

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

Date: November 17, 2009

To: Council Member Lisa Goodman, Community Development Committee

Subject: Amendment of the Home Ownership Works (HOW) Program Guidelines and the City's 2009 Consolidated Plan to match the Program Guidelines

Recommendation:

1. Approve modification to the Home Ownership Works (HOW) Program guidelines;
2. Accept public comments on the 2009 Consolidated Plan Amendment #1; and
3. Authorize staff to further develop the proposed amendment as necessary for submittal to the U.S. Department of Housing & Urban Development (HUD) on December 1, 2009.

Previous Directives:

April 10, 2009—City Council approved the 2009 Consolidated Plan.

December 11, 2008—City Council approved the appropriation resolution, City Budget footnote directing staff to develop and carry out the intent of the 2009 Consolidated Plan.

September 16, 2008—City Council approved increasing the Real Estate Agency Broker Compensation to 2.75% of the sale price.

April 6, 2006—City Council approved the Home Ownership Works Program guidelines.

January 20, 2006—City Council approved the following program changes: increase the Real Estate Agency Broker Compensation to \$5,000; increase the Maximum HOW Buyer Affordability Loan to \$30,000; implement the non-profit construction management reimbursement for management of new construction projects; and, direct staff to bring in an amendment to the Real Property Disposition Policy to allow for sale of properties through the Home Ownership Works program to eligible buyers prior to having an identified buyer.

February 21, 2002—the MCDA Board of Commissioners increased the HOW Broker Participation payment to \$3,500.

January 24, 2000—the MCDA Board of Commissioners gave authorization to execute marketing contracts with Northside Residents Redevelopment Council (NRRC) and Powderhorn Residents Group (PRG) in the amount of \$8,500 each, for overall general

marketing responsibilities. Additionally, an amount of up to \$2,500 for each successful closing as outlined in the HOW Broker Participation Agreement was also approved.

Department Information

Prepared by: Edie Oliveto-Oates, Senior Project Coordinator, 612-673-5229

Approved by: Charles T. Lutz, Deputy Director—CPED _____

Thomas A. Streitz, Director of Housing—CPED _____

Presenters in Committee: Edie Oliveto-Oates

Financial Impact

- No financial impact
- Action is within the Business Plan

Community Impact

- Neighborhood Notification – The City’s office of Grants and Special Projects has proceeded with the 30-day public comment period and all necessary public notifications, including notice distribution through the Minneapolis Consolidated Plan mailing list.
- City Goals – Not applicable
- Comprehensive Plan – Not applicable
- Zoning Code – Not applicable
- Other – Approval of this report authorizes a change to the Consolidated Plan subject to approval by the U. S. Department of Housing and Urban Development.

Background/Supporting Information

The guidelines for the Home Ownership Works (HOW) program are included in the City of Minneapolis Consolidated Plan, which is the City’s application to the U.S. Department of Housing and Urban Development for 2009 Community Development Block Grant (CDBG), Home Investment Partnerships (HOME), Emergency Shelter Grant (ESG), Housing Opportunities for Persons with AIDS (HOPWA) funding, and American Dream Downpayment Assistance Initiative (ADDI) and it is an update to the 2005-09 Five-Year Strategy. To amend the HOW program requires a formal amendment to the Consolidated Plan. Formal amendments trigger the Consolidated Plan citizen participation plan (i.e., need for public hearing before Community Development Committee, 30-day public comment period), followed by approval by HUD.

The Home Ownership Works program (HOW) is designed to address the goal of providing opportunities for households who otherwise would have difficulty attaining home ownership. It is also designed to address the problem of abandoned and foreclosed houses and treat properties in need of demolition and new construction.

Under the HOW program, buyers must meet HOME low/moderate income household requirements—80% of metropolitan median income. All purchasers will be required to attend homebuyer counseling and housing maintenance seminars prior to closing. If

more than one offer is received from qualified buyers, preference is given to first-time homebuyers or buyers who are being displaced due to public action. If there are equal offers after applying the preference described above, a lottery will be held.

HOW properties have historically been purchased and owned by the City of Minneapolis during the renovation/construction period. All completed projects meet the HOW program standards which exceed the minimum city code requirements. The scope of work and construction monitoring are completed by non-profit housing development construction managers. Private licensed general contractors are selected through a sealed bid process to complete the required renovation/repairs or new construction. Additionally, CPED's Construction Management Specialists assist in the preparation of the scope of services, ensure City program rehabilitation standards are met, monitor the construction draws and approve/deny change orders. Local funds are used to provide interim financing when necessary.

At this time, staff has analyzed the program and believes that the following changes will increase the flexibility of the program, decrease property management costs, increase the number of properties that can be treated, and help combat the impact of foreclosure. The changes to the guidelines are a part of the Consolidated Plan and will require a plan amendment. Below are highlights of the recommendations:

- Acquisition and development of single family homes by non-profit developers – This change will allow a non-profit developer to identify a home or a vacant lot for new construction of a single family home, purchase the property, submit a scope of work and proforma for CPED staff review. On projects that are approved, CPED would provide a subsidy of up to \$50,000 per property for sale to an income-qualified home buyer.
- Affordability Period – Previously, CPED had established an affordability period of 15 years, regardless of how much HOME funds were used in the project. Staff believes that, in the current market, it is appropriate to follow the HOME guidelines for the affordability period as shown in the following chart:

Per unit amount of HOME funds for Rehab or Acquisition of Existing Housing	Minimum Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years
New Construction	20 Years

Staff is recommending approval of these program changes and proceeding with the necessary steps to amend the consolidated plan to support these changes.