



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

Date: December 13, 2005

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Mark S. Anderson, Senior Contract Management Specialist, Phone 612-673-5289

Presenter in Committee: Mark S. Anderson

Approved by: Elizabeth Ryan, Director, Housing _____
Jack Kryst, Director, Development Finance _____

Subject: **Public hearing and approval of the 2006 single-family housing program**

RECOMMENDATION: The City Council hold a public hearing and approve the attached Resolution approving the 2006 single family housing program that permits the creation of new mortgage programs. Approve summary publication of the Resolution.

Previous Directives: There have been no previous directives concerning this action.

Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)

Community Impact (Summarize below)

Ward: All wards

Neighborhood Notification: Not required

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

Comprehensive Plan: Not applicable

Zoning Code: Not applicable

Living Wage/Job Linkage: Not applicable

Background/Supporting Information

Annually the City Council needs to approve a Single-Family Housing Program in order for the City or the Minneapolis/Saint Paul Housing Finance Board to issue mortgage revenue bonds in support of the City's various single-family mortgage or housing programs. The Housing Program establishes the structure of all future activities in connection with that year's tax-exempt housing bond allocation, with the exception that the City Council reserves the right to withdraw any uncommitted funds and can formally reallocate them to another acceptable housing activity.

With the City Council's approval of the 2006 housing program, staff plans to use past recycled mortgage revenue bond funds and entitlement carried forward from 2005 to create a new mortgage programs. The new mortgage programs will have the following outcomes and benefits to the City:

- Mortgages will be available to low and moderate income homebuyers throughout Minneapolis at rates comparable to private lender rates, but with substantial additional assistance to borrowers. The single biggest hurdle for borrowers to overcome has been the necessary funds to close. This program will offer up to three points (3%) worth of funds that can be used to help a first time homebuyer to pay for closing costs and down payment on their home. On a \$150,000 mortgage this would equal an additional \$4,500 the borrower can use to help them pay these costs. These funds are provided as a grant, however the borrower's primary mortgage is typically one-half percent higher than a mortgage offered without assistance which helps to compensate for the funds provided.
- The program will take advantage of partnerships with private lenders who will do all of the lending to the consumers. This will increase access to the program for the average borrowers. Past partners have included Wells Fargo Home Mortgage, Irwin Mortgage Corporation, Countrywide Home Loans, as well as a number of smaller lenders.
- One component of the program permits homebuyers or homeowners to obtain additional funds to complete substantial repairs or improvements to the residence.
- The anticipated size of Minneapolis' share of the first bond issue is \$16 million with the expectation of making additional resources available later in the year.
- The program will be done in partnership with the City of Saint Paul and Fannie Mae or Freddie Mac, who is expected to be the primary purchaser of the bonds that finance the program.

Attached is a Resolution that outlines the housing program as well as provides the necessary City Council approval. This approval will allow the City or the Minneapolis/St. Paul Housing Finance Board to either issue single family mortgage revenue bonds.