



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

Date: November 8, 2011

To: Council Member Lisa Goodman, Chair, Community Development Committee
Referral to: Council Member Betsy Hodges, Chair, Ways & Means Committee

Subject: Acceptance of Community Revitalization Funds (CRV) from Minnesota Housing Finance Agency, appropriation of funds, and approval of the Rehab Support Program

Recommendation: Approve the following:

- 1) Accept MHFA Single Family Fall 2010 Community Revitalization Funds award totaling \$750,000;
- 2) Increase the 2011 Revenue Budget for the Community Planning & Economic Development Agency Fund 01600-Other Grants – State and Local (01600-8900900-321513) by \$750,000;
- 3) Amend the 2011 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01600-Other Grants – State and Local (01600-8900230) by \$750,000;
- 4) Amend the 2011 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01SRF-Residential Finance (01SRF-8900230) by \$95,000;
- 5) Authorize appropriate City staff to execute grant, sub-recipient and/or disbursement and related agreements for these funds;
- 6) Approve the contract with Greater Metropolitan Housing Corporation to allow them to administer this program on behalf of the City; and
- 7) Approve the Rehab Support Program as outlined in this report.

Previous Directives: There have been no previous directives concerning this activity.

Department Information

Prepared by: Mark Anderson, Senior Contract Management Specialist Cherie Shoquist, Foreclosure Project Coordinator	
Approved by: Tom Streitz, Director of Housing Policy and Development Charles T. Lutz, Deputy CPED Director	_____ _____
Presenters in Committee: Mark Anderson	

Financial Impact

- Action requires an appropriation increase to the Capital Budget or Operating Budget
Dept Name: Community Planning and Economic Development
Fund Name: 01600 - Other Grants – State and Local - _____
Amount: \$ 750,000

- Action provides increased revenue for appropriation increase
 Dept Name: Community Planning and Economic Development
 Fund Name: 01600 - Other Grants – State and Local
 Amount: \$ 750,000
- Action requires an appropriation increase to the Capital Budget or Operating Budget
 Dept Name: Community Planning and Economic Development
 Fund Name: 01SRF - Residential Finance
 Amount: \$ 95,000

Community Impact

- Neighborhood Notification: A copy of the report and program information has been sent to the affected neighborhoods.
- City Goals: Livable communities, healthy lives - High-quality, affordable housing for all ages and stages in every neighborhood

Supporting Information

On January 14th the City Council approved the Rehab Support Program (RSP) which provides financing in concentrated neighborhoods to complete valued-added improvements to owner-occupied homes. Value-added improvements are improvements that when completed would provide a potential increase in the value of the home. The hope is that by concentrating the funds in limited areas, the value of that home and the other homes in that area would increase which would provide more incentive and opportunity for homeowners in that area to also complete home improvements.

As presented to the state, RSP offers homeowners or homebuyers in approved neighborhoods a loan of up to \$20,000 on a matching funds basis. For every dollar put into a project by the borrower, the City would match it with one dollar of RSP funds. The valued-added improvements permitted by the program are as follows:

- Outstanding code orders and any health and safety hazards
- Floor covering or refinishing
- Kitchen remodeling
- Bathroom remodeling
- New siding
- New or expanded garage
- Permanent functional landscaping
- Replacement of windows and doors
- Insulation and weather stripping
- Addition to home
- Central air conditioning
- Finishing an unfinished basement or attic
- Replacing a furnace
- Repair or replacement of a deck and patio
- Garage not to exceed 24 feet by 24 feet

The following are the neighborhoods as approved by MHFA along with their level of foreclosures over a three year period ending in 2010:

Shingle Creek	10.63%
Lind - Bohanon area	13.59%
Webber-Camden	13.73%
Folwell	17.00%
McKinley	15.96%
Jordan	18.93%
Hawthorne	14.24%
Willard – Hay	12.91%
Near North	10.61%

Midtown Phillips	15.19%
East Phillips	11.10%
Central	12.73%

In addition to the regular program, in June the City Council approved a change to the program to allow part of the funds to repair damage to north Minneapolis homes that were hit by the May 22nd tornado. The changes approved were the following:

- The regular program only allowed one and two unit homes whereas the homes hit by the tornado could include three and four unit homes.
- The tornado loans would not require a match by the homeowner and the loan can go all the way to \$30,000 instead of \$20,000.

The City has an agreement with Greater Metropolitan Housing Corporation to provide the administration and loan origination activities for this program. Their contract normally allows them to charge up to 13% of the total amount of the contract as their administrative fee, which, when looking at a \$20,000 loan would equal \$2600. However, GMHC has agreed to cap their fee at \$2100 so they will instead charge 13% or \$2100, whichever is less. Staff is requesting an appropriation increase of \$130,000 in fund 01SRF which should be more than enough to assure that the City has the resources to cover these costs.

These loans will be considered an affordable home ownership program and exempt from mortgage registration tax.