

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 14, 2011

**REGARDING: AUTHORIZATION OF BUDGET AMENDMENT OF FEDERAL HOME FUNDS
FOR RONDO COMMUNITY LAND TRUST'S PILOT FORECLOSURE
PREVENTION PROGRAM, CITYWIDE**

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

1. Approve the budget amendment for \$150,000 in Federal HOME funds for the Rondo Community Land Trust (Trust) Pilot Foreclosure Prevention Program.
2. Adopt the attached Resolution, **Attachment A**.

Background

In September 2008, Rondo was awarded \$300,000 in CHDO HOME funds for their Homebuyer Initiated Program via Resolution 08-9/24-05. Since that time, families facing foreclosure have approached Rondo seeking assistance. CHDO HOME funds may not be used for this activity, but HOME funds may be used for this activity. Therefore, Rondo is requesting to convert \$150,000 of the previously awarded \$300,000 of CHDO HOME funds for HOME funds.

Rondo developed a pilot foreclosure initiative aimed at helping families stay in their homes in the face of financial difficulties. The project is designed to assist households who are behind in their mortgage and/or property taxes and choose to put their home into the Trust. In exchange, the Trust will provide funds to lower the mortgage or bring property taxes current (the latter with foundation funds, not HOME Funds) and address major building systems, such as roofs, furnaces and/or plumbing. In the case of mortgage foreclosure, Rondo will work with the lender to modify the mortgage payments to make it affordable long term for the family. Rondo will contribute up to \$25,000 to pay down principal on the mortgage. The benefits of program are 1) the family remains in their home; 2) the mortgage becomes affordable; and 3) deferred maintenance is addressed.

The rehabilitation portion of the loan will be structured as a deferred loan assigned to the HRA that will be due upon sale of the house. The deferred loan shall not exceed \$25,000 unless prior approval is granted by HRA staff. The loans are available to Saint Paul households at or below 80% of the HUD area median income guidelines.

Rondo has formed strong partnerships with Neighborhood Energy Connection (NEC), Sparc, Southern Minnesota Legal Services (SMLS), Neighborhood Development Alliance (NeDA), and the City of St. Paul to address this growing issue. Rondo works with these partners to evaluate the homeowner's situation to see if a combination of mortgage write-down, Rondo subsidy, energy improvements and/or financial counseling will be enough to keep the family in their home.

- The program is available Citywide for existing homes
- No businesses will be displaced or relocated
- No acquisition will occur through eminent domain

Budget Action

The HOME budget needs to be amended for \$150,000 in CHDO HOME Funds to be used as program HOME funds as described in **Attachment A**.

		<u>Current Budget</u>	<u>Changes</u>	<u>Amended Budget</u>
SPENDING PLAN:				
P6 103-37003-0547-63624	Rondo HIP/HOP Program	250,000	(250,000)	-
P6 103-37003-0547-63551	Rondo -CHDO	763,359	100,000	863,359
P6 103-37001-0547-63639	Rondo Non-CHDO	-	<u>150,000</u>	<u>150,000</u>
Total Spending		<u><u>1,013,359</u></u>	<u><u>-</u></u>	<u><u>1,013,359</u></u>

Future Action

Not applicable.

Financing Structure

The financing will be structured as a forgivable loan to the Trust, which will be forgiven after ten years provided program objectives are met. Once an income eligible homeowner refinances a house through the Foreclosure Prevention Program, a \$15,000 second mortgage will be placed on each house that will be forgiven after a ten-year homestead period. In addition, a Declaration will be placed on the land.

Principal reduction	\$65,000	approximately three loans
Rehabilitation loan	\$65,000	approximately three loans
Rondo's management fee	<u>\$20,000</u>	
TOTAL	\$150,000	

PED Credit Committee Review

The Credit Committee reviewed this proposal at their November 21, 2011 meeting and gave it a risk rating of "F" for Forgivable Loan.

Compliance

The requirements that apply to the project are Vendor Outreach, Section 3 and Affirmative Action. The compliance documents have been sent to the developer. The second *Developer/Applicant Compliance Acknowledgement Letter* has been executed and received.

Green/Sustainable Development

The first requirement of the HOME funds is to address health and safety issues within the homes, including lead paint abatement. In addition, the home owners are required to comply with Chapter 34 of the Saint Paul Housing Code. If funds remain, the home owners will be guided to make sustainable improvements.

Environmental Impact Disclosure

N/A

Historic Preservation

Each house will need to be evaluated using the 106 review before rehabilitation may be considered.

Public Purpose/Comprehensive Plan Conformance

- Provides housing ownership opportunities for families at or below 80% AMI.
- Maintains homes as affordable (80% AMI) for 99 years.
- Complies with City of Saint Paul Comprehensive Plan, Housing Chapter, Strategy 2 for both housing preservation through rehabilitation and foreclosure prevention.

Recommendation:

The Executive Director recommends converting \$150,000 of the previously awarded CHDO funds into HOME funds for the pilot Foreclosure Prevention Program.

Sponsored by: Commissioner Dave Thune

Staff: Allen Carlson

Attachments

- **Attachment A -- Resolution**