


ROSEVILLE
ECONOMIC DEVELOPMENT AUTHORITY

Date: May 15, 2023
Item No.: 5.c

Department Approval

Executive Director Approval

Janice Gundlach

Randy Trueman

Item Description: Consider replenishment of funds for various home loan programs

BACKGROUND

On July 19, 2021 the Roseville Economic Development Authority (REDA) adopted a Senior Deferred loan, a Manufactured Home Improvement loan, a Last Resort-Emergency Deferred loan and a First Generation Down Payment Assistance Program. Then, on May 16, 2022 changes were made to the Roseville Revolving Home Improvement Loan program, specifically a lowering of the interest rate from 4% to 3% and a change to how the origination and administrative fees were funded whereby these small, one-time costs were moved to the REDA's annual budget funds as opposed to being paid for out of the existing revolving loan fund. These changes were made in an effort to create a more competitive loan so that funds would be utilized for their intended purpose given the former program's parameters had become outdated, new loans were not being processed, and the balance in the revolving loan fund was growing. All of these home improvement loans were created or revised based upon the expertise of the Center for Energy and Environment (CEE), who serves as the loan programs' administrator.

The following is a summary of each loan program CEE administers on behalf of the REDA.

Residential Revolving Loan Program

This program provides loans from \$10,000 to \$40,000 for home improvements at an interest rate of 3% amortized over 10 years. The program does not have any income qualifications but does require that the home value not exceed the current median value in Roseville. The 2023 median value is \$335,400. The program allows for an adjustment up to 110% of median value, which currently equates to \$368,940. The median value is annually adjusted based upon Ramsey County Tax Assessor Records. Since revision of the interest rate on May 16, 2022 the program has closed on eighteen new loans.

Last Resort – Emergency Deferred Program

This program funds an emergency, which is defined as a condition that makes the house uninhabitable, extremely dangerous to the occupants, or is capable of causing severe health problems. The loan is deferred, but not forgiven, at an interest rate of 0%. The maximum loan amount is \$10,000. There is no debt-to-income ratio requirement and the loan is due upon sale of the home, or refinancing when taking cash out. No loans have been originated since adoption of this program in July of 2021.

Manufactured Home Improvement Program

This program is designed to fund interior or exterior improvements to manufactured homes. The

loan is amortized over a maximum term of 10 years at a 4% interest rate. The maximum loan amount is \$10,000. The loan has debt-to-income and loan-to-value requirements. No Loans have been originated since adoption of this program in July of 2021. Staff would note that every manufactured home received a letter (in English & Spanish) advertising this loan program shortly after it was created.

Senior Deferred Loan Program

This program is designed to fund interior and exterior improvements. It is targeted to seniors, is deferred, and has a 0% interest rate. The maximum loan amount is \$25,000. There is no debt-to-income ratio requirement, but a loan-to-value of 110% does apply. The loan is due upon sale of the home. CEE conducts an inspection to prioritize improvements that should be done to the home to ensure the loan proceeds fund appropriate/necessary improvements. Seventeen loans have been originated since creation of the program in July of 2021.

Down Payment Assistance (DPA) Program

The program is designed to help underserved communities who seek to be first generation home owners with a \$25,000 deferred loan. One of two qualifiers is that the parents have never owned a home or the parent lost a home to foreclosure. In order to meet this criterion, the applicant signs an affidavit representing their parent’s status and if it is found to be a false statement, the charges could result in a felony conviction, imprisonment for up to two years, and a monetary fine of up to \$20,000. Three loans have been originated since creation of the program in July of 2021.

All programs have been funded using the existing account balance in the Roseville Revolving Home Improvement Loan fund. Due to the popularity of the newly created programs, and the adjustments to the Revolving Loan program, the existing account balance has been greatly reduced. In accordance with the commitments made at the time these loan programs were created, the REDA has been advised by CEE that funding is running low. Based on total funds originally available, REDA staff and CEE allocated funding levels to each program to ensure funds were available for each of the different loan programs. These allocations were based on CEE’s expertise and experience in administering these, and similar, loan programs. Below is what remains in the account balance and budget for use in each of the programs.

<u>Program</u>	<u>Funds Remaining</u>
Roseville Revolving Home Improvement	\$156,214.00
Sr. Deferred Loan	\$20,251.00
1st Gen DPA Loan	\$25,000.00
Manufactured Home Loan	\$30,000.00
Emergency Deferred Loan	<u>\$30,000.00</u>
TOTAL	\$261,465.00

Beyond loans that have closed, there are currently five loan applications in-process for the Roseville Revolving Home Improvement Loan.

