



Request for City Council Committee Action from the Department of Community Planning and Economic Development (CPED)

Date: August 23, 2011

To: Council Member Lisa Goodman, Community Development Committee

Subject: Home Ownership Works Program Changes

Recommendation:

Approve the staff recommended changes to the Home Ownership Works (HOW) program to increase the Real Estate Agency Broker Compensation to not greater than 7% of the sale price.

Previous Directives:

September 16, 2008 – City Council approved changes to the Home Ownership Works (HOW) program to increase the Real Estate Agency Broker Compensation to 2.75% of the sale price.

April 4, 2006—the City Council approved the HOW Program Guidelines.

January 31, 2006—the City Council approved an increase in the Real Estate Agency Broker Compensation to \$5,000.

February 21, 2002—the MCDA Board of Commissioners increased the HOW Broker Participation payment to \$3,500.

January 24, 2000—the Board of Commissioners gave authorization to execute marketing contracts with Northside Residents Redevelopment Council (NRRC) and Powderhorn Residents Group (PRG), in the amount of \$8,500 each, for overall general marketing responsibilities. Plus an additional amount up to \$2,500 for each successful closing as outlined in the HOW Broker Participation Agreement.

Department Information

Prepared by: Edie Oliveto-Oates, Senior Project Coordinator, 612-673-5229

Approved by: Thomas Streitz, Director, Housing & Policy Development _____
Charles T. Lutz, Deputy CPED Director _____

Presenters in Committee: Edie Oliveto-Oates, Senior Project Coordinator

Financial Impact

- Action is within the Business Plan

Community Impact

- Neighborhood Notification: Each neighborhood was notified of the HOW program and were provided an opportunity to participate in the community review process during the approval of the 2011 Consolidated Plan.
- City Goals: Livable Communities, Healthy Lives
 - Our built and natural environment adds character to our city, enhances our health and enriches our lives.
 - High-quality, affordable housing for all ages and stages in every neighborhood.
 - Sustainability: Green standards will be employed in construction and rehabilitation of affordable housing units developed under this program.
- Comprehensive Plan: Not Applicable
- Zoning Code: Not Applicable

Supporting Information

The HOW program is designed to address the goal of providing home ownership opportunities for residents who otherwise would have difficulty in attaining home ownership and to address the problem of abandoned and foreclosed houses which can be rehabilitated. The program also treats properties in need of demolition and new construction. All properties meet the HOW program Standards which exceed the minimum city code requirements.

Target Buyers

All HOW properties are sold to owner-occupants who agree to remain in the properties for a period of 5, 10 or 15 years based on the amount of HOME funding provided. The annual gross income of the buyer must meet the HOME low-income requirements. All purchasers are required to attend homebuyer-counseling and Housing Maintenance seminars prior to closing.

Real Estate Agency Broker Compensation

The current real estate agency broker compensation is structured as follows: the buyer's agent receives 2.75% of the sale price and the listing agent receives \$2,000. There are currently three completed properties and in this current challenged housing market the properties have received minimal buyer interest. In an assessment of how we can be more competitive in this market, the amendment of the compensation structure was paramount to the marketing success. As a result of this assessment, broker fees were evaluated and using a structure that does not exceed 7% of the sales price seems appropriate for this program.

The marketing fee is an eligible expense in the program and it is funded using the federal HOME grant. The 7% will include homebuyer training, related to the HOME program and compensation to both the listing agent and the buyer's agent. It will be the responsibility of the listing agent to prepare all marketing materials; the cost of which will be covered in the 7%.

Staff recommends a change in the current HOW program compensation structure to increase the Real Estate Agency Broker Compensation to an amount not to exceed 7% of the sales price and further recommends that the CPED Director be authorized to contract with a real estate broker for the marketing of the HOW properties.