



---

**EDA WORK SESSION**  
**MUNICIPAL CENTER LOBBY CONFERENCE ROOM**  
**1616 HUMBOLDT AVENUE, WEST ST. PAUL, MN 55118**

**MONDAY, FEBRUARY 10, 2020**  
**IMMEDIATELY FOLLOWING OCWS**

1. Open Work Session
2. Roll Call
3. Agenda Items
  - 3.A. Expansion Of Housing Rehab Programming

Documents:

[EDA REPORT - HOUSING REHAB PROGRAM.PDF](#)  
[ATT. -HOUSING REHAB SUPPLEMENTAL 021020.PDF](#)  
[ATT. - 100K HOMES, WATCH AREAS 6.17.19.PDF](#)

4. Adjourn

*If you need an accommodation to participate in the meeting, please contact the ADA Coordinator at 651-552-4108 or email [ADA@wspmn.gov](mailto:ADA@wspmn.gov) at least 5 business days prior to the meeting*  
*[www.wspmn.gov](http://www.wspmn.gov) EOE/AA*

To: **EDA President and Board**  
From: **Ryan Schroeder, City Manager**  
**Jim Hartshorn, EDA Executive Director**  
Date: **February 10, 2020**

## Expansion of Housing Rehab Programming

### **BACKGROUND INFORMATION:**

Within the 2020 EDA budget is an allocation toward rehab programs of \$150,000. Intended is that we would continue commercial rehab but add to it an expansion of current housing rehab programming. The Public Safety Committee discussed this initiative at their meetings of October 22 and December 3, 2019. This was followed by a January 27 Council OCWS presentation by Jason Peterson of NeighborWorks. At that meeting, consensus was to continue to pursue a rehab program expansion.

Following Council direction, specifics of the rehab program initiative were discussed at the February 4, 2020 Public Safety Committee meeting. This Committee is endorsing proceeding with a program and is recommending it be focused as follows:

- The program be created as a 1-3 year PILOT program and that eligibility during the PILOT be limited to single family homesteaded properties located within that area of the community bounded by: Annapolis, Robert, Butler, and Waterloo. It is suggested impact can be greatest with a limited geographical focus and this area has previously been identified as an area with the greatest opportunity for impact. It should be noted, however, that if this geographic target does not generate the desired interest level, the limitation could be revisited.
- The program would further be targeted to households with incomes between 80% and 120% AMI and that there be no limits on current or future market value of the homesteaded property.
- Improvements eligible for financing be limited to code deficiencies, exterior improvements to the structure (siding, windows, doors, roofs), and system replacement (HVAC, electrical, plumbing) with a specific exclusion of aesthetic improvements (kitchens, baths, flooring, et al). The Committee recommended the minimum loan amount be set at \$5,000 with the maximum of \$15,000 during the PILOT. The other NeighborWorks programs have lower minimum thresholds (of \$2,000) but the Committee thought the administrative costs of smaller loans should be avoided. The other communities have larger maximum loans (\$25,000 to \$40,000) but, with limited resources, the Committee preferred to offer loans to more households over larger loan amounts.
- An interest rate in 2020 of 3.5% (a check of home equity loans reveals the current market minimum at about 3.79% APR with an 85% LTV and MHFA fix up loan fund is currently at 4.25%). The Committee did not discuss a specific loan term. In the Shoreview and Woodbury programs, the maximum loan is 15 years. In North St. Paul, the maximum loan is 20 years for loans greater than \$10,000 and 10 years for smaller loans. Anticipated is 15-year loan term maximums.

Sample \$15,000 Loans (City Admin fee of \$1,500 to NeighborWorks)

Interest Rate	Loan Term	Monthly Payment	Total Int. Paid
3.5%	15 year	\$107.23	\$4,301.83
3.5%	10 year	\$148.33	\$2,799.46
3.0%	15 year	\$103.59	\$3,645.70
3.0%	10 year	\$144.84	\$2,380.93

- The only origination or application fee to the borrower would be \$150 refundable if they do not gain loan approval. Standard underwriting guidelines (security, loan to value, et al) would apply.

