HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS **DATE: JANUARY 11, 2023**

REGARDING: **APPROVAL OF AMENDED GUIDELINES FOR THE HOMEOWNER REHAB PROGRAM (FORMERLY THE CITYWIDE REHABILITATION PROGRAM).**

Requested Board Action

Approval of the amended Homeowner Rehab Program guidelines (formerly the Citywide Rehabilitation Program).

Background

The Homeowner Rehab program (the "Program") has been administered by the City to provide affordable residential rehabilitation assistance to low- and moderate-income homeowners for the purpose of maintaining and improving their homes. Since 2010, the City has served 572 households earning up to 80% of Area Median Income (AMI), allowing them to maximize the stability and wealth building opportunities of homeownership while also maintaining high-quality housing stock throughout the City. The Program is funded through the City of Saint Paul's Capital Improvement Budget Community Development Block Grant (CIB-CDBG) funds.

The Mayor's 2023 city budget includes the newly created Inheritance Fund initiative, which is intended to mitigate some of the lost generational wealth of direct descendants of families whose homes were taken for the construction of I-94 in the Rondo neighborhood of Saint Paul. This targeted approach to Saint Paul's specific history allows the City to address homeownership disparities in a hyper-local way that can not only replace lost wealth but also can contribute to community healing. The initial deployment of the Inheritance Fund is proposed as an embedded layer in two existing City/HRA programs which support low- and moderate-income homeowners in Saint Paul: the Downpayment Assistance Program ("DPA") and the Homeowner Rehab Program. The remainder of this report addresses the Homeowner Rehab program only as the Downpayment Assistance Program is addressed in a separate HRA Board report.

Along with the inclusion of the Inheritance Fund layer, staff is recommending changes to the financial and other terms of the program to better achieve program goals and meet borrower's needs in an ever-changing housing market. The economic impacts of the pandemic, the continued increase in home prices, and more recently, increased interest rates have all contributed to increased financial strain on low- and moderate-income homeowners. Proposed changes to the eligibility requirements are outlined in Table 1 below.

Table 1. Proposed Eligibility Changes

Current	Proposed	Rationale
Homeowner households must earn 60% Area Median Income (AMI) or less to be eligible for the regular Program. Homeowner household may earn up to 80% AMI to be eligible for the Emergency Program.	All homeowner households must earn 80% AMI or less.	Many rejected applications are because the applicant earns between 61 and 80% AMI. Homeowners earning 80% AMI also struggle to maintain their homes and remain financially stable.

With those changes in eligibility, the resulting layers of rehab assistance available to homeowners are reflected in Table 2 below.

Table 2. Program Layers and Award Maximums

Program Layer	Eligibility	Max Award
Regular	☐ Earn 80% AMI or less	$40,000
Emergency	☐ Earn 80% AMI or less ☐ Have a qualifying emergency rehab need	$40,000
Inheritance Fund – Generational Wealth	☐ Earn 80% AMI or less ☐ Be a direct descendant of a property owner whose land was taken for I94 ☐ Home is in the City of Saint Paul	$15,000
Inheritance Fund - Community Wealth	☐ Earn 80% AMI or less ☐ Be a direct descendant of a property owner whose land was taken for I94 ☐ Home is within the historic boundaries of Rondo	$25,000
Potential Max Available		**$120,000**

All other applications are considered on a first-come, first-served basis as financial and staff capacity allow, except when emergency repair needs are identified, in which case applications are processed immediately. Information about what constitutes an emergency repair need can be found in the General Policies, Attachment D, and Attachment F

All proposed changes to the financial terms of the program are provided in the redlined Homeowner Rehab Program Guidelines attachment. A summary of the most substantive of these proposed changes is shown in Table 3 below.

Table 3. Proposed Financial Term Changes

Current	Proposed	Rationale
30-year term, forgiven upon resale or maturity	15-year term, forgiven at an amortized rate of 1/15th annually	Most homeowners do not stay in their home for 30 years, and many funded repairs do not last for 30 years. Also, most repairs do not increase equity in the home on a dollar-for-dollar basis, and what equity is added depreciates each year.
The redemption value of life insurance policies counts toward the household asset limit of $25,000.	The redemption value of life insurance policies do not count toward household asset limit.	Low-income families should not have to compromise sufficient life insurance coverage to achieve homeownership. Life insurance balances may also trigger tax penalties if drawn upon.
Where hardship can be demonstrated, the Director of PED can waive the usual procedure for determining eligibility and/or repayment requirements.	Hardships must be financial in nature. Borrowers without sufficient assets and earning 50% AMI or less can request all fees be included in their loan without requiring Director of PED approval.	This provides needed clarity on what types of hardships will be considered and allows some hardships to be determined administratively.
Regular Program loans are for up to $25,000, emergency Program loans can be made for up to an additional $25,000 for a total maximum award possible of $50,000.	Regular Program loans are for up to $40,000, emergency Program loans can be made for up to an additional $40,000.	The cost of maintaining a home has increased dramatically. Maximum rehab award amounts have not been increased in over 10 years. $40,000 better reflects the maintenance costs needed by most applicants.

Budget Action

The proposed guideline changes do not require Budget Action.

Future Action

A companion resolution will be considered by the City Council at its regularly scheduled meeting of January 18, 2023.

Financing Structure

Program funds will be used for eligible improvements that are permanent and in compliance with all applicable code requirements.

PED Credit Committee Review

At its December 27, 2022 meeting, the Planning and Economic Development ("PED")'s Credit Committee voted to approve origination of loans consistent with these Guidelines and with a risk rating of "Forgivable."

Compliance

Not applicable. Given the nature of the program and the sources of funds, compliance requirements do not apply.

Green/Sustainable Development

Not applicable.

Environmental Impact Disclosure

Not applicable.

Historic Preservation

Not applicable.

Public Purpose/Comprehensive Plan Conformance

The Guidelines and requested allocation meet objectives of the Housing Plan, adopted as part of the City's 2030 Comprehensive Plan, Section 6.0, Strategy 2: Preserve and Promote Established Neighborhoods and Strategy 3: Ensure Availability of Affordable Housing. More specifically, the Housing Plan recommends engaging in mortgage and personal finance education in the community, marketing programs to new homebuyers and expanding housing choices for seniors.

Recommendation:
The Executive Director recommends approval of the Saint Paul Homeowner Rehab Program Guidelines.

Sponsored by: Commissioner Tolbert

Staff: Tara Beard (651-266-6636)

Attachments:

- **Redlined 2019 Homeowner Rehab Program Guidelines**
- **Clean 2023 Homeowner Rehab Guidelines as proposed**