



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

Date: June 6, 2006
To: Council Member Lisa Goodman, Community Development Committee
Council Member Paul Ostrow, Ways & Means Budget/Committee
Subject: Homeownership and Century Homes Programs

Recommendation:

- Approve providing subsidy to the properties illustrated in the table below equal to 50% of the development gap for the properties in the Century Homes program and 100% of the gap for those properties in the Homeownership program.
- Approve the Senior Regeneration Program as an emphasis of both Century Homes and the Homeownership programs and \$300,000 in funding for this activity.
- Amend the 2006 Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund SRF-Residential Finance Fund (SRF0-890-8953) by \$300,000.

Previous Directives: In November 2003, the City Council authorized the CPED Director to amend MCDA program guidelines from MCDA to CPED. On October 31, 1994, MCDA Board of Commissioners authorized the Century Homes Program. In March 1983, the MCDA Board of Commissioners authorized entering into a contract for a revolving loan fund program known as the "Homeownership Program" to develop housing units in the City of Minneapolis.

Prepared by: Earl S. Pettiford, Sr. Project Coordinator **Phone:** 673-5231

Approved by: Chuck Lutz, Deputy Director CPED _____
Elizabeth Ryan, Directory of Housing Policy & Development _____
Policy & Development

Permanent Review Committee ((PRC) Approval Not Applicable

Presenter in Committee: Earl S. Pettiford, Senior Project Coordinator

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.

- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: Not applicable

City Goals: Foster the development and preservation of a mix of quality housing types that is affordable, meets current needs and promotes future growth.

Comprehensive Plan: Not applicable

Zoning Code: Not applicable

Other:

Background/Supporting Information

The City of Minneapolis through its development department, Community Planning & Economic Development (CPED) and formerly the Minneapolis Community Development Agency, has a partnership agreement with the Greater Metropolitan Housing Corporation (GMHC). GMHC, a 501c3 non-profit corporation was established primarily for the development of ownership housing, affordable rental and community revitalization. In cooperation with the city, GMHC has developed over 1200 single family homes including, Model Cities area redevelopment, the historic redevelopment of Milwaukee Mall and Lyn Park. These units are developed through two programs—Homeownership Program and Century Homes.

The Programs—Homeownership Program & Century Homes

In 1983, the first joint venture with GMHC and the City of Minneapolis created a program called the Homeownership Program. This program is capitalized with Community Development Block Grant (CDBG) funds and was designed to develop affordable single family homes that blend with the architecture in Minneapolis' neighborhoods. The program has provided these ownership opportunities to owner-occupant buyers who have incomes at or below 80% of the SMSA income adjusted for family size. GMHC buys vacant lots within the City of Minneapolis, primarily from CPED in non-income impacted neighborhoods and develops single family dwellings that fit the architecture of the block and sells them for their fair market value. This program is designed for the City of Minneapolis to receive 100% of the profits/losses incurred as a result of the project.

In 1994, the City of Minneapolis and GMHC created a second program—The Century Homes Program. The program's purpose was to serve as a catalyst for new home development in those sections of Minneapolis where many housing units had been removed over the years by the City of Minneapolis. Like many older cities, these areas of the city had seen minimal development. As a consequence of minimal new home development it was very difficult to secure appraisals that supported the costs of development. The City of Minneapolis, through the MCDA, sold lots for development and the developers lost money on the developments due to a lack of comparable new home sales in the local market. In reaction to the problem, the Century Homes program was created to produce up to 100 homes a year in Minneapolis and to restore builder/developer confidence in this market.

The partnership secured private and non-federal funds to pay for any development gaps with half of the gap paid from funds secured by GMHC and the balance by the City of Minneapolis.

The funds raised by GMHC are from the private foundation community and the Minnesota Housing Finance Agency (MHFA). The city's funds are from a local non-federal development account. The funds from the MHFA required that the buyer's income not exceed 115% of the SMSA. This program has produced over 500 homes in the City of Minneapolis and has been an invaluable tool for the continued improvements in the City of Minneapolis. This program has been one factor that has impacted the property value increases that the City has enjoyed over the past five years in the private market as well as producing a diversity of incomes in areas of the City that had become areas of concentration of low income residents. Due to the shared investment, this program allows for an equal share of total profits/losses.

Subsidy Approval

Prior to signing a purchase agreement for a property, at GMHC's request, CPED staff reviews the offering price, property's deteriorated or blighted condition, fair market value, site drainage, site geology and preliminary pro forma. Upon review, staff makes a determination whether the project is in compliance with the requirements of the funding sources and the approved program guidelines.

As is customary, staff has reviewed and concluded that the following projects meet the requirements for addition into the programs.

Address	Program	Acquisition Cost	Subsidy
3933 13 th Avenue South	Century Homes	\$79,900	\$42,356
3554 2 1/2 Street NE	Century Homes	\$48,000	\$18,288
3600 Queen Avenue North	Century Homes	\$33,000	\$23,210
3642 6 th Street North	Century Homes	\$37,000	\$21,495
1115 25 th Avenue North	Homeownership Program	\$15,000	\$34,413
3838 Bryant Avenue North	Homeownership Program	\$37,000	\$30,860
1631 Sheridan Avenue North	Homeownership Program	\$38,000	\$10,865
509 Logan Avenue North	Homeownership Program	\$ 5,000	\$25,840
3415 Fremont Avenue North	Homeownership Program	\$40,000	\$29,750
3842 6 th Street North	Homeownership Program	\$39,000	\$33,910
3514 Humboldt Avenue North	Homeownership Program	\$39,000	\$29,811
3505 Humboldt Avenue North	Homeownership Program	\$40,000	\$32,679
3706 6 th Street North	Homeownership Program	\$40,000	\$32,679

Senior Regeneration Program

GMHC has received numerous requests to consider the purchase of single-family houses that are owned and occupied by seniors who should or are considering moving to alternative housing. They have found that in many of these cases, the homes suffered from significant deferred maintenance and had deteriorated to the extent that they required substantial rehabilitation and in some cases the buildings have outlived their economic life and should be demolished. GMHC and CPED are considering the acquisition of some of these homes under a new emphasis which have been termed the Senior Regeneration Program.

Under further review and consideration, CPED staff believes that this new emphasis can be folded in the already existing programs—Homeownership and the Century Homes programs. In addition, GMHC has submitted a proposal to MHFA requesting \$300,000 to be matched with an equal amount from the City for this effort. Staff has identified revenue funds available in fund SRF which is available to be reprogrammed and staff is recommending that \$300,000 be made available as match for the MHFA funding for this program emphasis.

At this time staff is recommending three approvals. These are as follows:

- Approval of providing subsidy to the 13 properties illustrated in the table above equal to 50% of the development gap for the Century Homes properties and 100% of the gap for those properties in the Homeownership Program;
- Approve the Senior Regeneration Program as an emphasis of both Century Homes and the Homeownership Program and \$300,000 in funding for this activity;

Amend the 2006 Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund SRF-Residential Finance Fund (SRF0-890-8953) by \$300,000.

Resolved by The City Council of The City of Minneapolis:

That the above-entitled resolution, as amended, be further amended by:

- 1) Increasing the Community Planning & Economic Development Agency Fund SRF-Residential Finance Fund (SRF0-890-8953) by \$300,000.