

**JOURNAL OF COMMISSION WORK SESSION
December 1, 2015**

City Commission Work Session
Civic Center, Gibson Room 212

Mayor Winters presiding

CALL TO ORDER: 5:33 p.m.

CITY COMMISSION MEMBERS PRESENT: Michael J. Winters, Bill Bronson, Bob Jones, Fred Burow and Bob Kelly.

STAFF PRESENT: City Manager and Deputy City Manager, City Attorney; Directors of Fiscal Service and Public Works; Police Chief; and the Deputy City Clerk.

**** Action Minutes of the Great Falls City Commission.****

1. PUBLIC COMMENT

John Harding, Home Builders Association, expressed concern over the prospect of moving the City's Home Improvement Loans to NeighborWorks and indicated that perhaps it should be bid out instead of directly given to NeighborWorks or kept at the City to ensure that the City doesn't lose a valuable program.

Sheila Rice, NeighborWorks, shared that NeighborWorks is very excited about the potential partnership between NeighborWorks and the City. She explained that the partnership makes sense and can help both organizations maximize resources. NeighborWorks currently has a home improvement loan program as well, and can help ensure that the City's program and its integrity are maintained.

2. POSSIBLE TRANSITION OF HOUSING REHABILITATION PROGRAM TO NEIGHBORWORKS

Deputy City Manager Jennifer Reichelt provided a presentation on the City's Home Improvement Loan Program and the possibility of transitioning the loan processing and servicing to NeighborWorks. Deputy City Manager Reichelt reviewed and discussed the following PowerPoint presentation:

<p style="text-align: center;">Discussion of Transition of the City's Housing Rehabilitation Loan Program to NeighborWorks Great Falls</p> <p style="text-align: center;">City Commission Work Session December 1, 2015</p>	<p style="text-align: center;">City's Housing Rehabilitation Loan Program</p> <ul style="list-style-type: none">• The City offers 3 programs targeted at promoting affordable housing on a citywide basis.• All funds are available on a limited basis and projects are selected by a loan committee on the basis of need and benefit.• Specific income guidelines apply to the housing programs.• In all instances, the property must be within the city limits of Great Falls and mobile homes not on a permanent foundation are not eligible.• Applications for the programs are accepted year-round as funds become available.• Funding for the loans is through the City's Revolving Loan Program.<ul style="list-style-type: none">• The Revolving Loan Fund was originally funded through CDBG funds• As repayments are made on some of the loans it helps replenish the fund• Each year additional CDBG funds are applied for; this year the City received \$68,341• Currently the cash balance is at \$487,896
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City's Housing Rehabilitation Loan Program

- **Deferred Payment Loan Program**
 - These funds are used primarily to assist single family homeowners in the low income range to make necessary repairs to bring their homes up to code and make them safe and sanitary places to live.
- **Rental Improvement Fund Program**
 - These funds are used to assist property owners to make code-related repairs to rental property. Rents for rehabilitated units must be affordable to low income tenants and tenants' rents cannot increase for two years.
- **Water and Sewer Loan Program**
 - The objective of this program is to stabilize and improve water and sewer service lines by providing financial assistance to landlords and homeowners who own their rental and residential property.

NeighborWorks Great Falls/ NeighborWorks Montana Loan Program

- **Home Improvement Loan Program**
 - Amortizing loans to homeowners make repairs and improvements to their homes to make them more livable and attractive. Deferred loans are available outside the city in Cascade County using state CDBG funds.
- **Real Estate Acquisition and Development Program**
 - To assist non-profit developers for acquisition, construction and renovation of affordable properties (statewide).
- **Down Payment Assistance**
 - Deferred second mortgages and amortizing second mortgages for down payment. Deferred loans are funded with HOME funds.

Why Consider a Partnership?

- The City's Housing Rehab Specialist was promoted to role of Building Official.
- The City and NeighborWorks both operate home improvement loan programs.
- This time is right to consider a change/partnership to save money and increase efficiency.
- The idea was first considered in March 2015.
- There is an opportunity to streamline services and maximize resources.
 - All loan programs could be offered in one location.
- There is an opportunity to make services efficient for clients as well as the service providers.
- Over the past nine months staff has had a number of meetings with NeighborWorks staff and conference calls with HUD regarding the possibility of combining services.
- HUD has reviewed the proposed agreement and approved the amendment to the City's Consolidated Plan.

Benefits of a Partnership

- Streamlining the loans in one location would provide a one-stop shop for clients.
- The loan process would become more efficient and easier – for both the client and providers.
- If combined, clients would no longer have to be sent to the other service provider, if the loan product(s) they offer can't meet their needs.
- A partnership would allow for the potential of a combined loan (part deferred, part amortizing) so homeowners could do more home improvements with just one contact.
- NeighborWorks has the capacity and staff to better promote and market the City's loan programs.
- NWGF staff has expertise in rental development and renovation, historic, new markets and housing tax credits.
- The City was awarded \$68,000 in CDBG funds for the Rehab Specialist position, only \$50,000 will be allocated towards the NeighborWorks loan servicing contract.
 - This would free up at least \$18,000 in CDBG funds for other priorities.

