

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2023

REGARDING: ALLOCATION OF \$500,000.00 OF THE HOUSING TRUST FUND DOLLARS TO THE SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY (“HRA”) HOMEOWNER REHAB PROGRAM

Requested Board Action

Allocation of \$500,000.00 from the Housing Trust Fund to the Saint Paul Housing and Redevelopment Authority (“HRA”) Homeowner Rehab Program.

Background

The Homeowner Rehab program (the “Program”) has been administered by the City for over 30 years to provide affordable residential rehabilitation assistance to low- and moderate-income homeowners for the purpose of maintaining and improving their homes. Since 2010, the Program has served over 600 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 included the newly created Inheritance Fund initiative, which is intended to mitigate some of the lost generational wealth of direct descendants of property owners 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 Inheritance Fund has been embedded in the Homeowner Rehab Program since March of 2023. Interest in the Homeowner Rehab Program increased significantly since the deployment of the Inheritance Fund and over 700 pre-applications were submitted between March and May of 2023. Since closing the waitlist in May, the City has served 32 household with homeowner rehab loans, 2 of which were eligible for Inheritance Fund layers of assistance.

During the implementation of the Inheritance Fund in early 2023, additional updates were made to the Homeowner Rehab Program including an increase in the maximum award available to all applicants to account for rising construction costs and inflation. The combination of increased interest and increased maximum award amounts has resulted in staff serving more households than anticipated since closing the waitlist in May of this year, and without additional funding the City will have to pause the program until the next infusion of City of Saint Paul's Capital Improvement Budget Community Development Block Grant (CIB-CDBG) funds, which is not anticipated to be available until July of 2024.

Rather than pause the Homeowner Rehab Program, staff is requesting a \$500,000 allocation of Housing Trust Fund dollars to continue to operate the program from now until additional funds are available. Staff is working on program design changes to ensure future City of Saint Paul's Capital Improvement Budget Community Development Block Grant (CIB-CDBG) fund allocations are deployed at a pace that do not require future requests for Housing Trust Fund funding.

Budget Action

The attached Financial Analysis amends the 2023 HRA budget.

Future Action

HRA staff have applied for \$2,000,000 of City of Saint Paul's Capital Improvement Budget Community Development Block Grant (CIB-CDBG) funds to fund the program for the period between July 2024 and July 2026.

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

N/A

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 \$500,000.00 in Housing Trust Fund dollars to the Downpayment Assistance Program.

Sponsored by: Commissioner Tolbert

Staff: Tara Beard (651-266-6636)

Attachments:

- **Financial Analysis**