

City of Minnetonka

Home Loan Program Evaluation

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Resilient Communities Project

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Project Overview

This evaluation report summarizes data collection and analysis activities addressing an issue raised by the City of Minnetonka's (COM) Community Development Unit. The evaluation itself is one of many sponsored by the Center for Urban and Regional Affairs' (CURA) *Resilient Communities Project* to match University of Minnesota students, academic advisors, and community and governmental agencies to focus on urban planning and community development issues. CURA's strategy is to focus the Project on one geographic area or municipality at a time, and for the most current academic year (2012-2013), Minnetonka was selected.

Background

In March of 2011, COM's city manager, John Gunyou, submitted a proposal to the City Council to establish programmatic funds to generate housing loans to eligible (low- to medium-income) Minnetonka residents. (The original proposal, Item #14 for the 7 March 2011 meeting, is documented in appendix A). Loans would provide down payment assistance for first-time homebuyers and/or funding for housing rehabilitation.

When originally proposed, COM had ample information to substantiate the need for these types of housing loans for eligible citizens. In previous efforts as recent as 2009's CDBG housing rehabilitation program, a high demand of applicants exceeded program capacity and a waiting list had to be created. Several others continued to call the City in 2010 asking about the existence of similar housing rehabilitation funds.

The March 2011 proposal to the City Council identified outlined two community development strategies that reflected COM's comprehensive plan and its participation in the Opportunity City Pilot Program (OCPP). Basically, the program would augment an aging stock of houses and set of homeowners by assisting younger households to make a down payment on their first home and/or provide resources for upgrades and maintenance to increase the home's value and energy efficiency.

The down payment program, titled, “Welcome to Minnetonka” and the housing rehabilitation program, titled, “Minnetonka Home Enhancement Program (MHEP)” each had specific guidelines that could be included with marketing material for interested, eligible members of the Minnetonka community. (These guidelines are documented in Appendix B.) As the guidelines indicate, there were clear income-referent criteria for households interested in applying for these funds.

A decision was made per this proposal, however, for an outside agency, the Greater Metropolitan Housing Corporation (GMHC), to administer the program on behalf of the City. At that time a total of \$190,000 was allocated by the city Council for both of these programs. The council has since added funds in 2012 and again in 2013. Down payment loans up to \$10,000 and MHEP loans up to \$15,000 would be administered out of these funds. The City Council, in its discussion and unanimous decision to endorse the March 2011 proposal, acknowledged that not a lot of applicants could be accommodated with these funds and that the funds would be allocated on a first-come first-served basis to those who qualify. The program was set up per the proposal’s guidelines in mid-2011.

GMHC submitted its first annual report to COM on 30 June 2011. GMHC reported that of the \$190,000 budgeted \$171,000 would be available for the *Welcome*/down payment assistance program and MHEP. Allocations to each program could be flexible, but initially, \$136,000 was allocated to MHEP and \$36,000 for down payment assistance. Since the beginning of MHEP program, only one housing rehabilitation loan for \$15,000 has been executed—and this loan was closed on 29 May 2013.

Elise Durbin, COM’s Community Development Supervisor, I was asked to explore *why* at first glance MHEP appeared to “not be working successfully.”

This report will describe my data collection process and analysis that I have conducted since my original meeting with E. Durbin in April 2013. Overall, I engaged several stakeholders with multiple data collection methods. I will respectfully submit recommendations for EDAC to consider for City Council’s attention. My current understanding is that MHEP program funds,

and to a similar extent, down payment assistance funds are up for discussion and approval for their continued allocation.

Data Collection Process

Time Frame	Phase	Documents/Tools/Processes
April to May, 2013	Examination of Secondary Data	MHEP and "Welcome to Minnetonka" guidelines and pre-application criteria;
		City Council documents/minutes, EDAC proposals, and other communications;
		GMHC annual report, full application criteria, and other documents, especially those providing customer satisfaction information
		Lists of MHEP applicants pre-screened by COM; a description of the process that applicants go through from beginning prescreen to loan closure; contextual information provided electronically or verbally by E. Durbin; and other documents, especially those providing customer satisfaction information.
June 2013	Reflection	<ul style="list-style-type: none"> a) synthesis of secondary data b) formulate general hypotheses c) generate evaluation question(s) d) design evaluation activities (Appendix C)
June to July, 2013	Primary Data Collection	<ul style="list-style-type: none"> a) design and electronically administer survey to MHEP applicants b) conduct cursory analysis c) consult w D. Eloundou, program manager at GMHC to explore hypotheses and recommendations d) design protocol and phone interview selected survey respondents e) continue iterative analysis, synthesize quant and qual data f) draft findings, themes g) identify recommendations h) create draft report i) consult with E. Durbin

Survey Findings




1. Overview of Application Process







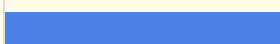
2. Survey Findings

- COM list of pre-applicants referred to GMHC for further processing:
 - 35 “pre-applicants”
 - 29 “pre-applicants” have email addresses and were administered survey
 - 27 email addresses are valid
 - 12 respondents (44% response rate)
 - 11 valid responses
- Survey Respondents:
 - 100% MHEP applicants
 - Average duration of survey: 4.5 minutes (3.5-10 minutes)
 - Incentive to complete and submit survey: \$10 gift card (Target or Caribou)
 - From zip codes: 55343, 55345, 55443, 55305 (#s not listed to protect confidentiality of respondents)



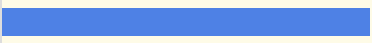
Q5. How did you initially hear/learn of the loan program?

Answer		Response	%
City of Minnetonka Website		2	17%
City Newsletter		7	58%
City of Minnetonka Employee		0	0%
Friend, Family, or Colleague		3	25%
Total		12	100%

Q6. When did you apply for the loan program in which you were interested?

Answer		Response	%
Sometime in 2010		1	8%
Sometime in 2011		2	17%
January-June, 2012		1	8%
July-December, 2012		2	17%
January-June, 2013		6	50%
Total		12	100%

Q7. At the time you applied, how interested were you in using the loan program funds for their intended...

Answer		Response	%
I don't remember		2	17%
I wasn't sure how interested		0	0%
I wasn't really interested		2	17%
I was somewhat interested		0	0%
I was very interested		8	67%
Total		12	100%

Q8. How timely was your response after you applied for your loan?

Answer		Response	%
Not timely at all		0	0%
Very timely		3	25%
Timely enough		3	25%
I don't remember		3	25%
I didn't receive a response		3	25%
Total		12	100%

Q9. What was the response you received to your loan program application?

Answer		Response	%
I don't remember		1	8%
I didn't receive a response		3	25%
I was approved for the loan program		1	8%
I was NOT approved for the loan program		2	17%
Other (Please explain.)	<ul style="list-style-type: none"> • Tentative approval, needed full approval and energy audit to apply for work • I chose to not follow through at this time • I'm still working to obtain qualified bids for the work. • I did not complete the application 	5	42%
Total		12	100%

Q10. All things considered, how satisfied were you with the loan program process?

Answer		Response	%
Very Satisfied		4	33%
Somewhat Satisfied		4	33%
Not Satisfied		3	25%
Very Dissatisfied		0	0%
I'm not sure		1	8%
Total		12	100%

Q11. How interested would you be in receiving information on other City of Minnetonka home loan programs?

Answer	Response	%
Very interested	7	64%
Somewhat interested	2	18%
Not at all interested	1	9%
I'm not sure	1	9%
Total	11	100%

Q12. What suggestions would you like to make to the City of Minnetonka regarding this loan program, this survey, or anything else regarding this topic?

commented earlier
customer service - get some.
Increase the income limit to be eligible.
It helped us out a lot. Huge thanks for offering this.
Make it easier for the contractor to either obtain down payment or some type of financing for participating in the program.
My contact at Mtka City Offices was very nice but I didn't get a real grasp from her on how all this works. I found the letter confusing, also.
no suggestions
One should be able to hire someone of their own choosing. As long as a person is comfortable with that person (company) and follows the guidelines of inspections, permits needed the owner should have freedom to choose.

Key Cross-Tabulations:

Satisfaction with Process by Time of Application:

- Although not significant, those who applied more recently (as of 2013) were more satisfied with overall process than those applying in 2011-2012.
- Most applicants would be likely or very likely to apply for similar funding in the future, unless they dissatisfied with the process.
- Only those who were very satisfied with the process wanted more information on other COM home loan programs. Those were somewhat satisfied (and those below this mark) presented no clear preference for more information.

Interview Findings

Notes: Due to the small pool of respondents (n=7) and the qualitative and revealing nature of the discussion, I will summarize and aggregate information to provide a coherent representation of what was reported and discussed in these phone interview.

- Interviews were semi-structured—allowing further probing on key questions and responses;
- The average duration of an interview was about 15-20 minutes;
- Participants were compensated with an additional \$10 gift card (Target or Caribou).

Key Findings:

- Most respondents heard about MHEP in City Newsletter mailed to house.
- Most were first-time homebuyers with aging houses, and hoped to use funding to improve their home in ways they could decide.
- Most understood the “pre-applicant/pre-approval” income-referent screening criteria as discussed with COM staff; many thought the referral to GMHC for continued processing indicated approval:
 - Many were surprised and/or frustrated that there was additional, more intensive, and in some cases, confusing, screening criteria indicated in subsequent GMHC application material that was not initially discussed with COM staff.
 - When these criteria made certain applicants ineligible, they acknowledged they wouldn’t have pursued the program if they had known the criteria in the beginning. Comments like “waste of time” and “save everybody’s time” were common.
- Some were frustrated with perceptions of conflicting criteria. For example, one respondent indicated awareness that this was a program for “lower-income” residents, but was subsequently ineligible because of credit report issues. In this case, the homeowners were barely approved for their primary loan, but wanted to live in area for the quality of life and schools, even though they would initially be

compromised financially. Although excited with the opportunity promoted by MHEP, because of their high debt-income ratio, they were not eligible for the program.