Loan History

Entity	Homeowner and Homebuyer	Loans Outstanding	New Loans 2012	New Loans 2013	New Loans 2014
City	Deferred	135	10	10	1
City	Water/Sewer	9	2	2	6
City	HOME/HP	3	0	0	0
City	TOTAL	147	12	12	7
NWGF	Deferred/DPA	540	16	25	8
NWGF	Amortizing/DPA	269	14	5	22
NWGF	Home Improvement	38	17	24	6
NWGF	TOTAL	847	47	54	36

Entity	Rental Rehab	Loans Outstanding	New Loans 2012	New Loans 2013	New Loans 2014
City	Rental rehab	9	0	1	1
NWMT	Rental rehab	16	6	4	3

How it Would Work

- NeighborWorks will be responsible for processing applications for each of the loan programs.
- NeighborWorks will act as the loan servicer for existing loans, operate the loan program and underwrite new loans.
 - Responsibilities include taking payments, making collections, monitoring and documenting compliance with HUD and City regulations.
- All existing and current loans will be assigned to NeighborWorks for servicing.
- The Revolving Loan Fund or program income will not be used to pay for or reimburse for the costs associated with administering the Great Falls Housing Rehabilitation Loan Programs or for any other purpose.
- NeighborWorks shall make loans for the purpose in which the City's Housing Rehabilitation Loan Program was designed and intended, the funds are not to be combined with any other loans.
 - Although NeighborWorks could make two loans to the same customer if needed, one from City funds and one from their own funds.
- All proposed loans will be brought to the City's appointed loan review committee for final review and approval (*at this time this is the Housing Authority Board*).
- NeighborWorks will notify the City prior to any loans being written off or forgiven.

Reporting & Compensation

- NeighborWorks will be required to keep complete and accurate records on all loans being serviced and processed and to submit reports on a monthly basis.
- \$50,000 in CDBG funds will be allocated towards the loan servicing contract, but will receive only their actual costs for service.
- NeighborWorks will chargeback to City, the direct costs related to loan servicing, loan operations and the underwriting of loans directly related to the City's Housing Rehabilitation Loan Programs.
- All costs requested to be reimbursed must meet the U.S. Department of Housing and Urban Development and Community Development Block Grant guidelines.
- Request for compensation will not exceed \$50,000.
 - Based on the 6 month time frame (current contract will end at the end of the fiscal year) and previous loan history, it is anticipated that this will be less than \$50,000.

Termination

- The City reserves the right to cancel this agreement if NeighborWorks does not provide the necessary documents or reports in a timely manner and/or NeighborWorks conducts or funds activities that are found to be ineligible by HUD and/or the HUD funds used to support the administration of the program are no longer sufficient to support the program.
- Both parties have the right to cancel this agreement with written 60 days notice to the other party.
- In the event the agreement is terminated, loans serviced and processed by NeighborWorks will transfer to the City of Great Falls.

Next Steps

- Questions
- NextSteps
 - Take Professional Services Agreement to Commission
 - Work on Transition of Program



The City Commission discussed the possibility of the transition and asked questions.

Commissioner Bronson asked about HUD and its involvement in the discussions and if HUD had approved the proposal. Planning and Community Development Director Craig Raymond and Deputy City Manager Reichelt explained that HUD representatives had been involved in multiple conference calls and had provided feedback and approved the transition.

Commissioner Burow asked who would be responsible for the HUD reporting. He also inquired if this was something that Planning and Community Development staff could absorb. Deputy City Manager Reichelt explained that NeighborWorks would be responsible for reporting to the City, just like any other CDBG/Home fund recipient, but ultimately the City would be responsible for turning the reports into HUD. Both Director Raymond and Deputy Manager Reichelt explained about staffing restrictions in Planning, specifically that the current CDBG administrator could not absorb the additional duties.

The Mayor indicated he was not comfortable with the idea and would like more information.

Commissioner Jones commented that he felt the proposal made a lot of sense and was logical. The Commission has asked staff to look at ways to save money and staff considered this. The Commission could now take time to read all of the information and ask questions.

Commissioner Bronson encouraged NeighborWorks and the HomeBuilders Association to work together and find a way to compromise on this issue.

3. DISCUSSION OF POTENTIAL UPCOMING WORK SESSION TOPICS

City Manager Greg Doyon discussed upcoming work session topics. He indicated that in December and January there would be sessions with the Great Falls Public School regarding its Capital Plan and updates on the City's 2015 Budget Review. He reminded the Commission that there will be a Swearing In Ceremony on December 15, and a Meet and Greet with newly elected officials on January 5, at 5:30 p.m.

ADJOURN

There being no further discussion, Mayor Winters adjourned the informal work session of December 1, 2015, at 6:15 pm.