



REQUEST FOR ECONOMIC DEVELOPMENT AUTHORITY ACTION

Date: July 19, 2021
Item No.: 5.b

Department Approval

Executive Director Approval

Janice Gundlach

Pam Trueman

Item Description: Consider authorizing an amendment to the Contract for Services with Center for Energy & Environment (CEE) for administration of new housing loan and down payment assistance programs.

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At the March 22, 2021 Roseville Economic Development Authority (REDA) meeting the board was provided information on the existing Residential Revolving Loan Program and several proposed loan programs the REDA could offer, including a Senior Deferred loan, a Manufactured Home Improvement loan, and a Last Resort-Emergency Deferred loan. Additionally, information was provided regarding a Down Payment Assistance Program exclusively for first generation homeownership. The REDA directed staff to proceed towards creation of all four new programs, but referred the programs to the Roseville Finance Commission first for feedback. REDA staff presented to the Finance Commission on May 11, 2021. Commission members were supportive of all programs and offered no specific feedback or changes for consideration by the REDA.

Staff has been working with the REDA attorney and CEE to finalize the programs and amend the existing contract for loan administration services. Attached is the amended contract for professional services (Attachment A). Staff seeks direction from the REDA on one remaining issue: Whether or not, related to the first generation down payment assistance program, the REDA will allow for use of other down payment assistance programs (Ramsey County & Minnesota Housing each administer such programs) on top of the REDA's. If the answer is yes, the REDA must recognize there is no certainty the REDA loan would be in 2nd position after the 1st mortgage, unless CEE is able to get the other lenders of down payment assistance to subordinate. This could impact the REDA's ability to be repaid should the mortgage default as this loan is deferred, meaning the borrower repays upon sale or refinance. It's important to remember, the REDA's down payment assistance program is exclusively for first generation home buyers and meant for under-served populations. If the REDA is willing to allow use of other down payment assistance programs, on top of theirs, it could provide opportunities for affording a higher-priced home and/or for the new home buyer to not have to pay mortgage insurance, which is a cost savings to the monthly mortgage payment for that new home owner.

The following is a summary of the programs:

Residential Revolving Loan Program

This program is existing and provides up to \$40,000 for home improvements at an interest rate of 4% over 10 year amortization. Currently program is not being utilized as interest rate is not competitive. Program will remain in place and no changes will be made to the program.

34 *Last Resort – Emergency Deferred Program*

35 This program is designed to fund an emergency, which is defined as a condition that makes the
36 house uninhabitable, extremely dangerous to the occupants, or is capable of causing severe health
37 problems. The loan would be deferred, but not forgiven, at an interest rate of 0%. The maximum
38 loan amount would be \$10,000. There is no debt-to-income ratio requirement and the loan would
39 be due upon sale of the home, or refinancing when taking cash out.

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41 *Manufactured Home Improvement Program*

42 This program is designed to fund interior or exterior improvements to manufactured homes. The
43 loan would be amortized over a maximum term of 10 years at a 4% interest rate. The maximum
44 loan amount would be \$10,000. The loan would have debt-to-income and loan-to-value
45 requirements.

46
47 *Senior Deferred Loan Program*

48 This program is designed to fund interior and exterior improvements. Because it is targeted to
49 seniors, the loan would be deferred, but not forgiven, at an interest rate of 0%. The maximum loan
50 amount would be \$25,000. There is no debt-to-income ratio requirement, but a loan-to-value of
51 110% would apply. The loan would be due upon sale of the home. CEE would conduct an
52 inspection to prioritize improvements that should be done to the home.

53
54 *Down Payment Assistance Program*

55 The program is designed to help underserved communities who seek to be first generation home
56 owners with \$25,000 deferred loan. One of two qualifiers would be either the parents have never
57 owned a home or if the parent lost a home to foreclosure. In order to meet this criteria, the applicant
58 would sign an affidavit representing their parent's status.

59 **BUDGET IMPLICATIONS**

60 The REDA will be using existing fund balance from the Revolving Loan Program of \$784,125. If, at any
61 time, CEE determines funds to administer any of the programs are running low, they would advise staff so
62 the REDA could identify additional funds to administer the programs or whether to cease offering the
63 programs if additional funds couldn't be identified.

64 **STAFF RECOMMENDATION**

65 Recommend allowing borrowers under the Down Payment Assistance Program for first generation
66 homeownership to utilize multiple down payment assistance programs on top of the REDA's, recognizing
67 CEE will request subordination but that it wouldn't be required, and

68 Adopt the amended contract for professional services with CEE for administration of the four new loan
69 programs.

70 **REQUESTED EDA ACTION**

71 Adopt the amended contract for professional services with CEE.

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

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75 Attachments A: Amended Contract for Professional Services with CEE