- There were mixed reports of how good the communication and/or response timeliness was from both COM and GMHC. Many didn't know the difference between the two agencies, but upon prompting, acknowledged the different stages of their application process.
 - Lack of specific agent/caseworker/loan officer
 - Some mentioned the desire for a specific contact person that could guide them through a somewhat cumbersome process. Many mentioned that, as first-time homebuyers (and in some cases the first in their family to purchase a home), the process to secure their mortgage was accompanied with a clearly designated single point of contact. The indication is that something similar in this case would have been helpful.
 - Many were unclear where they were in the application process or how long some processes would take. The indication here is that COM, GMHC, and the homeowner might have very different ideas of timeliness in responses. Clarifying expectations for homeowners could be tremendously helpful.
 - Many were surprised that they had to pay for an energy audit out of their own pockets. Although not overly frustrated, most knew what they wanted to do with loan proceeds and what needed to be fixed.
 - Some were critical of the limited options for what was allowable. Although most understood the value of energy-efficiency, many thought that the purpose of the MHEP was also for general home improvement to increase or stabilize the value of their homes.
 - Some (especially those in an advanced phase of the process) would have appreciated in-person, in-home assistance to help prioritize rehabilitation issues/projects. One mentioned that as a first-time

homebuyer, it would have been nice to discuss what project(s) should be done first (e.g., the windows or the roof) and what would be the better return on investments. The indication here is that this is a special group of applicants that would benefit with more information about home ownership in general.

- Some mentioned difficulty in soliciting bids from contractors wary of working with “government programs” they “haven’t heard of” that also “take too long to pay.” One applicant was clearly frustrated at having to educate each contractor about how the program worked, how compensations was handled thru this agency connected with, but external to the COM. The indication here is that COM/GMHC could be helpful in also providing communication with a set of contractor groups to promote the importance of the program with details of how funding and compensation works.
 - For many, the application process seemed like “a lot of work.” Because of their need to secure funds that probably couldn’t be found elsewhere because of their financial status, they pursued the MHEP funding.
- Perspectives from GMHC:
 - I learned that the application process with MHEP is somewhat unique in that with most other municipalities and programs, GMHC handles beginning to close communication with prospective applicants/clients. The indication here, although it is unknown, is that there may have been lag time between COM and GMHC processing of pre-applicant material and/or duplication of questions posed to the applicant homeowner. This may have caused confusion for all parties about expectations, what has been discussed, and where in the process the application is.
 - There is no clearly identified reason why there were so few applicants following through the application process toward loan closure. Ms. Eloundou

suggested also that the economic and/or housing forecasts have improved over the last year and a half. One loan was closed thus far, and done so very recently (May 2013). GMHC records indicate a marked increase in applications successfully moving towards closure. The indication here is that the program, although initially appearing unsuccessful is moving in a significantly positive direction.

Recommendations

- Continue funding MHEP, with the following improvements:

Communication/Promotion

- Continue with high-quality and thoughtful marketing of MHEP, especially in COM Newsletter.
- Although marketing material and efforts are very good, improve reach by working with groups also working with target audience. Provide/post resource materials to, e.g., WIC providers, libraries, schools, etc.
- Provide all screening/eligibility up front to interested homeowners.
- Create high-quality, visually appealing communication material that clearly defines the application process, the approximate waiting times to be experienced by the applicant. Create a checklist with suggestions of how to find a contractor and/or move through the latter steps of the loan process.
- Improve/increase communication/public relations activities with contractor groups to promote MHEP.

Administration

- Explore passing all screening responsibilities to GMHC or other agency to minimize duplication of and potentially confusing/conflicting communication with applicants.
- Explore the possibility of identifying GMHC staff to conduct pre-arranged in-home consultations to eligible applicants engaged in the loan process to help homeowners prioritize rehabilitation projects.

- Identify clear “point-of-contact” or “loan officer” or “ombudsperson” to provide highest-quality support and guidance toward successful closing of loan for eligible applicants.

Financial/Logistical

- Keep interest loan low, but explore ways to waive debt-income issues and other obstacles within income-referent guidelines.
- Explore possibility of allowing homeowner/applicant to initiate small, but meaningful, deposit with prospective contractor—and then reimbursing homeowner for this outlay of cash. This would facilitate contractor trust in program.
- Enhance communication regarding and clarify purpose of energy audit, and its connection to which allowable renovation projects should be suggested, and then prioritized. Explore full reimbursement of energy audit or create “coupon” with small pool of energy “auditors.”

Appendix A

Staff Report
City Council Agenda Item #14
Meeting of March 7, 2011

City Council Agenda Item #14- Meeting of March 7, 2011

Brief Description: Housing Rehabilitation and Downpayment/Closing Cost Assistance programs

Recommended Action: Approve the programs

Background

In 2008, during the Comprehensive Guide Plan update, the aging of the community, in terms of both demographics and the housing stock, was identified as a challenge for the city. As a result, investment in the city's housing stock and preservation of Minnetonka's existing neighborhoods were set out in the strategic framework of the plan. Not only does the plan envision investing in the city's public infrastructure, such as streets, but also in investments in the city's private infrastructure—it's residential homes.

After completion of the Comprehensive Plan, in 2009, the city participated in the Opportunity City Pilot Program (OCP) through the Urban Land Institute/Regional Council of Mayors. The goal of OCP was to identify and implement tools and strategies that support a full range of housing choices, including increasing opportunities for younger households through a downpayment/ closing cost assistance program and to provide resources for housing maintenance through a housing rehabilitation program. Both of these efforts relate back to the original strategy envisioned in the comprehensive plan.

The 2010 and the 2011 HRA levies set aside funds for the purpose of creating new housing programs, with \$190,000 currently designated for these reinvestment efforts. With guidance from EDAC commissioners, whose backgrounds include work in the finance, banking, and housing areas, two strategically targeted programs—a housing rehabilitation program and a downpayment/closing cost assistance program, have been developed. Each program is designed to achieve the goals of the city's Comprehensive Plan and follow the recommendations of the OCP report. To utilize the city's limited public resources effectively and to meet the city's goals, implementation of these programs will, in effect, leverage private investment dollars for people interested in buying or rehabbing their homes in Minnetonka.

Housing Stock and Market Challenges

Minnetonka's housing stock continues to age. Nearly two-thirds of the city's homes were built between 1950 and 1970, and over 75% of the housing stock is 30 years or older (page A1). Because of the aging of homes, many property owners are now faced with significant repairs needed for windows, roofs, and heating systems.

As the housing market has slowed, more permits are being issued for housing additions, remodels, and maintenance rather than for new construction. Page A2 provides a detailed analysis of permits, value of homes, and age of homes, but in summary:

- Homes less than \$250,000:
 - Are the oldest of the city's housing stock
 - Represent the largest percentage of housing units in the community
 - Are improved less than homes with higher home values
 - On average permits for maintenance work occurs less frequently than permits for homes with higher values

It is important to have funds available for investment in the private infrastructure of the city. It is not unlike city investments into streets and other public infrastructure. The investments support a sustainable and healthy housing stock for the community. As the city's housing stock ages and there continues to be tightened bank financing, staff is experiencing increased requests for housing rehabilitation funding. As the mortgage industry has changed, it is apparent there are more gaps in financing for all areas relating to housing.

The city currently offers the CDBG housing rehabilitation programs available to those at less than 80% AMI (~\$64,000 for a family of four). This is a 10 year loan, which is forgiven at the end of 10 years if the homeowner retains ownership. If they transfer title or sell the home, then the loan is paid back in full, without interest, at the time of closing. While the program has assisted, on average, 10 to 20 households per year, it only meets a small percentage of the needs. For example, in the fall of 2009 the city opened up applications for its CDBG housing rehabilitation program.

- 67 people applied before applications were no longer accepted (within one month).
- Since November 2009, 34 people have requested to be put on a waiting list for an application.
- Additionally, approximately 20 others, in the 80 to 120% AMI range, have called in the past year about housing rehabilitation funds.

Interest in the CDBG rehabilitation program increased significantly in 2008, when the program participants maximum incomes increased from less than 60% AMI to 80% AMI. Based upon current funding, the CDBG program will not likely be able to accept new applications for its program until late spring/early summer as all available funds have been committed to pending or projects already underway.

Housing Rehabilitation Revolving Loan Program

The housing rehabilitation revolving loan program, funded through the HRA levy, would target those at 120% of area median income (\$100,800 for a family of four) and below, through a low interest loan of up to \$15,000. The term of the loan varies depending upon the amount. The purpose of the program is to assist with maintenance, green investments, mechanical improvements, and additions in certain cases. The structure of the housing rehabilitation revolving loan program is provided on pages A3-A5. This loan program will be set up and managed like loan programs offered through financial institutions, and will contain similar underwriting standards and qualifications.

The intention is that the CDBG housing rehabilitation program will continue, even if this new housing rehabilitation revolving loan fund is implemented. Staff will be the initial receiver of all housing related calls, and direct the resident to the appropriate program. Both programs will be operated as first come, first serve.

Downpayment/Closing Cost Assistance Revolving Loan Program

Twenty-five percent of home sales in Minnetonka, over the past three years, have been for homes valued at \$300,000 or less, a typical first time homebuyer price range. Because of changes in the lending climate, a larger downpayment is required. There are limited funds available for downpayment assistance, and most products target those at 60 to 80% AMI (typically up to a home value of \$250,000) which is not the target market for Minnetonka.

The downpayment/closing cost assistance revolving loan program would target those first time homebuyers (those who have not owned a home in the past three years) who have incomes at 120% AMI or less. A loan of up to \$10,000 would be made available to assist with downpayment and/or closing costs for those wishing to purchase a home valued at \$300,000 or less. Like the housing rehabilitation revolving loan program, the term of the loan varies depending upon the amount. The homebuyer is expected to contribute at least 25% of their own funds to the downpayment/closing costs.

Details on the downpayment/closing cost assistance revolving loan program can be found on pages A6-A7. This loan program will be set up and managed like loan programs offered through financial institutions, and will contain similar underwriting standards and qualifications. Lenders will need to sign off on the city's program prior to use with any of their mortgage products. Since this program will be leveraging other loans and private funds, it will sit in second position, behind the first mortgage.

