

## Community Development Committee

For the Metropolitan Council meeting of April 22, 2009

### ADVISORY INFORMATION

**Date Prepared:** April 15, 2009

**Subject:** City of Minneapolis Request to Reallocate Habitat for Humanity Foreclosure Remediation LHIA Project Grant SG008-121

#### **Proposed Action:**

That the Metropolitan Council approve the splitting of the Local Housing Incentives (LHIA) grant #SG008-121 award into two equal halves, naming the cities of Minneapolis and Saint Paul as separate grantees. The City of Minneapolis was the original grantee for this *Habitat for Humanity Foreclosure Remediation* grant.

#### **Summary of Committee Discussion / Questions:**

Council Member Bowles asked if there were any contractors whom the City of Saint Paul could pay to administer the grant. Staff responded that this avenue had not been explored, but that both cities had agreed to work with Habitat for Humanity to produce the intended outcomes. Staff explained that splitting the grant would result in minimal additional administrative work for the Council. There were no further questions or comments.

The item was moved by Council Member Sanda, seconded by Council Member Bowles and approved unanimously by the committee.



# Community Development Committee

Business Item

Item: 2009 - 101

Meeting date: April 6, 2009

ADVISORY INFORMATION	
<b>Date:</b>	March 27, 2009
<b>Subject:</b>	City of Minneapolis Request to Reallocate Habitat for Humanity Foreclosure Remediation LHIA Project Grant SG008-121
<b>District(s), Member(s):</b>	District 7, Minneapolis, Annette Meeks District 8, Minneapolis, Lynette Wittsack District 13, Saint Paul, Richard Aquilar District 14, Saint Paul, Kirstin Sersland Beach
<b>Policy/Legal Reference:</b>	Minn. Stat. § 473.254 Local Housing Incentives Account
<b>Staff Prepared/Presented:</b>	Deborah Streets Jensen, Sr. Project Administrator 651.602.1554 Paul Burns, Manager, Livable Communities Program 651.602.1106
<b>Division/Department:</b>	Community Development / Livable Communities

## Proposed Action

That the Metropolitan Council approve the splitting of the Local Housing Incentives (LHIA) grant #SG008-121 award into two equal halves, naming the cities of Minneapolis and Saint Paul as separate grantees. The City of Minneapolis was the original grantee for this *Habitat for Humanity Foreclosure Remediation* grant.

## Background

The Metropolitan Council awarded the City of Minneapolis a \$220,000 LHIA grant (#SG008-121) on December 10, 2008 in Business Item 2008-265 to work with Habitat for Humanity to acquire four foreclosed properties in the cities of Minneapolis and Saint Paul, rehabilitate them, and resell them to families with incomes between 30% and 50% of Area Median Income. The City of Minneapolis agreed to administer the grant for both municipalities. However, the Minneapolis City Attorney has since determined that the City does not have the legal standing to administer the grant for properties in Saint Paul.

## Rationale

The expected outcomes of the grant are unchanged. Had both cities applied separately for their respective portions of the award, the applications would have scored similarly to the combined application. Splitting the grant award between the two cities will allow their respective staffs to work with Habitat for Humanity on properties within each of their jurisdictions. If this action is approved by the Metropolitan Council, neither the total amount of the award nor the duration of the grant term would be changed.

## Funding

Two hundred and twenty thousand dollars was awarded on December 10, 2008.

## Known Support / Opposition

Saint Paul has agreed to accept \$110,000 and administer the grant for properties in St. Paul. Minneapolis agrees the grant funds should be reallocated.

**PROJECT SUMMARY**

**Grantee:** City of Minneapolis **SG008-121**  
**Project Name:** Habitat for Humanity Foreclosure Remediation  
**Project Location:** Scattered sites in the cities of Minneapolis and Saint Paul

**Project Purpose/Description**

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The cities of Minneapolis and St. Paul are partnering with Habitat for Humanity to acquire foreclosed properties in these communities, make improvements either through rehabilitation or demolition and reconstruction, and resell the properties to low- and moderate-income families. Funds will assist families with incomes between 30%-50% of area median income.

Habitat will purchase foreclosed properties, perform the rehab or reconstruction, recruit and train income-qualified families for homeownership, sell the homes, and issue the mortgages and service the loans. Habitat provides zero-percent financing, charges no developer fee and completely covers the costs of the construction staff. Homeowners contribute sweat equity for their down payment rather than cash.

Nearly 20,000 foreclosures are projected to occur in the metro area in 2008, with a large majority of those in the center cities. Both Minneapolis and St. Paul have identified targeted neighborhoods and specific properties that this project will assist.

LHIA funds will be matched with local funds expended annually by both Minneapolis and St. Paul on affordable housing needs. LHIA funds will assist with the purchase and/or improvements for 4 of the 20 units.

<b>Number of Units</b>	<b>Total Development Cost Per Unit</b>	<b>Anticipated Selling Price</b>	<b>Affordability Gap Per Unit</b>	<b>MHIG Gap Funding Sources This Cycle</b>
20	\$186,900	\$127,000	\$51,900	<b>\$220,000 – LHIA</b> \$780,000 – MH

**Project/Budget Information**

**Award Amount: \$220,000**