

Minneapolis foreclosure program's focus turns to repairs

By STEVE BRANDT, Star Tribune

April 1, 2008

Like blind men exploring an elephant, the Minneapolis City Council has had trouble figuring out just what sort of foreclosure rescue mission the city should launch.

Some on the council see the program proposed by city staffers as priming a sagging real-estate market; others want to increase home ownership. Some want any buyer to be eligible; others want to target people below income limits. Some want any house in distressed areas to qualify; others want only houses that meet tight criteria.

Minneapolis Advantage, as proposed by employees, was intended to be a pilot program to assist buyers of 50 homes in areas where housing prices have been most battered by foreclosures -- mostly the city's North Side. Judging by phone calls and e-mails, the program already has caught the public's imagination.

Despite that, the program had a remarkably hard time getting through the council's Community Development Committee last week.

For 90 minutes, 11 members of the 13-member council hashed out how the program would work with a flurry of amendments. And more may come when the full council acts on the proposal on Friday.

Here's how things look after last week's amendorama:

- The program has morphed from helping buyers with closing costs and down payment assistant to subsidizing **housing fix-up**.
- The buyer must **live in the house** within 60 days of buying the house or the completion of the work and must qualify for a **prime mortgage**.
- Any single-family house in one of 18 neighborhoods is eligible if it's been **foreclosed**, is on the city's **boarded and vacant** list, or has been a **rental property**.
- Buyers get **up to \$10,000** from the city for repairing or rehabbing the house they buy. That rises to \$14,000 if the house is in any of three North Side neighborhoods: McKinley, Webber-Camden or Folwell. The help goes up to \$33,000 if the house is in the North Side's southernmost neighborhood, Harrison. The extra amounts come from neighborhood-offered extra incentives.
- The help is structured as a **zero-percent loan that's forgiven** over five years if the buyer doesn't sell the house or move out.

To what end?

Despite Minneapolis Advantage already creating public buzz before being formally sent to City Hall, the council seems remarkably split on exactly what it should accomplish.

Tom Streitz, the city's housing director, wants the program kept as broad as possible, arguing that it's a \$500,000 demonstration that can teach the city some lessons about where the demand is before it's expanded. The more constraints, the harder time people have qualifying, he said.

Kris Brogan agrees. "The redesigned [program] is now a rehab product that I believe will not be used. There are few buyers with sufficient downpayment and a good mortgage product who will purchase condemned properties in distressed neighborhoods," the Victory neighborhood business owner said.

But some council members opined that with only enough money for 50 homes, the program ought to be more targeted. Others wanted more houses to be eligible, including representatives from the Corcoran neighborhood, who complained that they fall just outside the program area.

Gerald Tyrrell, who lives on the 3200 block of Longfellow Avenue, offered compelling testimony that the aid could help his block deal with its six foreclosed properties.

Some council members suggested that the proposal wasn't ready for prime time and that the staff ought to poll the council to see where the consensus lay. But Cam Gordon told his fellow council members that it's up to the council to find consensus.

Normally, that work might have been done by the committee's chairwoman, Lisa Goodman, usually not shy about expressing herself. But she held back this time. First, foreclosures aren't a big issue in her downtown-Isles ward. Second, she sensed that her views of Minneapolis Advantage differed from the rest of the council's.

The income question

One of the most fascinating aspects of the debate was whether there should be income limits for those who use Minneapolis advantage. Ralph Remington argued yes; Don Samuels said no.

Samuels argued that his block would be improved if a guy like Bill Gates moved in to provide an example for low-income neighbors of how hard work and discipline pay off. But Remington said that where upper-income folks move in, poor folks get pushed out.

Their back-and-forth can be found just after the two-hour mark in a video posted at www.startribune.com/a4195.

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