

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 13, 2019

REGARDING: APPROVAL OF GUIDELINES FOR A DOWNPAYMENT ASSISTANCE PROGRAM AND ALLOCATION OF \$1,500,000.00 OF THE HOUSING TRUST FUND DOLLARS TO THE PROGRAM.

Requested Board Action

1. Approval of the Saint Paul Housing and Redevelopment Authority (“HRA”) Downpayment Assistance Program Guidelines (the “Guidelines”).
2. Approval of \$1,500,000 of the Housing Trust Fund to be allocated to the Downpayment Assistance Program.

Background

The City of Saint Paul’s Housing Trust Fund (“HTF”) is capitalized with \$10,000,000 and supported with a \$2,000,000 ongoing annual investment. These resources, combined with existing city and federal resources, are anticipated to top \$71 million over three years. The HTF will support housing affordability and wealth building through various initiatives, including support for homeownership opportunities created through a downpayment assistance program.

The Saint Paul Housing and Redevelopment Authority (“HRA”) Downpayment Assistance (“DPA”) Program will deepen and expand homeownership opportunities to people with lower incomes, act as a wealth building tool, address the homeownership gap in Saint Paul and help mitigate displacement pressures. This approach provides residents within targeted geographic areas access to necessary resources to assist with attaining homeownership in today’s increasingly pressured market.

Many past investments in affordable homeownership have been at 80%-115% AMI levels and other community partner downpayment assistance programs serve similar income levels. DPA program guidelines recommend deeper income targeting to reach households with incomes representative of neighborhoods prior to gentrification pressures to ensure these households have

increased stability. The strategy of this program aligns with the Saint Paul 2040 Comprehensive Plan's commitment to an all-incomes strategy by addressing the broad continuum of housing needs and challenges faced by Saint Paul residents.

Eligibility requirements are defined in the attached Guidelines. Loans issued by the HRA will meet the following, among other criteria:

- Homes must meet purchase price limits and be located within the eligibility area.
- Loans will be offered at 0% interest, with payment deferred until resale or after 30 years. Upon maturity, the balance of the loan will be due, along with a share of appreciation or less a share of depreciation.
- Maximum of \$40,000 in loan funds per household.
- Household housing ratio (the percentage of monthly income spent on housing) must be between 25 percent and 30 percent.
- Households seeking program funds must earn at or below 60 percent of area median income (AMI).
- Prior to purchase, buyers must complete pre-purchase homeownership or financial education and counseling.

The HRA has applied for an additional one million dollars from the Minnesota Housing Finance Agency's Community Homeownership Impact Fund (MHFA Impact Fund) program. These funds will be used with HTF dollars in targeted geographic areas. A decision from MHFA is expected in late November, with receipt of a funding agreement to follow thereafter.

The DPA program will deepen and expand homeownership opportunities to people with lower incomes and mitigate displacement pressures in areas most vulnerable to displacement.

The program eligibility area, as proposed in the HRA's MHFA Impact Fund application, is the area shown in the attached Original Eligibility Area Map. Use of MHFA Impact Fund resources will be limited to the area proposed in the Impact Fund application, unless a change is approved by MHFA. Staff will request such a change and, if approved, the eligibility area will be that

shown in the Proposed Eligibility Area Map. If MHFA does not permit this change, the eligibility area will be that shown in the Original Eligibility Area Map.

Budget Action

The attached Financial Analysis amends the 2019 HRA budget.

Future Action

Staff will seek HRA approval prior to entering into a funding agreement with MHFA.

Financing Structure

Program funds will be used for downpayment assistance, closing costs, property inspections, and program marketing and outreach. Of the \$1.5 million requested from the HTF, \$1,460,000 will be used to provide downpayment and closing cost assistance loans. A total of \$40,000 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.

To provide households with a longer path to homeownership readiness additional opportunity to access the program, approximately one-half of available funds will be reserved in the form of a “longer-term counseling set-aside” for homebuyer households with longer-term barriers to mortgage- and homeownership-readiness and who are working in partnership with an approved pre-purchase homeownership counseling provider to address those barriers (“Longer-term Households”). Staff will develop procedures to administer this set-aside and reevaluate both these procedures and the size of this set-aside periodically to ensure balance between the goals of serving longer-term households and timely expenditure of funds. However, between now and May 1, 2021, at least half the amount of HTF dollars contemplated in this Report to the Commissioners for downpayment and closing cost assistance (i.e., \$730,000) will only be used or reserved for, Longer-term Households. Between now and May 1, 2021, staff may increase, but will not decrease, the share of funds reserved for Longer-term Households. After May 1, 2021, staff may hold steady, increase or decrease the share of funds reserved for Longer-term Households.

PED Credit Committee Review:

At its September 24, 2019 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 “Vulnerable.”

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 HRA's Interim Executive Director recommends approval of the Saint Paul HRA Downpayment Assistance Program Guidelines and allocation of \$1,500,000.00 to the Saint Paul HRA Downpayment Assistance Program.

Sponsored by: HRA Chair Tolbert

Staff: Nick Boettcher 651-266-6094

Attachments

- **Financial Analysis**
- **Program Guidelines**
- **Original Eligibility Area Map**
- **Proposed Eligibility Area Map**
- **Combined Map: Original Eligibility Area and Proposed Eligibility Area**