

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 4/5/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Prepared by: Mark S. Anderson, Senior Contract Management Specialist
Presented by: Mark Anderson
File type: Action
Subcategory: Budget

Subject:

Approval of changes to the Code Abatement and Home Repair program, the recycling of CDBG loan repayments, and a contract with Greater Metropolitan Housing Corporation

Description:

Approve the following:

1. Combining the Code Abatement and Home Repair programs into one Home Improvement program with the following changes to terms:
 - a. Maximum loan amount of \$25,000 (current maximum loan amount under the Home Repair Program).
 - b. Maximum income of 80% of the area median, adjusted by family size (current maximum income under the Home Repair Program).
 - c. Removal of the asset limitation (currently only required under the Code Abatement Program).
 - d. Removal of the loan to value requirement.
2. Authorizing appropriate City staff to execute a program agreement with Greater Metropolitan Housing Corporation in the amount of \$800,000 for program loans and administrative costs.
3. Authorizing an extension of the existing master lending agreement with Greater Metropolitan Housing Corporation to July 1, 2017.

Previous Actions:

The City Council approved CPED's budget which included \$800,000 for Homeowner Rehabilitation Programs as part of the 2016 CPED budget. \$500,000 of this was from Community Development Block Grant funds and \$300,000 from 01SRF – Residential Finance.

Background/Analysis:

The City of Minneapolis has provided various home improvement programs to support existing homeowners' efforts to maintain their homes. The current programs for repair and improvement of housing maintenance code violations are:

Home Repair Loan – Provides up to \$25,000 at one-percent simple interest as an amortizing loan with a term of up to 20 years. Household income must be 80% of the area median or less, adjusted by family size.

Code Abatement Program – Provides up to \$20,000 as a zero-percent deferred loan that is repaid when the homeowner no longer occupies the home as their permanent and primary place of residence. The maximum household income is 50% of the area median, adjusted by family size.

Lead Grant – Provides up to \$10,000 as a grant and it is tied to above two programs. It is for the repair of lead hazards and asbestos abatement.

The average homeowner benefiting from the above programs has a household income of just over \$30,000 and is 55 years of age. Approximately 45% of the households are from communities of color. Without the City's financial help, the homeowners would not have the money to make these repairs and very likely would eventually have to move from the home. These programs are important to the support of lower income communities and existing homeowners.

Staff has been reviewing the above programs along with another program called Rehab support with the goal of simplifying the programs for homeowners and making more resources available to help maintain and improve Minneapolis neighborhoods.

The three programs identified above generally serve lower income households and they only address code repairs and lead hazards. Rehab Support appeals to higher income households and has a goal of helping homeowners to complete improvements that can increase the value of the home. Changes to Rehab Support are being presented in a separate report; however, the following are recommended changes to the above programs.

1. Streamline and simplify the programs by combining the Home Repair and Code Abatement into one program with a maximum loan amount of \$25,000. We are recommending that this be an interest free deferred loan which is repaid when the homeowner no longer occupies or owns the home.
2. Establish the qualifying income at 80% of the area median adjusted by family size.
3. Eliminate the asset limit requirement which is currently \$25,000. This change will help homeowners who have retirement and other accounts that are needed to maintain their family budget.
4. Eliminate the current loan-to-value restrictions. This issue has been a particular problem in recent years because of the decline in market values of many Minneapolis homes. This restriction has occasionally prevented homeowners from qualifying for a loan to take care of emergency repairs or code orders.

The above changes are an important part of improving the public's access to home improvements programs which will maintain and improve Minneapolis neighborhoods.

Financial Review:

No additional appropriation required, amount included in current budget.