Under the contract proposal, NeighborWorks would provide all administration of the program. Beyond capitalizing the loan fund, the EDA would contribute 10 percent of each initial loan back to NeighborWorks to pay for program administrative costs. With Board authorization, it is anticipated that marketing of this program could be available by April 1. It is intended that investments of funds be a revolving pool. Hence, as repayments of loans occur those funds be used to replenish capital within the loan fund.

Proposed is a contract through 12/31/20 but which automatically extends unless either party provides notice. Anticipated is that the EDA would capitalize the loan fund similarly in future years as supplemented by repayments from borrowers.

**FISCAL IMPACT:**

Up to \$49,500 at three loans per year at recommended maximum or \$82,500 at five loans. With these metrics, replacement of investment into the loan pool could range from about \$3900/year at three loans in 2020 up to about \$8900/year at five loans.

		Amount
<b>Fund:</b>		
<b>Department:</b>		
<b>Account:</b>		

**STAFF RECOMMENDATION:**

Consideration of housing program guidelines above and the proposed contract with NeighborWorks.

## Housing Rehab Supplemental

### WSP Housing Rehab Background Data

The CDA program uses federal CDBG dollars and supplements with other CDA funds. Between 2014 and 2017, the CDA averaged investments in WSP of about \$175,000/year with an average loan of just under \$20,000. Loans were granted to an average of nine homeowners per year throughout the community. The loan minimums are \$15,000 with maximums of \$25,000 at 0% interest and no monthly payments. Loans are repayable if the property is refinanced or sold. Eligible households are below 80% AMI. For a family of four income must be below \$75,500. Income caps range from \$52,850 for a single person household up to \$99,700 for a household of eight. Borrowers must have a credit score of 580 or above, a 110% Debt to income cap and a cap of \$60,000 in assets. There is generally a 6-8 month waiting list for this program.

### NeighborWorks Income Qualification

In order to qualify for MHFA supplemental funding which could increase the funding pool a similar household size adjustment would be necessary. Hence, that is what is proposed here with income caps for each strata at 120% rather than the 80% used by the CDA. Hence, household maximum income limits would be approximately:

Household Size	Income Limit
1	\$ 79,000
2	\$ 90,000
3	\$101,000
4	\$113,000
5	\$122,000
6	\$131,000
7	\$140,000
8	\$149,000

