

To: **Economic Development Authority Board**
From: **Ryan Schroeder, City Manager**
Jim Hartshorn, Community Development Director
Date: **February 10, 2020**

Approval of Housing Rehab Loan Program and Contract with NeighborWorks, Inc.

BACKGROUND INFORMATION:

For a number of years, Dakota County has been administering the Community Development Block Grant (CDBG) housing rehab program on behalf of West St. Paul. Each year, West St. Paul has been allocated around \$100,000/year from the entitlement dollars the County receives to operate this program. On July 8, 2019, West St. Paul entered an agreement with the County for their continued operation of this program through 2022.

Between 2014 and 2017, West St. Paul was allocated \$352,581 in total entitlement dollars. To that total, the County added Countywide CDBG funds or CDA levy funds such that total spent in West St. Paul over that four-year period was \$703,561. Over that period, there were 36 total rehabs with five of the forgivable 0% loans going to households below 30% of AMI (Adjusted median income), another 4 to households between 30% and 50% AMI and the remaining twenty-seven loans to households from 50% to 80% AMI. The City's CDBG funds are used within 12-18 months of allocation. There are typically persons within the community on the waiting list, and the average wait time is 6-8 months.

The rehab program is primarily used for HVAC, roofs, siding, and windows. Usually roofs, siding and windows are done together. They have also used funds to make bathrooms handicapped accessible or update fixtures and plumbing in kitchens. Most of the loans are used for exterior and structural work. With an average loan around \$20,000, they are limited in the amount of work that can be done. The CDBG program only serves income-eligible residents who meet program/federal requirements.

West St. Paul has also collaborated with Habitat for Humanity and the Dakota County CDA with their first time homebuyer programs. Over the past twenty-five years, there have been about 40 properties that have been purchased in West St. Paul through these programs. West St. Paul also has operated a Housing Replacement Program since 2000 within which 27 properties have been purchased, razed, and resold.

The City Council and the EDA have expressed an interest in expanding efforts in housing rehab, housing stabilization and the like. Toward that goal, we have allocated future Housing TIF development funds toward housing rehab from the Winslow Housing TIF District (DARTS/REE building). Also, as part of the 2020 EDA budget is included an allocation which is proposed toward housing rehab. Between 2013 and 2019, our EDA Business Subsidy budget has averaged about \$50,600/year in actual non-reimbursed expenditures (ranging from an annual low of \$10,000 up to about \$105,000). In 2020,

the Business Subsidy budget is at \$150,000 with the intent that \$50,000 could reasonably be allocated toward housing rehab without reducing commercial rehab efforts. If 2020 turns out to be a typical year, available housing rehab dollars could perhaps double.

We have been in discussions with NeighborWorks Home Partners since October to work toward a collaboration with this non-profit to expand current housing rehab efforts. On the EDA workshop agenda this evening is an outline of a possible program administered by NeighborWorks. Brought to the EDA workshop is a program that would provide a Pilot Program for housing rehab loans as noted below (any changes or additions from the workshop discussion are intended to be brought forward to this discussion).

- Loan eligibility is for single family homesteaded property located south of Annapolis, north of Butler, east of Robert and West of Waterloo. It is anticipated that this boundary will be expanded in the future.
- Qualifying borrowers would be eligible for up to 15 year loans at an interest rate of 3.5%. The only cost to the borrower in other fees would be a \$150 application fee refundable if the applicant is not loan qualified. Borrowers cannot exceed household income of 120% of Metro Area median income.
- Loan minimums are \$5,000 and maximums are \$15,000 which can be used to correct code deficiencies, complete exterior improvements to the home or complete systems improvements (HVAC, wiring, plumbing).

It should be noted that the Dakota County CDA loan program is continuing and West St. Paul property owners may also be eligible for the MHFA fix up loan fund or home equity loans through the private marketplace.

FISCAL IMPACT:

Estimated at \$50,000 from the EDA Budget

		Amount
Fund:		
Department:		
Account:		

STAFF RECOMMENDATION:

By motion, authorize the housing rehab loan program, budget authorization and contract with NeighborWorks Home Partners.