



Item: Increase current loan limits on Deferred Payment Loan and Rental Improvement Loan Programs

From: Community Development Department

Initiated By: Bruce Haman, CDBG Housing Rehab Specialist

Presented By: Kevin Hager, Deputy Housing Authority Director

Action Requested: Approve Increase in Loan Limits

Suggested Motion:

1. Commissioner moves:

“I move that the City Commission (approve/deny) increasing the limits of a Deferred Payment Loan from \$20,000 per project to \$50,000; and increasing the limits of a Rental Improvement Loan from \$10,000 per unit to \$30,000 per unit with a maximum of \$100,000 per landlord per year.”

2. Mayor calls for a second, discussion, inquiries from the public, and calls the vote.

Recommendation: The Loan Review Board and staff recommends that the City Commission approve increasing the Deferred Payment Loan limit from \$20,000 per project to \$50,000 per project; and increasing the Rental Improvement Loan limit from \$10,000 per unit to \$30,000 with a maximum of \$100,000 per landlord per year.

Background: The Deferred Payment Loan allows low to moderate income homeowners from the City of Great Falls to apply for interest free loans to rehabilitate their homes. The loans are to correct life safety hazards, building code violations and some general improvement repairs. The program has had a maximum loan of \$20,000 but not over 80% equity value of the property after rehab. The loan does not have to be paid back until the first mortgage is paid off or the property is sold.

The Rental Improvement Loan Program is available to landlords to apply for interest free loans to rehabilitate affordable rental properties. The loans are to correct life safety hazards, code violations and some general improvements. The program has had a maximum loan of \$10,000 per unit with a maximum of \$30,000 to any one landlord per fiscal year. The loan requires rent

cannot increase except for significant property tax and utility rate increases for two years. The units have to be made affordable to low and moderate income tenants.

Both loan programs originally were offered using Community Development Block Grant Funds. Funds now come from repayments of loans and the program has become self-sustaining.

Concurrences: The Housing Loan Review Board has reviewed the request and made approval recommendations for increasing the loan limits on June 18th, 2008.

Fiscal Impact: The cost of construction is increasing every year. There have not been any loan limit increases since 1995. The program is using 1995 dollars to finance 2008 projects. The rental/homeowner is finding it harder to complete the code related upgrades. With the increased limits, it will allow the loan program to put more money into the projects which in turn increases the housing stock value in Great Falls. The impact will increase the overall value of the rentals and homes as well as provide affordable living for low to moderate income owners.

Alternatives: City Commission has the option to approve or deny the requested increases.

Attachments/Exhibits: