

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 22, 2023

REGARDING: ALLOCATION OF \$2,000,000.00 OF THE HOUSING TRUST FUND DOLLARS TO THE SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY (“HRA”) DOWNPAYMENT ASSISTANCE PROGRAM.

Requested Board Action

Allocation of \$2,000,000.00 from the Housing Trust Fund to the Saint Paul Housing and Redevelopment Authority (“HRA”) Downpayment Assistance Program.

Background

The Downpayment Assistance Program (“DPA”) began in 2020 to support housing affordability and wealth building through homeownership opportunities. Since the program began, the City has served over 40 households earning up to 60% of Area Median Income (AMI), allowing them to benefit from the stability and wealth building opportunities of homeownership while addressing the homeownership gap and displacement pressures across the City. The DPA program has been funded through the City of Saint Paul’s Housing Trust Fund (“HTF”) and has received additional funding from Minnesota Housing Finance Agency’s Impact Fund in prior years.

On January 11th, 2023, the HRA approved 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. These changes also included the addition of the Inheritance Fund layer of assistance, which provides additional funding to qualifying descendants of property owners whose property was taken for the construction of Interstate 94 in the Rondo area of Saint Paul.

The DPA Program was initially funded through a \$1.5M allocation from the HTF and an additional \$1M from the Minnesota Housing’s Community Homeownership Impact Fund (“Impact Fund”) program. Currently there is just over \$670,000 remaining of that 2019 HTF allocation.

The changes to the program are designed to serve more homebuyers with more meaningful levels of assistance. Staff anticipate the number of awards and the amount of awards to increase

accordingly. To ensure there is sufficient funding for the DPA program for 2023 and 2024, staff recommend the HRA allocate \$2,000,000.00 of Housing Trust Fund dollars to the DPA program budget. The current HTF summary reflecting this change is attached.

Budget Action

The attached Financial Analysis amends the 2023 HRA budget.

Future Action

Staff may seek HRA approval to apply for Minnesota Housing's Impact Fund in 2023, if the updated terms to the program are able to be met using such funds. Staff is in contact with Minnesota Housing to engage on this possibility.

Financing Structure

Program funds will be used for downpayment assistance, closing costs, property inspections, and program marketing and outreach. Of the \$2 million requested from the HTF, \$1,950,000 will be used to provide downpayment and closing cost assistance loans. Up to \$50,000 is reserved for grants for property inspections and program marketing and outreach, although the balance of this sum may be used for downpayment and closing cost assistance loans once those other funds reserved for downpayment and closing cost assistance loans have been exhausted.

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 "Forgiveable."

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. It further recommends consideration of shared appreciation loans to enable the HRA to continue assisting the maximum number of households, while still providing benefits of homeownership to low-and moderate-income households.

Recommendation:

The Executive Director recommends allocation of \$2,000,000.00 in Housing Trust Fund dollars to the Downpayment Assistance Program.

Sponsored by: Commissioner Tolbert

Staff: Tara Beard (651-266-6636)

Attachments:

- **Housing Trust Fund summary**
- **Financial Analysis**