

**ANNUAL REPORT
NEIGHBORHOOD HOUSING SERVICES
OF DULUTH
2006**



Mission Statement

The mission of
Neighborhood Housing
Services of Duluth is to
create healthy,
economically viable and
stable neighborhoods.

BOARD, COMMITTEE & STAFF 2006

BOARD OF DIRECTORS

Gary Eckenberg	(President)
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COMMITTEE MEMBERS

Phil Sneve-Wells Fargo Home Mortgage

Bob Espenson- Wells Fargo Home Mortgage

Debra Taylor- East Hillside Resident

STAFF:

George Garnett	Executive Director
Lee Kalfsbeek	Construction Analyst
Angie Garner	Bookkeeper/Controller
Kristin Monson	Education and Lending Specialist I
Amy Ostenberg	Education and Lending Specialist II
Debbie Isabel Nelson	Neighborhood Coordinator
Kerry Higgins	Administrative Assistant

**NHS DULUTH IS ALWAYS
SEEKING INTERESTED RESIDENTS,
BUSINESS LEADERS,
AND PARTNERS TO
JOIN US IN OUR MISSION OF
REVITALIZATION OF DULUTH'S
HISTORIC NEIGHBORHOODS
BOARD MEMBERS
COMMITTEE MEMBERS
VOLUNTEERS
CALL
727-8604
FOR MORE INFORMATION
AND VOLUNTEER TODAY!**

LETTER FROM THE PRESIDENT –

Dear Supporters,

As 2006 draws to a close, Neighborhood Housing Services of Duluth is completing our 23rd year serving existing and new homeowners in Duluth. So far this year we have served 278 potential homeowners through our homebuyer education classes, and 102 households have purchased their first home, resulting in \$11,129,182 of new investment supporting homeownership in Duluth, representing a 20% increase in activity over 2005. We have provided and facilitated \$6,503,846 in purchase/rehab and rehab financing to 77 low and moderate-income households in 2006, which is more than double the investment and from 2005, and a 50% increase in the number of units.

NHS continued new initiatives started in 2005, including the start-up of the City-wide Fix-Up and Community Fix-Up funds, for which demand has continued to be strong, and our Commercial Facade Loan fund, in conjunction with the Local Initiative Support Corporation (LISC) and the Hillside Business Association. We have funded six storefront improvements with this fund since its inception, including a major physical improvement on the Hillside Business district. We have completed Phase I of our most ambitious project to date, the Lake Superior View Condos, which has created four new units of affordable homeownership in the Central Hillside neighborhood of which three are occupied with new homeowners. Eventually, this project will result in sixteen units of new homeownership and will contribute to the ongoing transformation of the Central Hillside neighborhood and the completion of the "At Home in Duluth" plan for that neighborhood.

This year has seen efforts to capitalize a new Preservation Loan Fund to support residential and commercial historic preservation in Duluth, and this fund is now operational. We currently have over \$800,000 committed to the start-up of this fund in 2006. And, we have refocused our community organizing efforts to address crime and quality of life issues in the Lincoln Park and Central Hillside neighborhoods.

In Lincoln Park, East Hillside, and Central Hillside, we are nearing completion on new neighborhood revitalization plans that build on the previous success of At Home plans and provide for greater flexibility in the use of Community Development Block Grant funds, and to provide greater guidance for future work. And in 2006 we have formally expanded many of our programs to serve the West Duluth and Morgan Park neighborhoods.

NHS of Duluth has successfully adjusted to declining federal resources and reduced funding support for some of its activities. We were able to maintain our efforts in most of our programs and achieve a balanced budget in 2005, while serving a larger number of low and moderate-income residents. We have welcomed new staff in the past year and have benefited from their energy.

Given our continued growth in new activities, and the continuing challenge to build homeownership and vital neighborhoods in Duluth, we are confident that we will continue to serve our neighborhoods for many years to come.

Thank you all for your support.

Sincerely,

Gary Eckenberg
President

NHS DULUTH ACTIVITY REPORT 2006 (First 9 months)**Homebuyer Education**

Number attended	278
Number completed	259
Number counseled	155
Home purchased	102
Funds generated	\$ 11,129,182

That's 102 new homeowners and over \$ 11,000,000 in funds generated in 2006!