The purpose of this program is to fill a gap that has arisen because of the recent change in lending standards and limited programs for the target market. Most mortgage products are requiring larger downpayments, which in turn takes otherwise eligible buyers out of the Minnetonka market because they do not have the larger downpayment

available. For example, a young couple, both with good jobs, have finished paying back their student loans and now wish to purchase a home. Because they have been working to pay back their student loans they have not been able to save as much for a downpayment, but yet, given their employment status, can qualify for a mortgage. A few years ago, this couple may have had enough money for a downpayment, but because of the changes in the financial industry, the downpayment amount is much higher now. In addition, they do not qualify for the other downpayment programs.

This gap in financing availability for first time homebuyers is being experienced in other communities. Currently, Eden Prairie is also considering a first time homebuyer program as well.

Lender and EDAC Review

In researching these programs, lenders, including U.S. Bank, Wells Fargo, and First Minnetonka City Bank, were interviewed. All of these lenders agreed that there is a gap in the market, and these programs would offer funding that is currently not available to Minnetonka residents.

A subcommittee of EDAC commissioners with banking/finance and community development backgrounds met on January 6 to review a first draft of the program details. The subcommittee members' expertise was used to further develop the program details prior to review by the entire EDAC. The full EDAC reviewed the proposed housing programs at their January and February meetings (minutes from these meetings are attached on pages A8-A15). Discussion by the EDAC was directed at:

- The maximum loan to value ratio based upon industry standards
- Performance and evaluation measures, such as those used by EDAC commissioners in their professions
- Default rates of other programs
- Timing of when income limits and home value limits will be adjusted
- The industry's definition of a first time homebuyer
- Downpayment/closing cost assistance in form of a loan

The responses to these comments can be found on page A16. It was clear after reviewing the information with the lenders and EDAC, the changes better align with private market products and policies.

Administration

Current Program Administration. Implementation of either/both of these programs can become quite cumbersome for staff, as it requires a significant amount of one-on-one time with the applicants and clients of the program. For example, each

CDBG rehabilitation client requires approximately 25 to 35 hours of administration time. These hours include time with the application process, project identification, bids, working with contractors, inspections, and repayment agreements. Therefore, in order to effectively provide all clients of the program(s) the appropriate time that is needed, staff believes that administration of these programs by an outside agency is necessary.

Expertise. Staff is not able to provide the necessary expertise that it takes to operate loan programs of this nature. The CDBG rehabilitation loan program has relatively simplistic loan documents, however, the proposed loan program requires more monitoring after the loan is issued and has much more detail loan processing requirements, which is outside of the realm of city staff.

Other Administrative Entities. Community Action Partnership of Suburban Hennepin (CAPSH) currently administers the city's Emergency Repair Program funded through the CDBG program with a 15 percent administration fee. They are proficient at administration of this program; however, they are unable to undertake additional program administration responsibilities at this time because of the continued demand of that program.

The Greater Metropolitan Housing Corporation (GHMC) is one agency that specializes in administration of such programs and has the capacity to administer them. Currently, they are administering housing programs in over twelve Twin Cities area communities, including:

- Minneapolis—all housing programs
- Roseville—housing rehabilitation
- Shoreview—housing rehabilitation
- Woodbury—downpayment assistance

For administration of such programs, GHMC charges an administrative fee of between 10 and 15 percent of the program pool, equating to between \$19,000 and \$28,000. In return they are responsible for: working with the city to develop guidelines, program and loan documents, marketing, and working closely with applicants from start to finish of the project. Additionally, they provide the city with monthly reporting on the program and financial statistics. Pages A17-A19 provides information on the Shoreview housing rehabilitation program and pages A20-A21 provides information on Woodbury's downpayment assistance program.

Timeline

Following council's direction, one/both of these programs will be rolled out in 2011 with the following timeline.

January 6

- EDAC subcommittee meeting on general program ideas and ask for feedback

January 27

- EDAC meeting to discuss general program ideas and ask for feedback

February 2011

- Staff meets with banks and lenders

February 24

- EDAC final review of program and recommendation to city council

March 7

- City Council review

April and May

- Finalize details of program and put together loan documents
- Start advertising the program
- Launch program and start loans

Continuous after May

- Advertising programs
- Evaluation of programs on a quarterly basis
- Changes to programs as needed

Overview of all programs

The following chart provides information on housing programs available to Minnetonka residents and the targeted goals of each effort.

Program	Administrator	Target	Funds	Notes/Goals
<i>Housing Rehabilitation</i>				
CDBG owner-occupied rehabilitation (\$20,000)	City	80% AMI or less (\$64,400 for family of four)	Approx. \$75,000 depending on allocation	<ul style="list-style-type: none"> •0% interest, deferred •Over 500 homes assisted through program
CDBG Emergency Repair (\$5,000)	CAPSH *15% admin fee	80% AMI or less (\$64,400 for family of four)	Approx. \$75,000 depending on allocation	<ul style="list-style-type: none"> •0% interest, deferred •Over 50 homes assisted since 2005
Fix Up Fund (Up to \$35,000)	Center for Energy and Environment	Household income of \$96,600 or less regardless of household size	Funds are from the state of Minnesota	<ul style="list-style-type: none"> •5.99% interest rate •Most improvements are eligible
Proposed HRA Levy Rehab Revolving Loan	GHMC (Proposed) *10-15% admin fee	Up to 120% AMI based upon household size (Proposed)	<ul style="list-style-type: none"> •\$190,000* total •Up to \$15,000 per loan 	<ul style="list-style-type: none"> •Maintain the city's housing stock •Provide housing stock that is appealing to younger households •Improve energy efficiency

<i>First Time Homebuyer</i>				
Minnesota Mortgage Program	Select local lenders	100% AMI	Funds are from the state of Minnesota	<ul style="list-style-type: none"> •Mortgage program •4.25% interest rate
Homeownership Assistance Fund	Select local lenders	60% AMI	<ul style="list-style-type: none"> •Up to \$5,000 per loan •Funds are from the state of Minnesota 	<ul style="list-style-type: none"> •For downpayment/closing costs •Interest free loan
Proposed HRA Levy Downpayment/closing cost Assistance Revolving Loan	GHMC (Proposed) *10-15% admin fee	Up to 120% AMI based upon household size (Proposed)	<ul style="list-style-type: none"> •\$190,000* total •Up to \$10,000 per loan 	<ul style="list-style-type: none"> •Provide gap funds to get the financing complete •Attract younger households

*Up to \$190,000 is available between the proposed HRA levy housing rehabilitation program and the proposed HRA levy first time homebuyer program.

Recommendation

The city's comprehensive plan specifically spells out that the city wishes to attract, support, and retain residents and families, and that this will be done by encouraging the preservation and development of mid-priced housing opportunities. The plan describes the city's strategy to promote housing maintenance programs that improve the livability of existing residential dwelling units in a cost effective manner, and plans for the changing diversity of residents which may create needs for different city services.

Because Minnetonka has a different type of housing stock than other communities, the current programs available cannot meet the goals identified in the comprehensive plan. Through research and development of these proposed programs, staff has found gaps exist in resources available to Minnetonka residents, or those that wish to locate in Minnetonka, for housing rehabilitation as well as downpayment/closing costs.

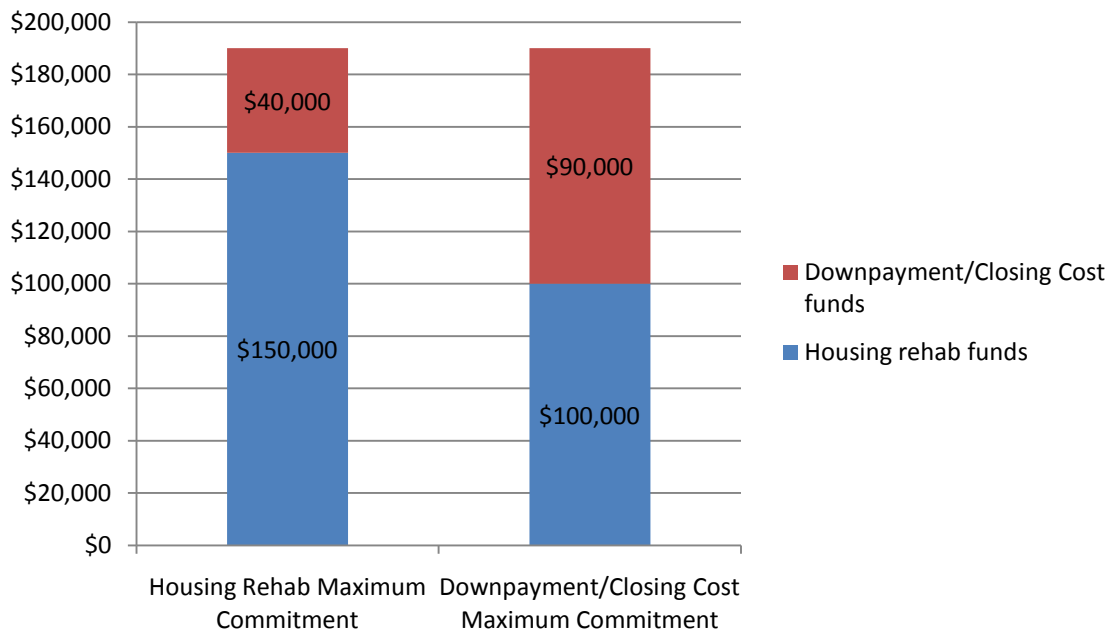
The programs are anticipated to be used by a variety of residents, including the young couple wishing to buy their first home who can qualify for mortgage but due to a change in lending standards does not have quite enough to make the downpayment, to the senior looking to maintain their home now so that they can sell it in the future, to the family that bought an older home which needs a new roof in order to maintain its viability.

Distribution of Program Dollars

Staff regularly receives inquiries about housing rehabilitation programs and downpayment assistance programs; therefore, a split of the available \$190,000 in HRA levy funds is proposed between both programs. Since the full extent of interest for one program over another is unknown, staff is proposing a sliding scale approach to the program split for this first year.

The chart below provides a graphic illustration of the sliding scale approach. The idea is that the amount of funds would be flexible between the programs; however, no more than \$150,000 would be committed in the housing rehabilitation program (leaving \$40,000 available for the downpayment/closing cost program), or no more than \$90,000 would be committed in the downpayment/closing cost program—leaving \$100,000 for the housing rehabilitation program. In the first example, this could complete 10-15 home projects and 4-8 downpayment requests on an annual basis.

