



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

Date: February 3, 2015
To: Council Member Lisa Goodman, Chair, Community Development and Regulatory Services Committee
Referral to: Council Member John Quincy, Chair, Ways & Means Committee
Subject: Accept \$25,000 from Minnesota Housing Finance Agency (MHFA) and amend the 2015 budget for these funds. Approve the Homeownership Opportunity Minneapolis (HOM) Program guidelines.

Recommendation: Approve the following:

- 1) Accept MHFA Single Family Fall 2014 Community Homeownership Impact Funds award totaling \$25,000
- 2) Increase the 2015 Revenue Budget for the Community Planning & Economic Development Agency Fund 01600-Other Grants – State and Local (01600-8900900-321513) by \$25,000
- 3) Amend the 2015 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01600-Other Grants – State and Local (01600-8900230) appropriation by \$25,000
- 4) Authorize appropriate City staff to execute grant, sub-recipient and/or disbursement and related agreements for City of Minneapolis and Minnesota Housing Finance Agency funds for the HOM program
- 5) Approve the Homeownership Opportunity Minneapolis (HOM) program guidelines to provide down payment and closing cost assistance, and when necessary, lead abatement loan assistance to Minneapolis homebuyers
- 6) Approve a contract with Greater Metropolitan Housing Corporation in the amount of \$871,450 to fund program loans and lead abatement work and to cover administrative costs associated with their lending services

Previous Directives: None.

Department Information:	
Prepared by:	Cherie Shoquist, Principal Project Coordinator Mark Anderson, Senior Contract Management Specialist
Approved by:	D. Craig Taylor, CPED Executive Director _____ Charles T. Lutz, Deputy CPED Director _____
Presenter in Committee:	Mark Anderson, extension 5289
Funding source and appropriation language reviewed by	Development Finance _____ <u>X</u> _____

Financial Impact

- \$7,000 of the funds for administrative costs was previously appropriated in the 2015 Adopted Budget for the Department of Community Planning & Economic Development fund 01SRF-Residential Finance (01SRF-8900220).
- \$443,950 was previously appropriated in the 2015 Adopted Budget for the Department of Community Planning & Economic Development fund 01400-CDBG and ESG Programs (01400-8900230).
- \$395,500 was previously appropriated in the 2015 Adopted Budget for the Department of Community Planning & Economic Development fund 01100-City General Fund (01100-8900220).

- Action requires an appropriation increase to the Operating Budget

Dept Name: Community Planning and Economic Development – 8900230

Fund Name: 01600 - Other Grants – State and Local

Amount: \$25,000

- Action provides increased revenue for appropriation increase

Dept Name: Community Planning and Economic Development - 8900900

Fund Name: 01600 - Other Grants – State and Local

Amount: \$25,000

Community Impact

- Neighborhood Notification: A copy of the report and program information has been sent to the affected neighborhoods and several community dialogues have been held over the past year.
- City Goals: This action is consistent with the City Goal:
- High quality, affordable housing choices exist for all ages, incomes and circumstances.
- Racial inequities (including in housing, education, income and health) are addressed and eliminated

Supporting Information

The Homeownership Opportunity Minneapolis Program will provide downpayment and closing cost loan assistance to homebuyers purchasing homes in Minneapolis. The program is being promoted by a network of counseling agencies that serve minority and immigrant populations. The goal is to increase the participation of household of color in the home buying experience.

A portion of the funds designated for this program during the budget process was Community Development Block Grant funds which have federal restrictions that require the City to assess the risk of lead hazards in the home. The City's lender, Greater Metropolitan Housing Corporation, will be required to do a visual assessment of the home to determine if any lead hazards exist. If a lead hazard is present, federal regulations require that the hazard to be corrected for the homebuyer to receive the Community Development Block Grant funds. Staff will continue to look at other sources of funds that could be used in place of Community Development Block Grant funds to reduce the cost of the program to the homebuyers.

A portion of the funds for this program will come from the Minnesota Housing Finance Agency. The City Council needs to accept the \$25,000 from the Minnesota Housing Finance Agency for this to occur.

Program Eligibility:

- Target area: Program will be available city-wide
- Terms of the Loan: Up to \$5,000 for households at or below 115% of the area median and up to \$7,500 to households at or below 80% of the area median (adjusted by family size). Loan would be forgiven after five years of primary residency
- Lead grant: Up to \$10,000 to cover lead hazard repair work if needed
- Eligible buyers: Owner-occupied households
- Property Type: Single Family Detached Housing or Owner-Occupied Duplex

This is part of a comprehensive effort to reduce the racial disparity in homeownership rates.

The City of Minneapolis is the program administrator and will oversee the Funding Agreement with the Greater Metropolitan Housing Corporation which is the organization that review applications, issue approvals, prepare the loan documents, and address lead abatement issues. Greater Metropolitan Housing Corporation will take referrals from the broader Minneapolis network of homeownership counseling and services providers. A portion of these resources will be used to cover the administrative costs. \$7,000 from fund 01SRF will be used to cover the administration for the Minnesota Housing Finance Agency funds which cannot be used for administrative costs.

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