



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

**Date:** May 18, 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:** Lee Pao Xiong, Director, Housing \_\_\_\_\_  
Jack Kryst, Director, Development Finance \_\_\_\_\_

**Subject:** Approval of a new American Dream Downpayment Initiative (ADDI) program and approval of an appropriation increase in fund FGO

**RECOMMENDATION:** Approve the guidelines for American Dream Downpayment Initiative Program.  
Amend the 2004 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund FGO0 – Federal grants (FGO0-890-8490) appropriation by \$421,928.  
Increase the 2004 Revenue Budget for the Community Planning & Economic Development agency Fund FGO0 – Federal grants (FGO0-890-8490) by \$421,928

**Previous Directives:** There have been no previous directives pertaining to this program

**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:** Citywide

**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**

On June 1, 2004, the City of Minneapolis will be the recipient of federal funds to support a new federal initiative called the American Dream Downpayment Initiative (ADDI). This federal program provides funds to help support the downpayment and closing cost needs of potential homebuyers who fall within 80% of the area median income as adjusted by family size.

The federal government has provided the local recipients with the ability to design programs that best serve the needs of their community. The staff is now recommending that the City of Minneapolis ADDI program have the following guidelines in its design:

#### Available funds:

ADDI 2003 is \$193,542

ADDI 2004 is \$ 228,386

#### American Dream Downpayment Initiative Program

1. Loan terms:
  - a) Zero percent interest.
  - b) No monthly payment.
  - c) The loan will be forgiven over a five year time period from the date of closing with forgiveness occurring at a rate of 20% each year on the anniversary of closing date.
  - d) The loan is due on sale, transfer of title, or when primary mortgage is paid off, except that in the case of a refinance, the loan may be subordinated subject to the CPED Subordination Policy in effect at the time of the request for subordination.

2. Maximum and minimum loan amounts:

- a) The maximum loan amount is six percent of the sale price or \$10,000, whichever is greater.
- b) The minimum loan amount is \$1,000.

3. Use of funds

The funds may be used to go toward the payment of downpayment or toward payment of normal and usual closing costs.

4. Eligible properties:

- a) The property must be a newly constructed or newly rehabilitated house with a maximum purchase price that is at or below the following limits.
  - i. \$221,160 single family
  - ii. \$249,096 duplex
  - iii. \$302,640 triplex
  - iv. \$349,200 fourplex
- b) If the house is a newly renovated property, it must have been rehabilitated to a standard that eliminated any health and safety deficiencies and addressed lead abatement or containment according to federal regulations associated with federal funding sources.
- c) One to four unit residence, condominium, or townhome.

5. Eligible borrower:

- a) Borrower must qualify under one of the following categories:
  - i. First time homebuyer - To qualify for this requirement they must not have owned a home within the three years preceding the closing of this loan.
  - ii. Displaced homemaker – (a) adult, (b) has not worked full time full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family; and (c) is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.
  - iii. Single parent – an individual who (a) is unmarried or legally separated from a spouse; and (b) has one or more minor children for whom the individual has custody or joint custody, or is pregnant.
- b) The maximum income is 80% of median income for Minneapolis/Saint Paul SMSA as published annually by HUD, adjusted by family size,
- c) Priority access to these funds will be provided as follows:
  - i. Applicants that currently reside in government subsidized public housing or recipients of Section 8 rental payment assistance.
  - ii. Applicants where at least one of the applicants is from an underserved population.

6. Home Ownership Counseling:

Borrower must complete home ownership counseling through an approved organization and must provide a certificate indicating completion of the home ownership counseling prior to closing of the loan.

7. Combining funds:

- a) Loan may only be offered in connection with the *CityLiving* home program.
- b) ADDI funds may be combined with other assistance programs to provide greater opportunity for the borrower to secure the purchase of a home.

8. Loan security

- a) The loan must be secured by a promissory note and a mortgage.
- b) The loan may be secured in a lower lien position behind other program funds.
- c) No title insurance is required.
- d) No mortgagee clause is required in the owner's hazard insurance policy.