### Other lender requirements:

Loan to Value limit: 100%

Debt to Income limit: 50%

Credit Score Minimum: 580

Other: Current on mortgage, property tax, consumer credit

Other: Subordinate to First Mortgage, which must be A rated fixed rate loan

Other: loan secured by mortgage in favor of West St. Paul EDA

Other: Standard underwriting will apply

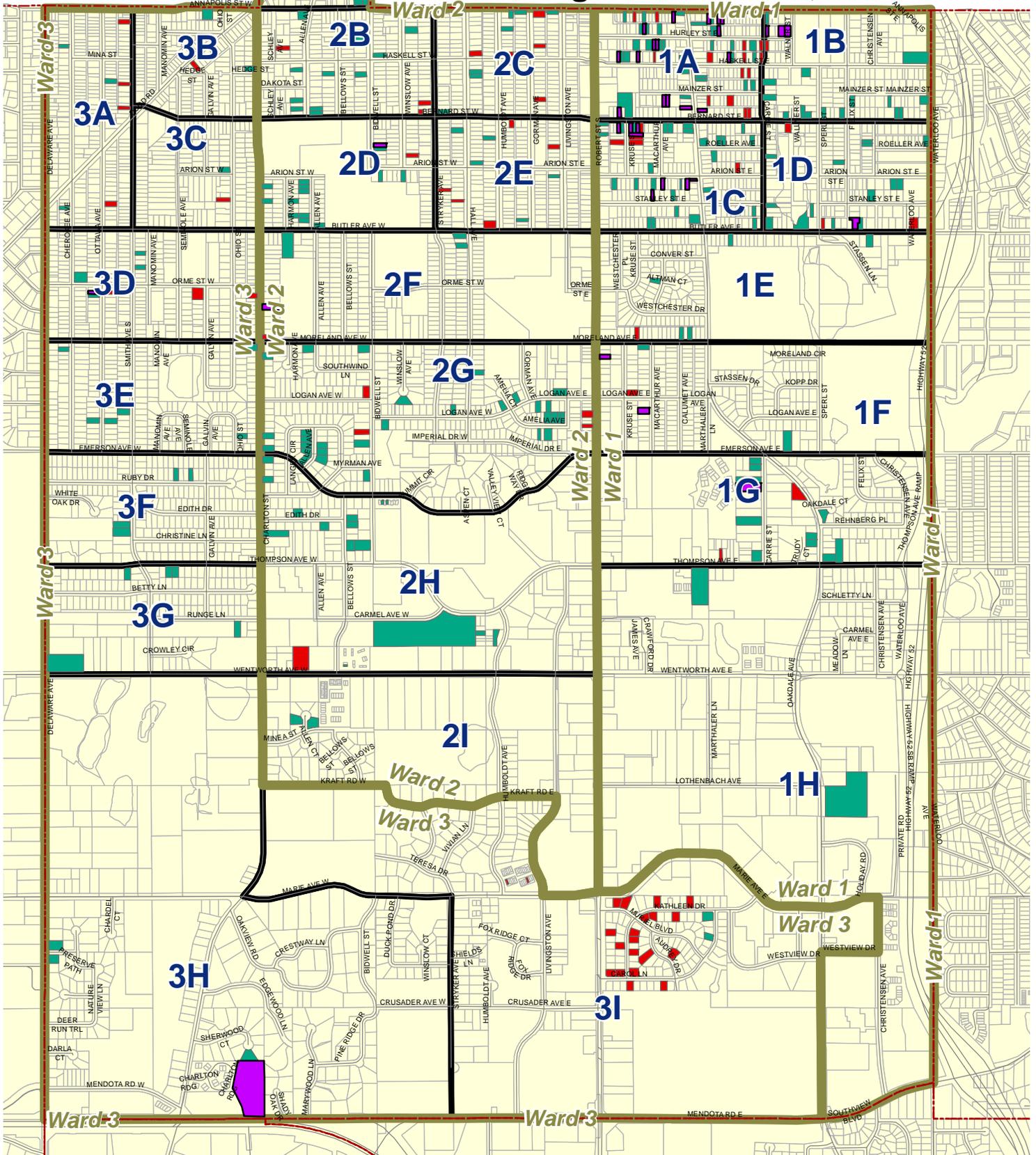
### Marketing

NeighborWorks has a basic toolkit that they create for each municipal partner. This would include such things as the guidelines in a PDF, application packet, and custom webpage on their website, language to include on our website, flyer/door hanger design, and social media material. They would also always market the program during their regular marketing efforts, which include regular newsletters, tabling at external events, presentations to various groups and regular communication with other partners. They reach many folks through these channels. They do not

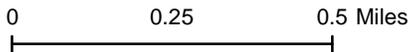
do individualized marketing campaigns per se but instead work with municipalities to help implement them. For instance, they helped Shoreview create an ad, which they ran in their paper. In North St. Paul, they created a third pager that the City included in their monthly utility mailings. NeighborWorks does not pay for individualized ads or brochures beyond their generalized marketing documents and other materials.

We would use our customary channels including newsletters, social media, and press releases, presentations to Council and at community events.

# Housing Conditions Survey Single-Family Watch Area Parcels and Parcels with Buildings Valued \$100,000 or Less



Map Dated  
June, 2019.



### Legend

- 2015 Single-Family Watch Areas
- Buildings Valued \$100K or Less
- Parcels in Both Categories

Prepared for the  
West St. Paul Community  
Development Department  
by the Dakota County Office of GIS.