Staff anticipates that at first the housing rehabilitation program will have an easier time gaining interest, but it may take longer to get the downpayment/closing cost program established, as this requires lenders to become aware of the program and utilize in appropriate circumstances. However, the sliding scale approach, gives staff flexibility to adjust the funds to meet the demands of the programs as they become more established.



Both programs will be established as revolving loans so that eventually they will become self-sustaining. It is anticipated that the programs could be self-sustaining as early as seven years, but it depends on a number of factors including: amount of loan, term length, and number of early repayments.

In order to advance goals stated in the comprehensive plan, staff recommends approval of the programs. Also, on February 24, the EDAC, on a 6-1 vote, recommended to the city council:

- 1) Both the housing rehab revolving loan program and the downpayment/closing cost assistance revolving loan program be established using the program details that are laid out on pages A3 to A7.
- 2) That the amount of funds for the programs are split using a sliding scale approach.
- 3) That the Greater Metropolitan Housing Corporation (GHMC) administer the programs on behalf of the city.

Submitted through:

John Gunyou, City Manager

Originated by:

Julie Wischnack, AICP, Community Development Director

Elise Durbin, AICP, Community Development Supervisor

CITY OF MINNETONKA HOUSING AGE

Single-Family Homes, by year built		
Year	Number	Percent
Pre 1940	681	5.2
1940s	754	5.8
1950s	3,600	27.7
1960s	2,782	21.4
1970s	2,077	16.0
1980s	1,848	14.2
1990s	877	6.8
2000s	367	2.8
TOTAL	12,986	100.0

}

76.1% of Minnetonka homes are 30+ years old

Source: City of Minnetonka, Maxfield Research, Inc.

2008-2010 IMPROVEMENTS BY HOUSE VALUE

- General
 - Homes less than \$250,000:
 - Are the oldest of the city's housing stock
 - Represent the highest number of home values in the community
 - Are improved less than homes with higher home values
 - Average project/maintenance costs are less than homes with higher values
- Age
 - Homes less than \$250,000 have an average age of 1956 (54 years old)
 - Average age decreases as home value increases
- Remodeling
 - Between 2008 and 2010, 6% of homes less than \$250,000 completed remodeling projects with an average value of \$11,309
 - The percentage of remodeling projects and value of projects increases with house value
- Maintenance
 - Between 2008 and 2010, 11% of homes less than \$250,000 completed maintenance projects with an average value of \$6,623
 - The percentage of maintenance projects and value of projects increases with house value, even though the age decreases
- Mechanical & Plumbing
 - Between 2008 and 2010, 12-13% of homes less than \$250,000 completed mechanical or plumbing projects

House Values	< \$250,000	\$250,000- \$299,000	\$300,000- \$349,000	\$350,000+
Average Age	1956	1962	1967	1972
No. of Homes	4,115	2,725	1,944	4,087
Remodeling				
% of Properties	6.2%	7.5%	8.7%	10.9%
Average Permit Value	\$11,309	\$14,435	\$17,034	\$24,840
Maintenance				
% of Properties	11.1%	11.4%	12.3%	13.2%
Average Permit Value	\$6,623	\$7,487	\$10,363	\$14,597
Mechanical Improvements				
% of Properties	12.4%	15.4%	17.5%	21.1%
Average Permit Value	\$3,949	\$4,070	\$4,424	\$4,858
Plumbing				
% of Properties	13.8%	14.8%	16.5%	19.7%
Average Permit Value	\$ 1,143	\$ 1,268	\$1,312	\$1,993

HOUSING REHABILITATION REVOLVING LOAN PROGRAM HRA LEVY FUNDS

Loan Terms

- \$15,000 maximum loan amount
- \$2,500 minimum loan amount
 - A smaller amount may be issued in emergency situations
- Term length is a graduated system based upon the loan amount up to 10 years
- Interest rates
 - Interest rate is fixed and based upon interest rate at time of closing
 - 75% of federal prime rate + 2 points (currently, this would be about 4.4375%)
 - Current interest rates will be calculated on a monthly basis
- Fees
 - Non-refundable application fee of \$65
 - This will allow for any credit check fees and administration time to review application
 - This will also help to make sure only those serious about the program apply
- Loan payments
 - Loan recipient will pay back loan on a monthly basis
 - Loan is due in its entirety (if not paid back first) at the time of sale, transfer of the property, death of property owner (if in single ownership), or when homestead status is ceased.
- Loan will be secured by a lien on the property
- Loan will not be closed upon at the same time as the purchase of the house. Must be done separately.

Eligible Improvements

- Projects include: maintenance, green investments, mechanical improvements, some additions
 - General housing maintenance
 - Windows, siding, roof, furnace, water heater
 - Certain efficiency standards will be pushed to be met through a marketing effort, but will not be required
 - Furnace: 90% AFUE (tax credits available if $\geq 95\%$ AFUE)
 - Water heater: .64 energy factor (tax credits available if .82 energy)
 - Windows and doors: U-factor $\leq .30$ (tax credits available if U-factor is $\leq .30$)
- *Tax credits expire December 31, 2011
- Green investments
 - Geothermal energy systems
 - Tankless and on-demand water heaters
 - Additions to be reviewed and allowed for certain conditions, such as:
 - 1 stall to a 2 stall garage
 - Situations due to overcrowding or changes in family circumstances (such as a parent/child moving in)

**HOUSING REHABILITATION REVOLVING LOAN PROGRAM
HRA LEVY FUNDS**

Ineligible Improvements

- Aesthetic
- Recreational/luxury improvements
- Working capital/debt service/refinancing

Property Eligibility

- Owner-occupied (homesteaded) properties
- Single-family, townhouses, condos are eligible
- Existing mortgage requirements
 - Must be a fixed rate mortgage loan
 - Contract for deed vendors can apply as long as it has been recorded with the county
- Taxable market value of home as determined by Hennepin County for the current year cannot exceed \$300,000
 - Maximum home value will be calculated on an annual basis at the same time as the income limits (approximately March to May).
 - MHFA's maximum home value limits will be used as a guide
- Mortgage debt vs. property value
 - Purpose would be to make sure that the loan could be paid back if the house is sold
 - A maximum 110% LTV ratio

Borrower Eligibility

- Up to 120% AMI based upon household size

<u>Household Size</u>	<u>Gross Income Limit</u>
1	\$70,560
2	\$80,640
3	\$90,720
4	\$100,800

 - Income limits will be calculated on an annual basis (sometime between March and May when area median income information from HUD is updated)

Debt to Income

- A monthly budget analysis will be provided as part of the application. Debts cannot exceed 50% of monthly gross income.
- Purpose is to make sure that the loan can be paid back and that it is not creating an undue hardship
- Credit check
 - A credit check will be conducted to verify all debts. Part of the \$65 application fee will be used to pay for this.
- Asset limit
 - A second property cannot be owned.
 - There will be a non-qualified asset limit
 - There will not be a qualified (IRAs, etc.) asset limit

HOUSING REHABILITATION REVOLVING LOAN PROGRAM HRA LEVY FUNDS

Loan Process

- Rehabilitation Consulting and Energy Audit
 - City/Administering Agency can advise about proposed projects
 - Preliminary home inspection is required
 - An energy audit will be required as part of the program
- Contractors and Permits
 - Contractors must be licensed by the State of Minnesota
 - Permits must be obtained when required—all permit fees can be rolled into the loan
- Quotes
 - A minimum of two quotes is required
 - City/Administering Agency will review quotes for reasonableness
- Work Contract
 - Will be between the homeowner and the contractor with the city's consent.
- Work Completion
 - Weather permitting, work must be completed within 90 days
- Disbursement Process

Before funds will be paid to the contractor, the following must be completed:

 - Final invoice
 - Lien Waiver
 - Completion Certificate signed by the contractor and the homeowner
 - Inspection
- Repayment Agreement/Loan Document
 - Will be required to meet with loan administrator to sign documents within two weeks of final payment to contractor
 - Additional fee of \$46 will be required for filing of the document at Hennepin County

DOWNPAYMENT/CLOSING COST ASSISTANCE REVOLVING LOAN PROGRAM HRA LEVY FUNDS

Revolving Loan Terms

- \$10,000 loan amount
- Term length is a graduated system based upon the loan amount
- Interest rates
 - Interest rate is fixed and based upon interest rate at time of closing
 - 75% of federal prime rate + 2 points (currently, this would be about 4.4375%)
 - Current interest rates will be calculated on a monthly basis
 - The interest rate must be lower than the rate for the first mortgage
- Fees
 - Non-refundable application fee of \$65
 - This will also help to make sure only those serious about the program apply
 - Mortgage registration tax, filing fees, and title policy will be paid by the borrower(s).
- Loan payments
 - Loan recipient will pay back loan on a monthly basis
 - Loan is due in its entirety (if not paid back first) at the time of sale, transfer of the property, death of property owner (if in single ownership), or when homestead status is ceased.
- Loan will be secured by a mortgage in favor of the city. Applicant will be required to obtain title insurance on this loan for the city.
- Subordination will be allowed.
- Termination language should there be a foreclosure will be added to the documents

Use of Funds

- Funds can be used for downpayment and/or closing costs
- Borrower cannot receive the funds as cash

Property Eligibility

- Only properties that will be owner-occupied (homesteaded) are eligible
- Single-family, townhouses, condos are eligible
- First mortgage requirements
 - Must be a prime/A-rated fixed rate mortgage loan
- Taxable market value of home as determined by Hennepin County for the current year cannot exceed \$300,000
 - Maximum home value will be calculated on an annual basis at the same time as the income limits (approximately March to May).
 - MHFA's maximum home value limits will be used as a guide
- Contract for Deed properties will be allowed on a case by case basis
 - A set of stipulations for allowing contract for deed properties will be written into the program criteria and conditions.