Home Purchase/Rehab Lending

Number of units	58
Number of projects	59
NHS funds invested	90,853
Other funds invested	5,820,301
DOORS Grant	19,000
HHIP/HOPE Grant	40,000
HIP/HOP Deferred Loan	126,000
HARP Grant	5,000
HOME Deferred Grant	15,000
Total invested	6,116,154

Home Rehab Lending

Number of units	19
Number of projects	18
NHS Funds invested	3 66,938
Other funds invested	1,836
DOORS Grant	18,918
Total invested	387,692

That's over \$ 6,500,000 invested into homes in 2006!

Real Estate Development

Number of units	4
Number of projects	1
NHS funds invested	\$86,000
Other Funds Invested	\$680,000
Total Invested	\$766,000

NHS DULUTH EVENTS & FUNDRAISERS

Bowlathon – The Duluth Area Association of Realtors (DAAR) again worked with Neighborhood Housing Services to receive the proceeds from their yearly Bowlathon, held in early May. The event, which includes bowling, pizza, a silent auction, and a lot of fun, has been very successful for NHS Duluth. NHS Duluth is very proud of their association with DAAR and the Realtors that assist homebuyers who are using NHS Duluth programs.

Flower Festival – What began as a small event with a \$100 budget in 1997 has continued to grow to a large event with three pick-up sites in 2006 and hundreds of residents stopping by to get their free bedding plants each June. It's an excellent way to meet residents of our service areas and spread the word about the programs we offer. We also take this opportunity to gather feedback from residents. The Flower Festival is an event to celebrate National NeighborWorks Week, the first week of June. This year this activity expanded into the Morgan Park-West Duluth neighborhoods.

PROGRAMS OF NHS DULUTH

A. Education/Service

- *Education* – NHS Duluth’s Homebuyer Education program has continued to expand and innovate. The largest and most effective program in the Northland, over the past 9 months we served 278 potential homebuyers of which 102 became homeowners in 2006. NHS Duluth has continued to offer classes in Carlton County, and on the Fond Du Lac Indian Reservation. We have also offered classes in a variety of formats, including daylong weekend classes and two night weekday classes as well. Equally important we have now established a goal of counseling 100% of all graduates to ensure a higher level of success, particularly among emerging market populations including households of color and single heads of household. Registration for workshops is required. There is a nominal fee, and includes personal financial counseling and post-purchase counseling. The class certificate is required for various affordable lending products and all products offered by NHS Duluth.
- *Emerging Markets Initiative* During 2006, NHS Duluth expanded its efforts to reach out to communities of color and single heads of households by forming strategic partnerships with the Found Du Lac reservation to better reach American Indian households. We also expanded our role and presence in events in communities of color in Duluth, including Juneteenth sponsorship. We have also obtained special financing for two American Indian families for purchase of units in the Lake Superior View Condominiums.

B. Purchase and Rehabilitation Financing Services

- *Property Rehabilitation Loans* –NHS Duluth’s mission is to revitalize the communities it serves. By helping homeowners improve their homes, NHS Duluth invests in the neighborhoods it serves and builds community pride. In addition to providing loans, NHS Duluth assists homeowners by helping assess their home rehabilitation needs, writing scopes of work, assisting with the selection of contractors, and managing the project.
- *NHS Duluth Revolving Loan Funds* – Low-interest loans are available for homeowners in Lincoln Park, Central Hillside, East Hillside, and Endion. These loans have flexible terms and allow the homeowner to borrow up to 100% of the equity in the property. Owner-occupied, one-to-four unit dwellings qualify, as do borrowers with up to 80% of the HUD area median income.
- *Community Fix-UP and Fix-Up Funds* –These are new loan programs provided in partnership with the Minnesota Housing Finance Agency. It provides the most flexible financing to date for housing rehabilitation. We can now serve all residents of Duluth and Carlton County with interest rates between 7.25-9%, and we can work with residents with credit issues

- Purchase/Rehab Mortgage Loans - Working with lending partners, NHS Duluth provides loan origination services to meet the needs of homebuyers in its service area. Purchase, purchase with property rehabilitation, and refinance with rehabilitation products are available.

American Dream Mortgages – The American Dream mortgage, offered through US Bank, offers 30-year fixed rate, conventional loans that may be used in conjunction with property rehabilitation. No income limits or first-time homebuyer requirements exist and there are expanded qualifying ratios and loan-to-value ratios. Borrowers purchasing one-to-four unit properties that will be owner-occupied are eligible with a minimum down payment of 2% and mortgage insurance is not required.

