

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 S. Anderson
File type: Resolution
Subcategory: Appropriation

Subject:

Approval of changes to the Rehab Support Program, acceptance of funds from MHFA, fund appropriation and authorization to enter into a contract

Description:

Recommendation:

1. Accepting an MHFA Single Family Fall 2015 Impact Funds award totaling \$280,000.
2. Approving the use of the funds as an interest rate subsidy for the Community Fix Up loans.
3. Increasing the 2016 Revenue Budget for the Community Planning & Economic Development Agency Fund 01600-Other Grants – State and Local (01600-8900900-321519) appropriation by \$280,000.
4. Amending the 2016 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund 01600-Other Grants – State and Local (01600-8900230) appropriation by \$280,000.
5. Authorizing appropriate City staff to execute grant, sub-recipient and/or disbursement and related agreements for these funds.
6. Approving a contract with Greater Metropolitan Housing Corporation in the amount of \$330,000 of which \$280,000 is for program loans and \$50,000 is for administrative costs.
7. Approving an extension of current agreement with Greater Metropolitan Housing Corporation to August 1, 2017 to allow the time needed to expend these funds.

Previous Actions:

There have been no previous actions concerning this current funding.

Ward/Address:

This program includes parts of the following Wards: 1, 3, 4, 5, 6, 8, and 9

Background/Analysis:

The Minnesota Housing Finance Agency (MHFA) approved the City of Minneapolis to receive \$280,000 to provide continued support for the Rehab Support Program (Rehab Support). Staff is requesting that the City Council accept this funding, approve the necessary budget actions to allow the funds to be expended according to the program requirements, and approve the expenditure of these funds to write down the interest rate of MHFA Community Fix Up program loans to 2%.

The City Council has approved a number of prior phases of Rehab Support, which provides home improvement financing for owner-occupied homes in approved neighborhoods. The types of improvements are those that have the potential to increase the value of the home. By concentrating the program in selected neighborhoods, the value of the homes in those neighborhoods should increase. Rehab Support is a primary method of supporting existing residents.

Under prior phases of Rehab Support, borrowers received an interest-free loan of up to \$20,000 on a matching funds basis which means that for every dollar the borrower puts into the home improvement project, the City would match it with one dollar of Rehab Support funds. Borrower matching funds primarily came from interest-bearing loans.

MHFA's funding is highly competitive and the amount of funding the City has received for Rehab Support has been decreasing. If the program proceeds with the same structure as past phases, the current funding of \$280,000 could serve approximately 20 to 25 borrowers. In order to increase the number of borrowers served by this program, staff has sought ways to increase the amount of funding. One way to do so is to use MHFA's \$280,000 to write down the interest rate of loans from another MHFA program called Community Fix Up. In discussions with MHFA, they have indicated that they would support this change.

At this time, the Community Fix Up program has an interest rate of 5.75% and the loan amortizes with a term of up to 20 years. MHFA allows lenders to provide a subsidy that would reduce the interest rate and staff is proposing to use the \$280,000 to write down the interest rate to 2%. With this change, staff is recommending that the City no longer require borrowers to come in with matching funds. Using the Community Fix Up program, Rehab Support should serve more than 50 borrowers.

The recommendation is that there be no change to the eligible improvements which 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 not to exceed 24 feet by 24 feet
- 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

Rehab Support would remain available to household incomes that do not exceed 115% of the area median income which is currently \$99,500.

The program focuses the resources on neighborhoods that experienced a higher level of foreclosures and/or where the neighborhood has an older housing stock that has experienced a higher than average decline in property values. The following are the neighborhoods that meet these criteria:

Jordan	Ventura Village
McKinley	Central
Hawthorne	Midtown Phillips
Folwell	Bryant
Harrison	Longfellow

Willard - Hay	Beltrami
Webber - Camden	Holland
Cleveland	Bottineau
Lyndale	Powderhorn Park
Corcoran	Standish
Lind - Bohanon	King Field
East Phillips	

If approved, lending for this program will be handled through an agreement with Greater Metropolitan Housing Corporation (GMHC). As the lender, GMHC would be the applicant for the Community Fix Up program. Each month the City would authorize the expenditure of a portion of the \$280,000 to write down Community Fix Up loans to the rate of 2%. Under the current agreement with GMHC, they are compensated up to \$1,000 for each loan they originate. However, MHFA's allows the lender to be compensated up to \$400 for each loan originated. As a result, the City's portion of compensation is reduced to \$600. Staff is requesting that the City authorize the payment of up to \$50,000 from Fund 01SRF – Residential Finance which will be used to cover this program expense.

The current agreement with GMHC expires at the end of July, 2016. Staff is requesting that the City Council approve an extension of their current agreement to August 1, 2017 to allow adequate time to fully expend the program funds.

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

Financial Review:

- The \$50,000 for administrative costs was previously appropriated in the 2015 Adopted Budget for the Department of Community Planning & Economic Development fund 01SRF-Residential Finance (01SRF-8900230).

Additional appropriation required.

- 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: \$ 280,000
- Action provides increased revenue for appropriation increase
Dept Name: Community Planning and Economic Development - 8900900
Fund Name: 01600 - Other Grants – State and Local
Amount: \$ 280,000