DOWNPAYMENT/CLOSING COST ASSISTANCE REVOLVING LOAN PROGRAM HRA LEVY FUNDS

Borrower Eligibility

- Must be a first time homebuyer
 - Cannot have owned a home within the last three years
- Up to 120% AMI based upon household size

Household Size	Gross Income Limit
1	\$70,560
2	\$80,640
3	\$90,720
4	\$100,800
- Income limits will be calculated on an annual basis (sometime between March and May when area median income information from HUD is updated)
- Debt to Income
 - A monthly budget analysis will be provided as part of the application. Debts cannot exceed 50% of monthly gross income.
 - Purpose is to make sure that the loan can be paid back and that it is not creating an undue hardship
- Credit check
 - No credit check will be required as they will have to provide evidence that their first mortgage is a prime/A-rated fixed loan
- Asset limit
 - There will be a non-qualified asset limit
 - There will not be a qualified (IRAs, etc.) asset limit
- Homebuyer contribution
 - Homebuyer must contribute at least 25% of the total downpayment/closing costs
- Must participate in a first time homebuyer workshop

Disbursement Process

- A check and the loan documents will be sent to the loan closing or title insurance company prior to the loan closing.
- The purchaser must sign the deferred loan note and mortgage at the loan closing. The loan closing or title insurance company conducting the loan closing will be responsible for recording the mortgage. Documentation of the recording must be provided. The purchaser will pay the filing fee.
- After the loan closing, the title company must provide original signed documents

5. HOUSING REHABILITATION AND FIRST TIME HOMEBUYER PROGRAMS

Durbin gave the staff report.

Happe asked if a person owes more on their residence than it is worth, would the city give the person an additional loan. Durbin answered affirmatively. Wischnack explained that homeowners, without a lot of equity, are faced with major improvement projects need funds. This program would be similar to other city's rehabilitation programs. The proposal would be 110 percent loan to value ratio, but some city's programs go higher than that. There would be an income requirement to participate in the program. The city has an interest in keeping up its private infrastructure, which includes private residences.

Happe was concerned a large loan to value ratio was what got banks in trouble. Happe confirmed the current interest rate is 4.4375 percent. He asked for the current interest rate for a home equity line of credit. Smith knew of banks offering 3 percent to 4 percent for a home equity line of credit. Wischnack estimated fixed loans rates to be at 6.5 to 7 percent. Smith noted the homeowner could have value in the property, but the loan, along with the mortgage, would put the amount owed a little over its value prior to the loan. Smith provided an example of property owners who owe \$95,000 on a \$100,000 house and apply for a \$10,000 loan. The loan to value ratio of the property would be 105 percent.

Wischnack noted that a subcommittee discussed the program's parameters.

St. Peter noted the \$65 application fee would cover the cost of a credit check, but it would not provide for a judgment lien check. Wischnack said most cities do not charge an application fee. The application fee would be an attempt to have the applicant commit to the process rather than cover the administrative costs. Applicants tend to be more serious when a fee is charged.

St. Peter asked if the values would be fixed or adjusted. Durbin answered that has not been determined yet. If significant changes would be needed in the future, then staff would come back and ask for changes. St. Peter recommended looking at something like the average increase in the assessed value. Wischnack clarified St. Peter was looking for the value of the house and what would be used to determine the area median income (AMI).

Wiersum asked if the loan rate is fixed or variable. Wischnack responded fixed. Wiersum agreed it should be fixed. The goal is to help property owners fix up houses. The city does not want to be the loan source of first resort, but the loan of last resort. The program should be structured in such a way that it would not compete with banks. The city's interest is in improving housing stock.

Wischnack expected an annual evaluation would be done to understand what works. The proposal is a pilot project to monitor its results over the first year.

Smith supported performance reporting to look at the efficiency of the funds being used.

Aanenson stated that subcommittee members talked about performance measures to make sure the program would be working as intended and change it as needed. Wischnack will provide the evaluation measures for the program at the next discussion for the commission's review.

Durbin reported on the first-time homebuyer program.

Wischnack added this program is the hardest to determine if it serves a need in the city. Staff has met with banks to discuss their products.

Isaacson understood that down-payment assistance would be a grant. Durbin responded that a banker pointed that out yesterday. Staff will conduct more research on how the loan would be classified and provide the information at the next discussion.

St. Peter suggested defining a first-time homebuyer as one who has not owned a home in 5 to 10 years rather than 3 years.

St. Peter commented that this program would be a true second mortgage so he assumed there would be the appropriate due on sale or refinance provision in the agreement. It may be appropriate that the same concept also be included in the revitalization program. The provision was found in the proposal.

St. Peter wanted feedback from local realtors to gain a sense of the need for the program and what impact it would have on making housing available to young and new families. St. Peter heard from realtors that Minnetonka is a move-up real estate market and that is one of the issues the city hopes to address.

Wiersum felt Isaacson raised a good point. The program would require the homeowner contribute at least 25 percent of the down payment/closing costs. The loan to value issue becomes a challenge. He wants to figure out what gets in the way of young, first-time home buyers purchasing a house in Minnetonka. If there is a way to help buyers creatively get over the hurdles, then that is what the city wants to do.

Happe agreed with Wiersum. The current economic problems have too many homeowners in homes that they cannot afford. He is concerned with a program allowing 110 percent loan to value ratio because the banks have learned what a disaster that was. He did not think it is possible to get a standard mortgage without 20 percent down. He is concerned a first-time homebuyer is not able to afford a \$300,000 house. The notion of supporting a buyer who probably cannot afford a \$300,000 causes him concern. Wischnack asked if Happe would propose no program for down payment or a program with a limited house value.

Happe asked if there is \$190,000 for the program. Durbin explained how staff would wait to allocate the funds until applications have been reviewed. The housing rehabilitation program may have up to \$150,000 made available, which would leave \$40,000 for the down payment/closing costs program. On the other end of the spectrum, if there is more interest in the first-time homebuyer program, then staff would propose that up to \$90,000 would be made available for that program and \$100,000 be made available for the rehabilitation program. The amounts could slide with maximums set.

Happe asked if it would be important to do both of the programs. Wischnack stated that the city council would be happy to hear all recommendations. The directive to staff is to figure out the programs to utilize the HRA Levy and do it this year. The programs should focus on issues found in the housing study including assisting buyers with purchasing a house and homeowners with revitalizing their house. Minnetonka is missing the 80 percent to 100 percent of AMI market. The city needs to figure out programs to help those buyers. The city council would be willing to hear concerns and alternatives.

Smith suggested looking at the programs separately because the rehabilitation program would allow the borrower to potentially have more owed on the property than the value. The first-time home buyer would be required to have 25 percent of the down payment. If the goal is to get people into houses or to provide assistance, then the programs should be somewhat "bank prudent," but realistic. Most of the financial crisis is not from homeowners owing more on their homes, it was caused by the escalation of payments when the ARMs reset. The value of residences could be under 100 percent. The debt to income when the ARM reset created a situation that the owner could no longer afford. Smith is less concerned with the first-time homebuyer. He is somewhat concerned that \$10,000 may not help a buyer who needs to contribute 25 percent in addition. In order to contribute \$25,000, the buyer would have to be fairly wealthy and qualify for a bank loan. So, 25 percent might actually be too much if the goal is to help a buyer who cannot afford the down payment. Wischnack clarified that the 25 percent would be of the closing costs.

Smith felt leeway is necessary if the goal is to maintain housing stock. These are residents who cannot afford to rehabilitate their houses. There are not a lot of banks willing to go above 100 percent. If something is not done, then the house may deteriorate further.

Wischnack explained that Community Development Block Grant (CDBG) loans have been done by the city for a long period of time for residents below 80 percent of the AMI. The default rate is very low. There have been 2 defaults in 7 years. The CDBG loans are \$20,000.

St. Peter suggested expanding the scope of coverage to include things like moving costs, homeowner insurance paid on the front end of a closing, and an escrow payment that would cover the first year of property taxes. Those would then be removed from the lender's concern as part of the assistance.

Aanenson felt the rehabilitation program is a key component because young families are looking at the older housing stock as what they can afford and knowing that the rehabilitation program is available would allow them to afford the structural repairs and maintain the housing stock. She agreed with seeing the applications before allocating the funds. Helping the entry-level houses be rehabbed to improve the tax base for the neighborhoods is a priority.

Smith had experience with Community Reinvestment Act (CRA) opportunities at work. One thing the city might want to consider is banks are obligated by the CRA to try and help individuals who meet low-income guidelines. One way to use the funds more efficiently is to partner with a bank. Instead of the city lending money, the bank would lend the money, but the city would guarantee the loan. The only time the city would be at risk to lose funds would be if a buyer defaults or goes delinquent. That would allow more people to be served at a lower cost. Wischnack noted that question is on the list of bank interview questions.

Wiersum liked that idea. A credit check would be done and it would be determined if an applicant can afford the purchase. The city does not want to become a bank, but enable a resident to do something to benefit them and the community. Wiersum noted that the city may not need to guarantee 100 percent of the loan. Banks should be in a position to do the right thing in a community. Removing some of the risk for the bank may make the deal effective.

Wiersum stated that the city council wants to use the HRA Levy effectively. He would rather spend the funds prudently and have some left over.

Isaacson asked how the rate would be determined.

Smith clarified a bank must maintain 2 to 5 percent in reserve to make itself whole if a loan defaults. \$190,000 would be considered the reserve, so the bank could lend \$5 million. Partnering with one bank would make the reserve situation easier. Wischnack appreciated the valid discussion and invited Smith to attend the meetings.

Durbin explained an outside agency would perform administration of the programs. The Greater Metropolitan Housing Corporation (GMHC) is one option staff has met with. There would be an administrative fee of 10 to 15 percent of the program pool which is on track with what she has found for other program administrators. The fee would include developing the guidelines, creating loan documents, marketing the program, and working with clients from start to finish. It would be done on a trial basis and be reviewed by the EDAC in one year.

Monthly reports would be submitted to city staff reflecting the number of loans and applications. Wischnack added the city would act as the clearing house for the different programs. If a resident has a need to install a handicap assessable ramp or a problem with a roof, then staff would figure out which program would work best for the resident and help them go through the process. That would help keep the local connection that residents look for when visiting city hall in order to get their business done.

Smith felt having an outside source perform the administration was a great idea. The efficiencies and complexities involved with talking with residents, getting them into the right loan program, and underwriting the loan is a great partnership. Wischnack noted that staff could ask GMHC what type of rates they have seen for similar programs.

Isaacson asked how the program would replenish its funds if it is a revolving loan program. Wischnack explained that a new contract for administration of the programs and pool of funds would be set up for the next round of applications. It could take a while to use all of the funds. Sometimes it takes a year to get a loan and rehabilitation completed.

