planning & Economic Development agency Fund 01600 – Other Grants – State and Local (01600-8900900-321404) by \$62,500;
- Amend the 2009 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01600 – Other Grants – State and Local (01600-8900000-8900220) appropriation by \$62,500;
- Amend the 2009 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01SRF – Residential Finance (01SRF-8900000-8900220) appropriation by \$65,000 from the available fund balance;
- Authorize the appropriate City staff to amend the Community Reinvestment Fund contract to add \$20,000 to cover servicing costs.

Previous Directives: There have been no previous directives concerning this Wells Fargo Foundation grant.

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| 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

 X Action requires an appropriation increase to the Capital Budget _____ or Operating Budget X

Community Impact

Neighborhood Notification: All affected neighborhoods have been notified.

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

Earlier this year, CPED staff was contacted by the Wells Fargo Foundation about grant funds they were making available. At Wells Fargo's suggestion, staff submitted a proposal and the Foundation approved a grant of \$62,500 for a City program. Wells Fargo Foundation wanted the City to use the funds to support some of the City's foreclosure program activities associated with the Neighborhood Stabilization Program (NSP).

One of the NSP requirements is that 25 percent of the 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. Staff is recommending that this new Wells Fargo assistance loan be used as additional downpayment in combination with the NSP funds. 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. As approved by the Wells Fargo Foundation, the funds would be available in the Willard-Hay, Jordan, Hawthorne, and Near North neighborhoods.

These loans would have the following requirements:

1. The borrower's household income would not exceed 50% of the area median by family size;
2. Borrowers will be required to attend Home Stretch homebuyer counseling prior to closing of the mortgage;
3. Borrowers must owner occupy the home;
4. The borrower would receive enough loan to lower their primary loan payment, including principal, interest, taxes and insurance, to 29% of their monthly gross income, which is the FHA loan qualification limit, however, the maximum loan would be \$5,000;
5. The loans would have a simple interest rate of one percent (1%);
6. To promote sustainable homeownership, the loans would have no ongoing payments and would only have to be repaid if they cease to occupy the home as their principal residence or when they no longer own the home.
7. Must be a home developed under the NSP program.

The City has a contract with Greater Metropolitan Housing Corporation (GMHC) to administer and originate CPED loan programs. As part of their contract, GMHC is permitted to charge up to 13% of the contract amount as their administrative fee. However, GMHC has agreed to reduce that fee to \$1,300 per application even though this will involve the \$10,000 NSP loan, this loan of up to \$5,000 from Wells Fargo funds, and possibly another assistance loan offered through other resources. This represents a savings to the City of up to \$1,950 per closing.

In addition, the City has a contract with Community Reinvestment Fund (CRF) to service City of Minneapolis' mortgage assistance and home improvement loans. It is therefore the intent of staff to have CRF service these loans under that existing contract.

To cover these additional costs with GMHC and CRF, staff requests that the Council approves an appropriation increase in Fund 01SRF – Residential Finance in the amount of \$65,000.

Finally, CPED is coordinating the servicing of lead hazard reduction loans originated by the City's Regulatory Services department. The loans will be serviced under the City's contract with Community Reinvestment Fund (CRF). To cover the servicing over a course of several years, it is Regulatory Services' desire to encumber CRF's contract with an additional \$15,000. These funds have already been budgeted.