Duluth Ownership Opportunities for Rehabilitation and Stabilization (DOORS) Purchase/Rehab and Rehab Loans are available with a purchase or refinance rehabilitation insured conventional mortgage. DOORS Loans may be used to improve items in need of repair, remove blighted outbuildings, or prepare a site for off-street parking. Loans are up to \$8,500 for property rehab and sight removal/site preparation.

Preservation Loan Fund (PLF)

Beginning in 2006 NHS of Duluth offered a new loan product, the Preservation Loan Fund, to encourage the exterior improvement of residential and commercial assets. We implemented four loans in the past 9 months. The PLF is a flexible resource that can be combined with other resources. Generally, loans are available at 6%, at flexible terms and without income limits. The tool is designed to impact historic properties in NHS neighborhoods to contribute to a revitalization of target areas. The property of the front of this annual report is our first PLF loan.

B. Down Payment Closing Costs Financial Assistance -

- Homeownership Opportunities Program (HOP) – HOP is a down payment/closing costs assistance program that provides potential homeowners with a \$2,000, 0% deferred loan for the life of the mortgage and is available to persons using a class B mortgage lender. This is available in the Lincoln Park, Central Hillside, East Hillside, and Endion neighborhoods. There are no income requirements but all buyers are required to complete the Salvation Army Money Management Class in addition to the NHS Duluth Homebuyer Education class.
- Hillside Homeownership Incentive Program (HHIP) – A program offered with the support of LISC and St. Luke's and St. Mary's, if you are an employee of these hospitals, NHS provides deferred loans of up to \$2,000 to assist with down payment/closing costs. In addition, if you meet income requirements, an additional \$2,000 may be available through the Greater Minnesota Housing Fund.

- Homeownership Incentive Program (HIP)- This program offers up to \$4,000 of downpayment assistance to homebuyers in the NHS service area based upon a determination of a real cash gap. This program can work with any Class A mortgage and has no income restrictions.

C. Neighborhood Development Services

- At Home In Duluth - In conjunction with the Duluth Local Initiative Support Corporation (LISC), NHS Duluth works with residents and other housing and community development non-profits to plan for and implement housing and other neighborhood improvement activities.
- Neighborhood Small Grants Program - The Neighborhood Small Grants program is intended to support grassroots community building activities that support the mission, values, and goals of NHS Duluth. Reimbursable grants are available up to \$250, with a minimum grant amount of \$50, for activities that occur within the NHS Duluth service area. Groups or individuals interest in the program complete a program application that is reviewed by the Program Services Committee for approval. After the event occurs, applicants submit receipts and a written report to NHS Duluth summarizing the community building effort.
- Neighborhood Revitalization Planning- The East Hillside, Central Hillside, and Lincoln Park neighborhoods all made substantial progress towards completing the first neighborhood revitalization plan to help reshape the public investments in the neighborhood. These plans are expected to be completed in 2006.
- Resident-based Code Enforcement- During 2005, Lincoln Park continued to move forward on implementing resident-based code enforcement activities, including residents working with city code staff to identify and enforce codes against dilapidated properties. An additional 20 properties have been fixed up as a result of this work in 2006.
- Commercial Façade Improvement Loans- To date, six storefront enhancement projects have been funded in the targeted communities.

D. Real Estate Development

- Lake Superior View Condominiums- NHS embarked in 2005 on its most ambitious real estate development to date, the Lake Superior Condominiums a sixteen unit mixed income condominium development located at Lake Ave and 4th St. in the Central Hillside neighborhoods. Construction was completed on Phase I in 2006, and three of the four units are sold and occupied. Construction has started on Phase II.

DONORS AND PARTNERS

NHS Duluth would like to thank our partners and volunteers, without whom none of our programs would be possible:

**A.H. Zeppa Family Foundation
NeighborWorks America
Local Initiative Support Corporation (LISC)
Northland Foundation
Wells Fargo CDC
Wells Fargo Housing Foundation
City of Duluth
Minnesota Housing Finance Agency
US Bank Foundation
State Farm Insurance
SMDC
Daugherty Hardware
Duluth Area Association of Realtors
North Shore Bank
Republic Bank
Park State Bank
Lake Superior Mortgage
Duluth News Tribune
DSGW Architects
St Luke's Hospital
M & I Bank
Hillside Business Association
Waste Management
Sprint
Arrowhead Supply
Holy Trinity Church
20/20 Home Inspections
Prestige Home Inspections
Curtis Oil and Propane
Reed Law Office, LLC
North Point Realty
State Farm Insurance**

Neighborhood volunteers too numerous to list, but thank you!