6. 2011 EDAC WORK PLAN

Wischnack reported.

Happe thanked staff. He appreciated the plan that would allow him to anticipate and think about the items ahead of time. It seemed like the commission is still a relatively new group. He would like to help with more redevelopment projects such as State Highway 7 and County Road 101.

St. Peter supported focusing on economic development within the city and monitoring all areas of the city for potential opportunities to make a long-term economic impact. Wischnack noted educating EDAC members on the city council's overall plan for each village center and process would be beneficial. She will provide information at the next meeting.

Smith would like to see the city's general budget and taxation information. The whole budgeting and funding process for a city or education works differently than a corporate environment. It would assist commissioners with the process of talking about the budget and provide knowledge of the basics of what the EDAC would review. Wischnack noted that Minnetonka Finance Director Merrill King offered to present budgeting information to the EDAC. Wischnack will see if she is available for the February EDAC meeting.

Wischnack invited commissioners to let her know if there is a question. St. Peter encouraged commissioners ask questions.

**UNAPPROVED
MINNETONKA ECONOMIC DEVELOPMENT ADVISORY COMMISSION
MEETING SUMMARY**

**FEBRUARY 24, 2011
6:00 P.M.**

1. CALL TO ORDER

President St. Peter called the meeting to order at 6:00 p.m.

2. ROLL CALL

EDAC commissioners present: Kathryn Aanenson, Benita Bjorgo, Michael Happe, Ken Isaacson, Bruce Smith, and Peter St. Peter.

EDAC commissioners absent: Chandra Coughlin.

Staff present: Community Development Director Julie Wischnack, Community Development Supervisor Elise Durbin, and Finance Director Merrill King.

City council liaison present: Tony Wagner.

3. APPROVE JANUARY 27, 2011 MEETING MINUTES

Smith moved, Happe seconded, a motion to approve the January 27, 2011 meeting minutes. Aanenson, Bjorgo, Happe, Isaacson, Smith, and St. Peter voted yes. Coughlin was absent. Motion passed.

BUSINESS ITEMS

Chandra Coughlin arrived.

4. PROPERTY TAXES AND CITY FINANCES 101

King reported.

Wischnack added that when the city implements Tax Increment Finance (TIF) Districts, the city chooses outside fiscal disparity so the general tax payer does not pay what is missing in the fiscal disparity calculation.

5. HOUSING REHABILITATION AND DOWNPAYMENT/CLOSING COST ASSISTANCE PROGRAMS

Durbin reported on the housing rehabilitation program.

Smith asked if the default rate is measured in units or dollars. Durbin answered units.

Coughlin asked if it would impact the credit score of the person who applies for the loan and the life of the loan. Durbin explained that the loan would have a graduated term rate of up to 10 years. The amount of time would depend on the loan amount. Wischnack stated that a credit check would be run on the applicant, so that may show up on a credit score.

Wagner had questions to be addressed at the city council meeting. He questioned why additions were not part of the criteria of fundable projects. He recalled a discussion by the city council that dealt with the need to revise the housing stock and attract young families. He wanted to know how and if there would be any opportunities in the criteria to attract young families.

St. Peter noted that the Downpayment/Closing Cost Assistance Program was focused on attracting young families.

Wischnack noted that additions typically cost more than \$20,000. The goal was to fund as many projects as possible. The issue was the price point.

In regard to Coughlin's question, Durbin explained that the intent was that the estimate would be the beginning value of the residence at the time of application.

Durbin reported on the downpayment/closing cost assistance program.

Bjorgo asked why the difference between the default rates for U.S. Bank and the City of Plymouth's Community Development Block Grant (CDBG). Durbin said that the American Dream Program is similar to Plymouth's CDBG program. The American Dream Program allows 110 percent loan to value ratio. Wischnack noted that the U.S. Bank default rate is national, which could be skewing the statistics. St. Peter recalled that the American Dream Program has not been around very long. It peaked at the time home prices peaked and a lot of buyers bought in at 110 percent. Home values then declined leaving many homeowners under water.

Happe asked if the tax credit program for replacement expires December 31, 2011. He thought it was December 31, 2010. Durbin explained that the program was extended one year.

Aanenson appreciated staff conducting a follow-up meeting with lenders and the feedback that the program would provide. The program would provide something not currently available. She thanked staff for the performance measures. It would allow commissioners to see what was working for the next cycle. Wischnack stated that staff would provide quarterly updates to provide a sense of what is happening.

Smith asked if applicants would be turned down if the interest rate would be higher than the mortgage rate. Durbin heard from two major lenders that the interest rate for the first-time homebuyer program would need to be lower than the current mortgage's rate. The interest rate would be lower than what lenders are offering right now. St. Peter thought the program would compete and exclude applicants looking at some of the adjustable rate products because the rate is less than 4.4 percent. Smith had never seen an underwriting standard like that before. Wischnack noted that it had to do with the kind of program being proposed. It would not be like a home equity loan. Because it would be a targeted-loan program the lender stated that the interest rate would have to be lower than the first mortgage rate. St. Peter stated that would be consistent with situations he has seen where a loan from a relative for the down payment would be treated as part of the equity component rather than debt on the property. Wischnack would call the lender and verify the reason for that requirement.

St. Peter thanked staff for the excellent job pulling the information together. He looked forward to the city council discussion.

Isaacson moved, Coughlin seconded, a motion to recommend that the city council adopt a resolution approving the Housing Rehabilitation and Downpayment/Closing Cost Assistance Programs. Aanenson, Bjorgo, Coughlin, Isaacson, Smith, and St. Peter voted yes. Happe voted no. Motion passed.

Happe felt attracting buyers who are unable to afford a down payment would set up future problems for when maintenance issues come up and property taxes go up as costs escalate over time. He felt it created a bigger risk long term. He favored the Housing Rehabilitation Program to maintain properties in the city. Giving a loan to someone who is already underwater on the loan and owes more on the house than the house is worth is bad banking. He favored a loan for 80 percent or 90 percent of the house value.

6. INTRODUCTION TO THE HUMPHREY INSTITUTE COMMUNITY ECONOMIC DEVELOPMENT CAPSTONE PROJECT

Wischnack reported.

In response to St. Peter's question, Wischnack stated that the project would be consistent with the distance in the Hay Dobbs study. It is a difficult area to know where to start and stop. There are some redevelopment opportunities north on Shady Oak Road. Staff provided drawings and information to help inform them. The report will focus on the quarter mile around the light-rail station.

Wischnack stated that the city is getting closer to creating the street reconstruction plans which are tentatively scheduled to begin in 2014.

EDAC Comments/Questions and Responses

Housing Rehabilitation Revolving Loan Program

- Concern about the maximum loan to value ratio that would be allowed
Little concern from lenders about the loan to value ratio. There is a need in the marketplace to provide funds to homeowners that may have purchased a few years ago, but now the home value is lower due to the market. In some programs offered by U.S. Bank, a LTV ratio of 110% is allowed.
- Develop performance and evaluation measures
A set of performance and evaluation measures for the housing rehabilitation program have been developed.
- Provide statistics on the number of defaults from other programs
*Minnetonka Owner-Occupied and Emergency CDBG rehab programs: 3%
City of Plymouth CDBG rehab program: ~2 to 3%*
- Provide clarification on when the income and home value limits will be adjusted
Staff recommends the income limits be adjusted annually when new median household income numbers become available (typically sometime between March and May from HUD). This would be done at the same time that the CDBG rehabilitation program income limits are revised.

It is recommended that any home value limits be adjusted on an annual basis at the same time as the income guidelines. Minnesota Housing's home values limits for their programs should be used in helping to determine this limit (which is currently \$298,000).

Downpayment/Closing Cost Assistance Revolving Loan Program

- Develop performance and evaluation measures
A set of performance and evaluation measures for the downpayment/closing cost assistance program have been developed.
- Provide statistics on the number of defaults from other programs
*U.S. Bank American Dream first time homebuyer program: 6.67%
City of Plymouth First Time homebuyer program: ~2 to 3%*
- Provide clarification on when the income and home value limits will be adjusted
Same as housing rehabilitation revolving loan program
- Change the definition of a first time homebuyer from someone who has not owned a home in the past three years to someone who has not owned a home in the past five to seven years (unless divorced or relocated)
Three years is standard among nearly all of the first time homebuyer programs in Minnesota and nationwide. If this program is to be paired with other first time homebuyer programs offered through Minnesota Housing or other lenders, it is important that the first time homebuyer definition be the same.
- Determine if downpayment/closing costs in the form of a loan would be allowed by lenders or if the scope would need to be broadened to allow for moving costs, homeowner's insurance, tax escrow, etc.
Lenders have indicated downpayment/closing cost assistance as a loan is not an issue so long as it meets their guidelines, and the program subordinates to the first mortgage.

SHOREVIEW HOME ENERGY IMPROVEMENT LOAN

PROGRAM GUIDELINES

Overview: The City of Shoreview is offering home energy improvement loans to residents to encourage home renovation and increase the home values within the City of Shoreview. Current available dollars for loans are based upon the fund balance for any given period.

Loan Amount: The maximum loan amount is \$20,000. Minimum loan amount is \$2,000.

Interest Rate & Loan Term: The interest rate is updated quarterly on the first business day of each quarter of the calendar year and is two points above the Prime Rate. At time of loan application, the borrowers' interest rate is fixed for the entire term of the loan.

The Maximum loan term is 10 years. Full repayment of the loan is due upon sale, transfer of title, refinance or if the property ceases to be owner occupied. The interest paid on the loan will be returned to the borrower should the borrower reside at the residence for which the loan was used for the entire ten years from the time the loan is incurred.

Loan Security: All loans will be secured by a mortgage in favor of the City. The loan may be secured in a subordinate lien position behind other loans in accordance with the City's loan subordination policy. Applicant will be required to obtain title insurance on this loan for the City of Shoreview.

