

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 7/26/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Lead Staff: Roxanne Young Kimball, Senior Project Coordinator
Presented by: Cherie Shoquist, Principal Project Coordinator X5078
File Type: Action
Subcategory: Loan

Subject:

Homeownership Opportunity Minneapolis—Vacant Housing Recycling Program (HOM-VHRP) guidelines and contract

Description:

1. Approving the Homeownership Opportunity Minneapolis—Vacant Housing Recycling Program (HOM-VHRP) guidelines to follow the City Council-approved HOM program guidelines to allow homebuyer assistance of \$5,000 to homebuyers purchasing homes through the Vacant Housing Recycling Program.
2. Authorizing the use of \$150,000 to support the HOM-VHRP Program.
3. Authorizing a contract with Greater Metropolitan Housing Corporation to process and close the loans with \$150,000 for program assistance and \$36,000 for administrative costs, for a duration of three years.
4. Authorizing the use of up to \$36,000 for administrative costs (**Refer to WM**).

Previous Actions:

Enter previous actions. On June 17, 2016, the City Council approved the 2016 Homeownership Opportunity Minneapolis (HOM) program and the change in program guidelines to offer the assistance in the form of a zero percent interest loan instead of a grant ([16-00763](#)). On February 13, 2015, the City Council approved the HOM program to provide down payment and closing cost assistance to Minneapolis homebuyers ([15-00146](#)). On December 11, 2015, the City Council passed a Resolution approving the Vacant Housing Recycling Program (VHRP) program manual to facilitate a clearly defined process for the City of Minneapolis to market and sell vacant lots and structures ([15-01481](#)).

Ward/Address:

All Wards

Background/Analysis:

The Vacant Housing Recycling Program (VHRP) facilitates blight removal, responsible development, and healthy housing markets in Minneapolis through acquisition and sale of residential vacant structures. Its program manual was approved by the City of Minneapolis City Council on December 11, 2015 and updated by the CPED Director on June 7, 2016.

The VHRP program currently has a preference for owner occupancy in its application process. However, without a homebuyer financing mechanism the program's ability to enforce the

owner occupancy expectation is non-existent. In order to assure compliance, CPED staff determined that creating a down payment incentive program will accomplish that goal. Consequently, CPED applied for \$90,000 through Minnesota Housing (MHFA) Impact Fund Request for Proposals to support the creation of a VHRP down payment and closing cost assistance program. The funding, if approved, will serve households up to 115% AMI, which is currently \$98,760.

The funding request to MHFA requires a match from the City of Minneapolis. CPED is recommending the use of \$150,000, which was approved in the 2016 CPED budget. The funds would be broken down as follows:

- Fund 01400: \$75,000 to serve households at or below 80% AMI
- Fund 01SCD: \$75,000 to serve households at greater than 80% AMI

CPED proposes to use the Council-approved HOM program guidelines, as highlighted below:

- **Eligible Properties:** Only vacant and abandoned single family or duplex purchased through VHRP.
- **Eligible Buyer:**
 - Two types of buyers are eligible for this program--homebuyers purchasing directly from the City of Minneapolis (prior to property rehabilitation) or homebuyers purchasing from a developer participating in the program (after property rehabilitation).
 - The prospective buyer must have a valid fully executed purchase agreement at the time of application.
 - Homebuyers must complete homebuyer education through the Home Stretch™ or Framework™ programs sponsored by the Minnesota Homeownership Center.
- **Borrower's Income:** Based on Funding source:
 - Federal (Fund 01400): Less than 80% AMI
 - State (Pending): Less than 115% AMI
 - Local (Fund 01SCD): Greater than 80% AMI
- **Maximum Loan Amount:** \$5,000 per household
- **Loan Type:** Zero percent interest loan to be repaid in full when:
 - the property is sold,
 - the borrower ceases to occupy the home, or
 - on the 30th anniversary date of the Note.
- **Restrictions:**
 - Cannot be layered with other City of Minneapolis homebuyer assistance programs
 - Funds can only be used for down payment and normal closing costs
 - Cannot be used to reimburse the borrowers for costs already incurred

As proposed, this funding will be included in a contract with Greater Metropolitan Housing Corporation who will process and close the loans. The cost of administration is \$36,000.

Financial Review:

No financial impact.

\$90,000 in Minnesota Housing Finance Agency Community Housing Impact Funds, if awarded.