

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 Minneapolis Advantage Program for 2010

Recommendation: Approve the following:

- Reduce the maximum Minneapolis Advantage Program loan from \$10,000 to \$5,000;
- Authorize staff to amend the Greater Metropolitan Housing Corporation (GMHC) contract by increasing it \$250,000 to cover program costs for the Minneapolis Advantage Program.

Previous Directives: In April of 2008 the City Council approved a demonstration phase for the Minneapolis Advantage Program which was funded by \$500,000 from local funds. In February of 2009 the City Council again approved \$500,000 in local funds and \$1.5 million in Federal Home Loan Bank funds to provide support for the continuation of this program.

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

X No financial impact

Community Impact

Neighborhood Notification: The demonstration phase of this program was developed in cooperation with the Come Home to Camden Housing Coalition (CHC), the Folwell, McKinley, and Webber-Camden neighborhoods in the Camden Community. The demonstration phase went through a 45 day review and comment period in the neighborhoods. Subsequently neighborhoods were notified of the available funds, but no formal review occurred.

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

Past Minneapolis Advantage Program phases

In response to the recent housing crisis, the City Council approved the creation of the Minneapolis Advantage Program (MAP). This program provided \$10,000 deferred loans to buyers of foreclosed houses in neighborhoods heavily impacted by foreclosures. The initial demonstration phase of the program was funded with \$500,000 of City funds which allowed for 50 loans and these are forgiven over a five year period of time at 20% forgiveness per year.

The second year the program received \$2 million, \$500,000 from the City and \$1.5 million from the Federal Home Loan Bank (FHLB). Under the second year's funding the loan terms were modified to allow for 100% repayment until the end of the fifth year at which time the loan is totally forgiven. The \$500,000 from the City had income limits that went to 120% of the area median while the FHLB funded portion had a breakdown of income with set asides for each income level and these were as follows:

- 60% of the funds were reserved for borrowers at or below 80% of median income
- 10% of the funds were reserved for borrowers at or below 60% of median income
- 30% of the funds were reserved for borrowers at or below 50% of median income

A unique effort was made as part of this second phase of the program in that, at the direction of the CPED Director, during the first six months of the program 20% of the funds were set aside to allow for employer matches. As a result of that set aside, Impact Mailing, Kemps, and the Phillips Partnership all joined in to provide matches to further promote home ownership amongst their employees and in the surrounding community. 16 loans were made through this effort.

Toward the end of this report is information showing the performance of this second phase of the program, including a summary of the number of loans made by neighborhood.

Proposed new phase

In the 2010 budget the City Council approved an additional \$250,000 for a third phase of the program. Under this next phase, staff is recommending only one change to the program which is to reduce the overall loan amount from \$10,000 to \$5,000 per household on an as-needed basis. Staff is making this recommendation for three reasons:

- The size of the loan that was initially set at \$10,000 was meant, in part, to provide an incentive for homebuyers to purchase in foreclosure-stressed neighborhoods. Since housing is slowly moving in the direction of stabilization and recovery, there is less need to provide as much of an incentive to encourage homebuyers to participate;
- In discussions with neighborhoods and the program administrator, it is believed that the borrower's primary need has been and continues to be help to pay for closing costs and downpayment. Closing costs normally run between \$3,000 and \$5,000;

- The final reason is that the City budget was set at \$250,000 for this program. In order to maximize the number of properties we can impact, we had to reduce the amount of assistance we provide.

In addition to the above changes, staff again analyzed the impact of foreclosures on the neighborhoods using methodology similar to the first two phases of Minneapolis. This new analysis considered 2008 and 2009 data through the end of October. (November and December data is not yet available.) Neighborhoods with a combined percentage of four percent (4%) or higher were selected which resulted in a selection of 23 eligible neighborhoods which were as follows:

Jordan	Folwell	McKinley
Central	Webber-Camden	Hawthorne
Sumner-Glenwood	Shingle Creek	East Phillips
Near North	Phillips West	Willard-Hay
Holland	Lind-Bohanon	Bottineau
Harrison	Bryant	Midtown Phillips
Cleveland	Powderhorn Park	Ventura Village
Beltrami	Corcoran	

Attached is a map of these eligible neighborhoods.

2009 Minneapolis Advantage Program Performance

At the time of this report, 175 loans have closed using the \$500,000 of local and \$1.5 million of FHLB funds. Over 35% of these buyers moved into Minneapolis from outside the city. 16 additional loans have been reserved and will soon close. Only nine loans remain to be committed in the "North A" application area which includes Willard-Hay, Harrison, Hawthorne, and Near North. These remaining funds were reserved for employer matches and were only released for general use in early December.

Additional Statistics from the 2009 program:

Ethnicity	
African/American	21.12%
White	64.60%
Hispanic	3.11%
Asian	5.59%
American Indian	1.86%
Unknown	3.73%

Family Size	
1	51.25%
2	26.25%
3	13.13%
4	9.38%
5	5.63%
6	5.63%
7	5.63%
8	5.63%
Average Family Size	3.3

Age	
30 or less	43.48%
31 - 50	47.83%
Over 50	7.45%
Unknown	1.24%

First-time Homebuyer	
Yes	91.93%
Not	8.07%

Income	
50% or less	47.20%
51% - 80%	41.61%
81% - 100%	8.07%
Over 100%	3.11%

Purchase Price	
<\$100,000	29.31%
\$100,001 - \$150,000	20.00%
>\$150,000	49.31%
Unknown	1.38%

Neighborhood*	
Audubon Park	6
Beltrami	3
Bottineau	1
Bryant	5
Camden	9
Central	12
Cleveland	10

Corcoran	7
East Phillips	3
Folwell	14
Harrison	2
Hawthorne	8
Holland	7
Jordan	10
Lind-Bohanon	7
McKinley	1
Midtown Phillips	3
Near North	4
Powderhorn Park	9
Regina	1
Sheridan	4
Ventura Village	1
Victory	7
Whittier	2
Willard-Hay	25

* These numbers reflect only the first 161 loans that have closed.