Borrower Eligibility:

- a. **Debt to Income Limit:** Borrower's gross monthly debts cannot exceed 50% of gross monthly income.
- b. **Credit:** Standard underwriting criteria apply including review of a credit report.
- c. **Income Limit:** The total gross annual household income cannot exceed 120% of the Shoreview median household income, as follows

<u>Household Size</u>	<u>Income Limit (2009)</u>
1	\$96,736
2	\$104,416
3	\$112,096
4	\$119,776
5	\$125,896
6	\$132,076
7	\$138,196
8	\$144,376

Property Eligibility:

- Single family detached owner occupied properties located within the City of Shoreview that are not connected to an association for purposes of property maintenance.

- Estimated market value as determined by Ramsey County property tax statement for the current year not to exceed 120% of the median value of a single family home in Shoreview. (In 2010 the median home value is \$262,200; 120% of median home value= \$314,640)

Underwriting Process: The HousingResource Center will determine applicant's eligibility; appeals can be made to the City of Shoreview.

Eligible Improvements: New roof and energy upgrades to the home that include, energy efficient heating and cooling systems, additional or replacement insulation, energy efficient replacement windows and doors, and energy efficient water heaters.

Ineligible Improvements: Housing additions, internal renovations, landscaping, recreational/luxury improvements, working capital, debt service or refinancing of existing debts.

APPLICATION & LOAN DISBURSEMENT PROCESS

DO NOT SIGN ANY CONTRACTS OR START YOUR PROJECT UNTIL A CLOSING HAS TAKEN PLACE. ANY PROJECT BEGUN BEFORE A LOAN CLOSING HAS TAKEN PLACE WILL BE INELIGIBLE FOR PARTICIPATION IN THE PROGRAM.

Application Process: Completed applications will be processed by the HousingResource Center on a first-come, first-served basis, as funds are available until all program funds are committed. After loan approval you will be notified to come for a loan closing to sign a Promissory Note, Mortgage and subordination disclosure.

Energy Audit: An energy audit must be completed and submitted as part of the application.

Loan Costs: Borrowers will be charged a credit report fee at time of application. The title policy fee may be financed through the loan. The recording fees and servicing fees will be paid by the borrower at closing.

Contractors & Permits: Contractors must be properly insured and licensed by the State of Minnesota when required. Contractors are responsible for following the EPA Lead-Based Paint Renovation, Repair and Painting requirements effective April 22, 2010, and are required to provide a copy of certification with project contract. Permits must be obtained when required by city code. Two bids are required for work that exceeds \$5,000.

Work by Owner: Work can be performed on a sweat equity basis. Loan funds cannot be used to compensate for labor, only for materials. The GMHC construction manager must determine that the owner has the ability to complete the work according to industry standards and within the program time requirements. The cost of purchasing tools and equipment and the delivery of materials are ineligible expenditures. Materials must be purchased and installed prior to the disbursement of loan proceeds. When applicable, a signed City Inspections Department permit must be obtained by the borrower.

Total Project Cost: It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. If the final cost exceeds the loan amount, the borrower must obtain the additional funds. Borrower's contribution to project cost must be paid prior to release of loan funds.

Work Completion: Weather permitting, work must be completed within 120 days of loan closing.

Disbursement Process: Loan funds will remain in escrow until payment for completed work. The following items must be received before the funds can be released:

1. **Final Invoice** from each contractor showing all amounts paid and due.
2. **Lien Waiver signed by** each contractor.
3. **Completion Certificate** signed by each contractor and the borrower.
4. **Permits Closed.** Have the inspector sign the permit card.

It may take up to 10 business days after receipt of above items to prepare checks. Payment checks to contractors must be countersigned by the borrower. Lien waivers must be provided before the funds.

Program Disclaimer: The City of Shoreview and the Shoreview EDA maintain the right to at any time to change or discontinue the Shoreview Home Energy Improvement Loan. The potential changes may impact the maximum/minimum loan amount, loan term, interest rate, and/or qualifications for borrower, property and improvement eligibility.

WOODBURY FIRST-TIME HOMEOWNERSHIP PROGRAM

PROGRAM GUIDELINES

Program Overview: The City of Woodbury, in partnership with the Greater Metropolitan Housing Corporation (GMHC), has made down payment and closing cost assistance loans available to encourage homeownership in the City of Woodbury. Current available dollars for loans are based upon the fund balance for any given period.

Loan Amount: The maximum loan amount is \$25,000.

Interest Rate & Deferred Loan Term: The interest rate will be fixed at 3% simple annual interest, with monthly installment payments of interest only. Payment of principle will be deferred until sale, transfer of title, when the primary mortgage is paid off, or when the property ceases to be owner-occupied. Loan term shall not exceed 30 years.

Eligible Use of Funds: The loan funds can be used for downpayment and closing costs. The borrower cannot receive any portion of these funds as cash.

Applicant Eligibility:

- a. **First-Time Homebuyer Status:** Applicant(s) must be a first-time homebuyer (a person or household that has not owned a home within the last three years).
- b. **Debt-to-Income Ratio:** Applicant "debt-to-income" ratio cannot exceed 50%.
- c. **Current on Debt Payments:** Applicant(s) must be current on any ongoing debt payments.
- d. **Homebuyer Contribution:** The applicant(s) must contribute a minimum of 5% of the total cost of purchasing the property, including the purchase price and closing costs.
- e. **Income Limit:** Applicant total gross annual household income cannot exceed 80% of the current area median household income as defined by HUD per household size, not to exceed \$90,000:

<u>Household Size</u>	<u>Income Limit</u>
1	\$45,100
2	\$51,550
3	\$58,000
4	\$64,400
5	\$69,600
6	\$74,750
7	\$79,900
8	\$85,050

Property Eligibility:

- Purchase price cannot currently exceed \$256,500.
- Single family homes, townhomes, twin homes, or condominiums in the City of Woodbury to be used as the buyer's principle place of residence.
- The first mortgage must be a prime/A-rated fixed rate mortgage loan.
- Properties may not be within the flood plain as identified by FEMA

Loan Security: All loans will be secured by a mortgage in favor of the City. The loan may be secured in a subordinate lien position behind other loans. Applicant will be required to obtain title insurance on this loan for the City of Woodbury.

Loan Costs: Mortgage registration tax, filing fees, title policy, and credit report will be paid by the borrower(s).

Disbursement Process: After receiving the application and all of the documentation listed in sections A and B of the Application Process Sheet, the following procedures shall apply:

- a.) If the application meets the program requirements, GMHC will send a check (not to exceed \$25,000) and the Woodbury loan documents to the loan closing or title insurance company prior to the loan closing.
- b.) The purchaser must sign the deferred loan note and mortgage at the loan closing. The loan closing or title insurance company conducting the loan closing will be responsible for recording the mortgage. Documentation of the recording must be sent to GMHC. The purchaser will pay the filing fee.
- c.) After the loan closing, the title company must provide GMHC with the original signed Woodbury documents including the Note and Truth in Lending prepared by GMHC, the City of Woodbury Title Policy, and a copy of the executed HUD 1 prepared by the 1st mortgage lender.

Subordination of Deferred Loan: No subordinations will be allowed.

The HousingResource Center – Saint Paul (HRC) is the Program Administrator. Please call the HRC’s loan consultants at (651) 228-1077 with any questions about the program.

**GMHC HousingResource Center – Saint Paul
627 Selby Avenue
St. Paul, MN 55104**

Phone: (651) 228-1077 Fax: (651) 228-1083

Appendix B

Guidelines for Welcome to Minnetonka and
Minnetonka Home Enhancement Program



WELCOME TO MINNETONKA PROGRAM

PROGRAM GUIDELINES

Overview: The City of Minnetonka is offering downpayment and closing cost assistance to first-time homebuyers purchasing a home to live in and homestead within the City of Minnetonka. Current available dollars for loans are based upon the fund balance for any given period.

Loan Amount: The maximum loan amount is \$10,000.

Interest Rate & Loan Term: 1%

The loan term is up to 10 years.

Loan Security: All loans will be secured by a mortgage in favor of the City. The loan may be secured in a subordinate lien position behind other loans in accordance with the City's loan subordination guidelines. Subordination requests are subject to the current subordination guidelines in effect at the time of the request.

Borrower Eligibility:

- a. **First-time Homebuyer Status:** Borrower must be a first-time homebuyer (a person or household that has not owned a home within the last three years).
- b. **Debt to Income:** Borrower's gross monthly debts cannot exceed 50% of gross monthly income.
- c. **Homebuyer Contribution:** The homebuyer must contribute at least 25% of the total downpayment and closing costs.
- d. **Homebuyer Workshop:** The borrower must attend a Home Stretch workshop prior to the real estate purchase.
- e. **Income:** The total gross annual household income cannot exceed 120% of the area median income by household size as determined by the U. S. Department of Housing and Urban Development (HUD).

<u>Household Size</u>	<u>Income Limit</u>
1	\$ 69,480
2	\$ 79,440
3	\$ 89,400
4	\$ 99,240
5	\$107,280
6	\$115,200
7	\$123,120
8	\$131,040

- f. **Asset Limit:** Borrower may not own a second property. Borrower will be required to fill out a Declaration of Assets form. The maximum gross assets of the borrower, excluding the residential property to be purchased, and a retirement account that is or was subject to penalty for early withdrawal before the age of 59 ½, shall not exceed \$25,000. Gross assets will generally be defined as: cash on hand, money in checking and savings accounts, cash value of securities or bonds, and recreational vehicles such as boats or snowmobiles.

Property Eligibility:

- Only properties that will be owner-occupied and homesteaded will be eligible. Owner must reside in the property within 60 days of purchase.
- Single-family detached homes; townhouses and condos subject to Association covenants.
- Taxable market value of home, as determined by Hennepin County for the year you apply for the loan, cannot exceed \$300,000.
- First mortgage loan must be a prime/A-rated fixed-rate loan
- Contract for Deed properties will be considered by the city on a case-by-case basis.
- Maximum loan to value, including the loan being applied for, cannot exceed 110% loan to value.

Underwriting Process: The HousingResource Center will determine applicant's eligibility based on the above criteria. Appeals can be made to the City of Minnetonka.

Eligible Use of Funds: Loan funds can be used for downpayment and closing costs. The borrower cannot receive any portion of these funds in cash.

APPLICATION & LOAN DISBURSEMENT PROCESS

Application Process: Completed applications will be processed by the HousingResource Center on a first-come, first-served basis as funds are available, until all program funds are committed.