If the REDA wishes to sustain these programs, additional funding must be identified. Staff has identified two sources of funding for the REDA’s consideration:

- Excess REDA operating fund balance. As of April 20, 2023, the current balance in the REDA operating fund is \$533,170. The target balance for this fund is 35% of the operating budget, which

83 for the current year is approximately \$182,000. This suggests there is approximately \$350,000 of
84 excess funds in the REDA operating fund.

- 85 • Housing Redevelopment Authority (HRA) funds from the multifamily account, which has a current
86 balance of \$1,761,849.

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88 Based on the two sources identified above, staff suggests utilizing \$200,000 from the REDA operating fund
89 and \$300,000 from the multifamily account, for a total of \$500,000, to replenish the Roseville Revolving
90 Home Improvement Loan fund, which funds all the programs outlined earlier in this report. The additional
91 \$500,000 should be sufficient funding through at least 2023. The popularity of the various programs,
92 specifically the Revolving Home Improvement, Senior Deferred, and First Generation DPA is not likely to
93 sustain at the current level, which is a product of pent-up demand immediately following creation of the
94 programs and lowering of the interest rate.

95
96 If the REDA wishes to replenish funding for the various loan programs, staff seeks direction on budget for
97 each of the programs. After consultation with CEE, staff suggests the following budgets, assuming
98 \$500,000 of additional funding is deemed appropriate:

100 Roseville Revolving Home Improvement	\$280,000.00
101 Sr. Deferred Loan	\$145,000.00
102 1st Gen DPA Loan	\$75,000.00*
103 Manufactured Home Loan	no additional budget requested
104 Emergency Deferred Loan	<u>no additional budget requested</u>
105 TOTAL	\$500,000

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107 *When Roseville adopted the DPA program, Ramsey County was in the process of reviewing their DPA
108 program as it was underutilized with the current market conditions. The County has revised their DPA
109 program and now offers two. The first is geared to first time buyers and provides a deferred loan up to
110 \$20,000. The second is for 1st generation homeownership and provides up to 25% of the purchase price and
111 is forgiven over 20 years. The current maximum purchase price for the first generation program is
112 \$372,600, thus offering up to \$93,150 of funds forgiven over 20 years. The Roseville DPA can be utilized
113 together with Ramsey County's programs. Given how the County has revised their DPA offerings since the
114 REDA-created DPA program went into effect, the REDA may want to consider if it's still appropriate to
115 fund a Roseville DPA program. Staff would note that one reason the REDA created the DPA program
116 currently in place was because the County did not previously offer a program specific to first generation
117 buyers. Also worth noting is the State of Minnesota, during the current legislative session, is proposing to
118 provide one time funding for a First Generation DPA program. If the REDA decides not to continue to
119 budget for DPA loans, the \$75,000 budget noted above could, instead, be allocated towards the Senior
120 Deferred loan.

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122 **POLICY OBJECTIVE**

123 The REDA's role is to coordinate and administer housing, economic development and redevelopment
124 efforts for the City of Roseville.

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126 **RACIAL EQUITY IMPACT SUMMARY**

127 There are no identified racial equity impacts related to this request.

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129 **BUDGET IMPLICATIONS**

130 Excess REDA operating funds of \$200,000 and \$300,000 from the HRA levy multifamily account are

131 proposed to be utilized towards home improvement loans.

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133 **STAFF RECOMMENDATION**

134 Staff recommends the REDA allocate an additional \$500,000 towards the Revolving Loan fund, based
135 on the following sources and budget:

- 136 • Transfer \$200,000 from the EDA operating fund
- 137 • Transfer \$300,000 from the HRA multifamily account
- 138 • Budget the newly allocated \$500,000 towards the following programs:
 - 139 ○ \$280,000 to the Revolving Home Improvement program
 - 140 ○ \$145,000 to the Senior Deferred program
 - 141 ○ Make a determination of whether to continue to fund the First Generation Down
142 Payment Assistance program. If the REDA wishes to continue to offer this program,
143 staff recommends allocating \$75,000 of additional funds. If it is determined the Ramsey
144 County programs are sufficient to meet Roseville’s needs, funds should be allocated to
145 the Senior Deferred program.

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147 **REQUESTED EDA ACTION**

148 By motion, provide direction to staff on replenishment of the various home improvement loan
149 programs, including sources and levels of funding.

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151 Prepared by: Jeanne Kelsey, Housing & Economic Program Manager, 651-791-7086