

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

## **REPORT TO THE COMMISSIONERS**

**DATE: October 11, 2017**

**REGARDING: AUTHORIZING HRA STAFF TO APPLY TO RAMSEY COUNTY COMMUNITY AND ECONOMIC DEVELOPMENT TO ACT AS SERVICER FOR THE RAMSEY COUNTY RESIDENTIAL REHABILITATION DEFERRED LOAN PROGRAM AND THE MINNESOTA HOUSING FINANCE AGENCY FIX UP LOAN PROGRAM IN GREATER RAMSEY COUNTY.**

### **Requested Board Action**

Authorization to apply to Ramsey County Community and Economic Development for servicing of their Community Development Block Grant (CDBG) Residential Rehabilitation Deferred Loan Program which serves homeowners of Greater Ramsey County (excludes the city limits of St Paul) and to apply to the Minnesota Housing Finance Agency for expansion of our Fix Up Loan boundaries to include Greater Ramsey County.

### **Background**

Saint Paul's Department of Planning & Economic Development (PED) staff was approached by Ramsey County staff about the possibility of acting as the the servicer for Ramsey County's deferred loan program. In addition, staff was asked by Minnesota Housing to apply as lender to the Minnesota Housing Fix Up Loan Program in Greater Ramsey County which will require boundary expansion approval.

Greater Metropolitan Housing Corporation (GMHC) will be closing their Housing Resource Centers (HRC) in Minneapolis and Shoreview in December and will stop processing all homeowner loans in Greater Ramsey County on September 29, 2017.

### **Ramsey Cty CDBG Deferred Loan Program in Greater Ramsey County**

HRC currently processes, closes, manages rehab and services approximately 25 deferred homeowner rehab loans per year for Ramsey County. The maximum loan amount for residents of Greater Ramsey County is \$18,000 with loans forgiven after 10 years for residents at or below 50% (\$45,200 for a family of 4) of Area Median Income (AMI) and forgiven after 30 years for

residents between 51% and 80% (\$68,000 for a family of 4) of AMI. Ramsey County was awarded \$400,000 for the deferred loan program.

Existing PED staff working with homeowner rehabilitation loans would process the loans based on current CDBG guidelines and PED Rehab Advisor staff would assist with developing scopes of work, bidding and construction draws for this program. Ramsey County would pay us \$1,500 per loan for servicing: 25 loans x \$1,500 = **\$37,500** Estimated potential income

HRC is not processing new loans at this time and is maintaining a waiting list. Ramsey County staff would like PED staff to submit an application and the Ramsey County attorney will generate a servicing agreement for our review and signature.

#### **Expansion of service area boundaries for the Minnesota Housing Fix Up Loan Program**

Ramsey County staff has requested PED staff complete an application to expand boundaries beyond the existing City of Saint Paul limits for the Fix Up Loan Program through Minnesota Housing to include Greater Ramsey County.

HRC has been processing and closing about 25 MHFA Fix Up Loans per year in Greater Ramsey County. The loans have a maximum loan amount of \$50,000 and require minimal staff time to process the applications (Rehabilitation Advisor only reviews the rehab bids). Minnesota Housing would pay a \$400 processing fee per loan:

25 x \$400 =	<b>\$10,000</b>	
1% Origination Fee	<b><u>\$ 6,250</u></b>	
Total	<b>\$16,250</b>	Estimated potential income

The Minnesota Housing Fix Up Loan program is a forward commitment program funded within 3 business days after the loan closing.

PED has existing staff capacity to provide services to Greater Ramsey County and Minnesota Housing on the Programs detailed in this report. PED staff has extensive experience in providing homeowner rehabilitation loans using CDBG funds and we are a high producing lender for the Minnesota Housing Fix Up loan program.

**Budget Action**

No budget amendment required for 2017 and a technical budget amendment for 2018 will be made prior to the 2018 budget adoption.

**Future Action**

NA

**Recommendation:**

The Executive Director of the HRA recommends the HRA Board adopt the attached Resolution allowing staff to apply to Ramsey County to act as servicer of their Residential Rehabilitation Deferred Loan Program and to MHFA to the Fix Up Loan Program for residents in greater Ramsey County.

**Sponsored by:** Chair Brendmoen

**Staff:** Michelle Vojacek 266-6599