Loan Costs:

- Borrowers will be charged a non-refundable \$65.00 application fee after receiving loan disclosure forms.
- The borrower will be required to purchase title insurance on this loan for the City of Minnetonka.
- A recording fee of \$46.00 will be collected at closing.

Disbursement Process:

- A check and the loan documents will be sent to the title insurance company prior to the loan closing.
- The closing on this loan will be conducted immediately following the real estate closing. The borrower will sign a promissory note and mortgage. The title insurance company may charge an additional fee to close this loan.
- The title company will record the mortgage at the County and will provide the City with the original signed documents.



MINNETONKA HOME ENHANCEMENT PROGRAM

PROGRAM GUIDELINES

Overview: The City of Minnetonka is offering housing rehabilitation loans to homeowners within the city to assist them with home maintenance and energy improvements. Current available dollars for loans are based upon the fund balance for any given period.

Loan Amount: The maximum loan amount is \$15,000. Minimum loan amount is \$2,500.

Interest Rate & Loan Term: 1%

The maximum loan term is 10 years. Generally the term will be one year for every thousand dollars borrowed.

Loan Security: All loans will be secured by a mortgage in favor of the City. The loan may be secured in a subordinate lien position behind other loans in accordance with the City's loan subordination guidelines. Subordination requests are subject to the current subordination guidelines in effect at the time of the request.

Borrower Eligibility:

- a. **Debt to Income:** Borrower's gross monthly debts cannot exceed 50% of gross monthly income.
- b. **Credit:** Standard underwriting criteria apply including review of a credit report.
- c. **Income:** The total gross annual household income cannot exceed 120% of the area median income by household size as determined by the U. S. Department of Housing and Urban Development (HUD).

<u>Household Size</u>	<u>Income Limit</u>
1	\$ 69,480
2	\$ 79,440
3	\$ 89,400
4	\$ 99,240
5	\$107,280
6	\$115,200
7	\$123,120
8	\$131,040

- d. **Asset Limit:** Borrower may not own a second property. Borrower will be required to fill out a Declaration of Assets form. The maximum gross assets of the borrower, excluding the residential property to be improved and a retirement account that is or was subject to penalty for early withdrawal before the age of 59 ½, shall not exceed \$25,000. Gross assets will generally be defined as: cash on hand,

money in checking and savings accounts, cash value of securities or bonds, and recreational vehicles such as boats or snowmobiles.

Property Eligibility:

- Must be owner-occupied and homesteaded.
- Single-family detached homes; townhouses and condos subject to Association covenants.
- Taxable market value of home, as determined by Hennepin County for the year you apply for the loan, cannot exceed \$300,000.
- Mortgage payments, property taxes and hazard insurance must be current.
- First mortgage loan must be a fixed-rate loan
- Contract for Deed vendees may apply as long as the Contract for Deed has been filed with the County.
- Maximum loan to value, including the loan being applied for, cannot exceed 110% loan to value.

Underwriting Process: The HousingResource Center will determine applicant’s eligibility based on the above criteria. Appeals can be made to the City of Minnetonka.

Eligible Improvements: General housing maintenance, mechanical improvements and green investments. Additions and home modernization may be approved by the City under certain conditions.

Green investments:

- Geothermal energy systems
- Tankless and on-demand water heaters
- Rain barrels

The City desires certain efficiency standards for general housing maintenance and mechanical improvements:

- Furnace: 90% AFUE
- Water heater: .64 energy factor
- Windows and doors: U factor ≤ .30

Ineligible Improvements:

- Recreational and luxury improvements, such as spas, swimming pools luxury types of appliances and bathtubs.
- Aesthetic improvements for beautification , such as new kitchen cabinets, new bathroom tiling, interior painting and carpeting, unless approved by the City.
- Working capital, debt servicing or refinancing costs.

APPLICATION & LOAN DISBURSEMENT PROCESS

DO NOT SIGN ANY CONTRACTS OR START YOUR PROJECT UNTIL A CLOSING HAS TAKEN PLACE. ANY PROJECT BEGUN BEFORE A LOAN CLOSING HAS TAKEN PLACE WILL BE INELIGIBLE FOR PARTICIPATION IN THE PROGRAM.

Application Process: Completed applications will be processed by the HousingResource Center on a first-come, first-served basis, as funds are available until all program funds are committed. After loan approval you will be notified to come for a loan closing to sign a Promissory Note, Mortgage and subordination disclosure.

Energy Audit: A basic home energy audit must be completed and submitted as part of the application. The purpose of the audit is to provide homeowners with an understanding of energy efficiency improvements that can be made in their home. The suggested improvements that may be made as a result of the audit are not required to be made by the homeowner as a condition of receiving the loan.

Loan Costs:

- Borrowers will be charged a non-refundable \$65.00 application fee after receiving loan disclosure forms. The cost of a credit report will be paid for from this fee.
- An Owners & Encumbrance Report will be ordered as part of the credit underwriting. The \$100 fee may be included in the loan amount or paid at closing.
- A recording fee of \$46.00 will be collected at closing.

Contractors & Permits: Contractors must be properly insured and licensed by the State of Minnesota when required. Contractors are responsible for following the EPA Lead-Based Paint Renovation, Repair and Painting requirements effective April 22, 2010, and are required to provide a copy of certification with project contract. Permits must be obtained when required by city code. Two bids are required for all work. The bids should be submitted with the application along with a Contractor Acknowledgement form completed by the selected contractor. Bids must be approved by the Housing Resource Center.

Work by Owner: Work can be performed on a sweat equity basis. Loan funds cannot be used to compensate for labor, only for materials. The GMHC construction manager must determine that the owner has the ability to complete the work according to industry standards and within the program time requirements. The cost of purchasing tools and equipment and the delivery of materials are ineligible expenditures. Materials must be purchased and installed prior to the disbursement of loan proceeds. Under unusual circumstances, a partial advance will be provided to the borrower. In either situation a two-party check will be issued payable to both the borrower and the materials provider. If applicable, a signed City Inspections Department permit must be obtained by the borrower.

Total Project Cost: It is the borrower's responsibility to obtain the amount of funds necessary to finance the entire cost of the work. If the final cost exceeds the loan amount, the borrower must obtain the additional funds. Borrower's contribution to project cost must be paid prior to release of loan funds.

Work Completion: Weather permitting, work must be completed within 120 days of loan closing.

Disbursement Process: Loan funds will remain in escrow until payment for completed work. A construction manager will inspect the work prior to any disbursements. The following items must be received before the funds can be released:

1. **Final Invoice** from each contractor showing all amounts paid and due.
2. **Lien Waiver signed by** each contractor.
3. **Completion Certificate** signed by each contractor and the borrower.
4. **Permits Closed.** Have the inspector sign the permit card.

It may take up to 10 business days after receipt of above items to prepare checks. Payment checks to contractors must be countersigned by the borrower.

Appendix C

Home Loan Survey Text

MINNETONKA HOME LOAN SURVEY_JUNE 2013

Greetings. This survey is about the experience you had in considering and/or applying for a home enhancement loan with funds allocated by the City of Minnetonka. It is being administered by a doctoral student at the University of Minnesota's Evaluation Studies Department.

Regardless of whether you applied or not, you are being asked to answer this brief set of questions to help the City of Minnetonka's Community Development Program provide better services to its citizens.

Your participation in this survey will provide valuable information about your experience and how satisfied you were with the loan program process. Any information you provide will be confidential. This means that your name or identity is in no way connected to the survey answers you submit.

You will be compensated for completing this survey with a \$10 gift card from Target or Caribou Coffee. After submission, you will be instructed how to receive this compensation.

Your participation in this survey, however, is **voluntary**. This means you do not have to complete this survey. Your decision to participate or not has no bearing on any services you receive now or in the future from the City of Minnetonka.

Please answer the following questions regarding the City of Minnetonka's home loan program.

1. Which program did you apply for or were interested in?
 - **"Minnetonka Home Enhancement Loan" Program** (up to \$15,000 housing rehabilitation loan to homeowners for existing homes within Minnetonka to assist them with home maintenance and energy improvements).
 - **"Welcome to Minnetonka" Program** (up to \$10,000 loan assistance to first-time homebuyers in Minnetonka for down payment and closing cost assistance).
 - Neither
 - Both
 2. What is your zip code? _ _ _ _ _
 3. How did you initially hear/learn of the loan program?
 - Website
 - Newsletter
 - City of Minnetonka employee
 - Friend, colleague, family
 - Other
 4. When did you apply for the loan program in which you were interested?
 - Sometime in 2010
 - Sometime in 2011
 - Jan-June 2012
 - July-December 2012
 - Jan-June 2013
 5. At the time you applied, how interested were you in using the loan program funds for their intended use?
 - I don't remember
 - I wasn't sure how interested
 - I wasn't really interested
 - I was somewhat interested
 - I was very interested
 6. How timely was your response after you applied for your loan?
 - I don't remember
 - I didn't receive a response
 - Not timely at all
 - Timely enough
 - Very timely
-

7. What was the response you received to your loan program application?
- I don't remember
 - I didn't receive a response
 - I was approved for the loan program
 - I was not approved for the loan program
 - Other (Please explain):
8. If you DID NOT use the home enhancement loan program funds, why did you NOT? (Check all that apply.)
- I DID use the loan program funds
 - I don't remember
 - I wasn't approved
 - Our income exceeded the program limits
 - I didn't own my house
 - The process was confusing
 - I changed my mind
 - I never received a response
 - I don't know
 - I/we weren't eligible for the program
 - Other:
9. All things considered, how satisfied were you with the loan program process?
- Very satisfied
 - Somewhat satisfied
 - Not satisfied
 - Very dissatisfied
 - I'm not sure
10. Please identify anything in particular that stood out to you regarding the loan program, the application process, or communication you received after applying for the loan program.
11. How interested would you be in receiving information on other *City of Minnetonka* home loan programs?
- Very interested
 - Somewhat interested
 - Not at all interested
 - I'm not sure
12. What suggestions would you like to make to the City of Minnetonka regarding this loan program, this survey, or anything else regarding this topic?

Thank you very much for your time.

To receive your \$10 gift card, please email Doug Moon, UMN Evaluator, at moonx219@umn.edu and write "I'm done with COM" in the subject line or in the body of the email. Include your mailing address in the body of the email.
