



Legislation Text

File #: 19-1098, **Version:** 1

DATE: September 24, 2019

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator

Dwelling Purchase Update

SUMMARY AND ACTION REQUESTED:

The Housing & Redevelopment Authority (HRA) to review update of the efforts made to purchase a dwelling unit.

BACKGROUND:

At the August 27, 2019, HRA regular meeting the Board voted to authorize staff to purchase a dwelling unit for up to \$225,000, to be leased to Ruth's House of Hope.

Staff has worked with Realtor Pat Johnson, Edina Realty, to view appropriate properties and make purchase offers.

Staff considered a 3 bedroom townhome unit. The asking price was fair and the unit appeared to be in good shape. Staff made a full price offer to purchase the property. The owner received 2 other offers as well, and asked each prospective purchaser to come back with their best offer, in effect setting up a possible bidding war situation. It was deemed inappropriate for the HRA to participate and staff declined to change the original offer. The property was sold to the highest bidder.

Once it was definite that the first offer had been rejected, Staff was prepared to make an offer on a 4 bedroom townhome unit on Elianna Drive. The asking price was fair and the unit appeared to be in good shape. Staff made a full price offer. The terms of the sale were clarified with the seller and it appeared the purchase offer would be accepted. However, while staff was conducting due diligence, it was determined that the HOA rules and regulations regarding criminal background checks of prospective tenants would be unacceptable for the programs at Ruth's House of Hope. The purchase offer was rescinded.

ANALYSIS:

Tenant screening, including criminal background checks and credit reports, have been a common practice in the rental housing business for many years. However, some advocates and community leaders in Minnesota are discouraging the practice on the grounds that it makes housing unobtainable for people based on records which may no longer be relevant.

Other purposes for the practice of screening tenants is to ensure that the tenants meet minimum standards such as:

- Adequate income to pay the rent

- Tenant behavior does not affect the health or safety of others
- Tenants do not commit excessive “wear and tear” or damage the property

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Ruth’s House of Hope’s decision not to rent the Elianna property due to the HOA restrictions, has caused Staff to reflect on practices with all HRA rental properties.

The HRA does not currently have established standards for what is acceptable or unacceptable relating to credit reports and criminal background checks. Is there any criminal behavior that the HRA would accept, such as speeding tickets, drug related convictions which are more than 7 years old, etc. What considerations and standards regarding credit reports should the HRA utilize when creating a rental policy?

Staff will be meeting with Ruth’s House of Hope to better understand their needs and considerations. Staff also plans to seek input from Community Action Center staff, Three Rivers Community Action and others in order to develop workable standards that serve tenants, the community and the HRA.

RECOMMENDATION:

Staff will provide updates and recommendations at a future HRA meeting.