

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 5/17/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Lead Staff: Roxanne Young Kimball
Presented by: Roxanne Young Kimball
File Type: Resolution
Subcategory: Appropriation

Subject:

Acceptance and appropriation of Neighborhood Stabilization Program funds and revision of NSP program guidelines for homebuyer and development gap assistance.

Description:

- 1) Passage of a Resolution appropriating program income generated through the Neighborhood Stabilization Program (NSP) of \$983,526.89 and accepting and appropriating an additional allocation of NSP 1 funds from the Minnesota Housing Finance Agency (MHFA) of \$1,197,824.09, for a total appropriation of \$2,181,350.98.
- 2) Authorizing execution of a second amendment to the grant agreement with MHFA for the acceptance of additional NSP 1 funds.
- 3) Authorizing amendment of homebuyer assistance guidelines from \$7,500 of assistance to \$5,000 of assistance for new NSP project commitments.
- 4) Authorizing amendment of development gap assistance cap for new construction projects from \$60,000 of assistance to \$70,000 of assistance for new NSP project commitments.

Previous Actions:

April 29, 2014: Appropriation of NSP funds received from MHFA and program income generated by the City of Minneapolis.

February 15, 2011: Approved and authorized submittal of 2010 Consolidated Plan Amendment #1 to the US Department of Housing and Urban Development (HUD) and an application to MHFA for NSP 3 funds, and authorization to develop and execute related funding agreements.

March 12, 2010: Approved award of NSP 2 funds and authorized execution of an NSP 2 grant between HUD and the City of Minneapolis as lead in a Consortium with the City of Brooklyn Park and Hennepin County.

March 27, 2009: Approved award of NSP 1 funds from MHFA and authorized awards for development gap financing to entities that submitted proposals in response to the City's Foreclosure Recovery Rehabilitation Program RFP.

October 21, 2008: Approved and authorized submittal of 2008 Consolidated Plan Amendment to HUD for NSP funding.

Ward/Address:

All Wards

Background/Analysis:

The City of Minneapolis applied for and was awarded five separate NSP grants, from MHFA (NSP 1 and NSP 3) and HUD (NSP 1, NSP 2, and NSP 3). Minneapolis has executed grant agreements with both MHFA and HUD for each award, as appropriate. The NSP funding was a key component of the Minneapolis Foreclosure Recovery Plan based on strategic and timely government intervention for reinvesting and repositioning in order to mitigate the effects of foreclosure in Minneapolis. Minneapolis NSP Action Plans are posted on the City of Minneapolis's website: <http://www.ci.minneapolis.mn.us/foreclosure/nsp.asp>. Activities funded by NSP include:

- funding for homebuyer assistance
- redevelopment gap resulting in housing for households at 120% of area median income
- land banking and demolition of abandoned, foreclosed, or vacant property
- program administration

The City of Minneapolis has generated program income and received additional appropriation of NSP funds from MHFA totaling \$2,181,350.98. All program income and additional appropriation must be spent on NSP eligible activities.

- NSP 1 HUD, Fund 01400: Appropriation of \$22,668.89 program income generated by the City of Minneapolis.
- NSP 1 MHFA, Fund 01300: Appropriation of \$74,886.59 of program income generated by the City of Minneapolis and an additional appropriation of \$1,197,824.09 of funds allocated by the MHFA based on the City of Minneapolis' performance.
- NSP 2 HUD, Fund 01300: Appropriation of \$669,843.91 program income generated by the City of Minneapolis.
- NSP 3 MHFA, Fund 01300: Appropriation of \$137,082.36 program income generated by the City of Minneapolis.
- NSP 3 HUD, Fund 01400: Appropriation of \$79,045.14 program income generated by the City of Minneapolis.

The City of Minneapolis intends to utilize remaining grant balances to meet its remaining grant obligations, which include redevelopment of vacant land acquired under the Land Bank activity and assurance that 25% of all NSP funds are spent to benefit households at 50% of area median income or below. There are 178 NSP land banked properties that are still owned by the City of Minneapolis, which must be redeveloped or sold for their appraised value within 10 years of the date that NSP grants are closed out.

Staff intends to utilize all remaining unobligated NSP 1 MHFA funds for a Green Homes North Round 6 Request for Proposals restricted to NSP land bank properties or properties acquired through MHFA's Strategic Acquisition Fund, a requirement of the additional allocation of NSP funds from MHFA. In order to ensure that remaining NSP program dollars maximize development of land banked properties, new funding commitments for NSP homebuyer assistance will be lowered to \$5,000 of assistance instead of the \$7,500 included in the original NSP applications and the cap for development gap assistance for new construction projects will be raised to \$70,000 instead of the \$60,000 included in the original NSP applications for all five grant awards. Development gap assistance finances the difference between a project's total development cost and its appraised value upon completion. Historically NSP development gap assistance focused on rehabilitation of vacant properties that typically have a lower development gap need than new construction. The higher development gap amount of \$70,000 is the average subsidy request of Green Homes North awards from Round 5.

Each neighborhood was notified of the NSP program applications and provided an opportunity to participate in the community review process.

Financial Review:

Additional appropriation required.

Amend the 2016 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01300 Grants – Federal (01300-8900230) appropriation by \$2,079,636.95 and Fund 01400 Grants – CDBG and UDAG Funds (01400-8900230) appropriation by \$101,714.03.

Increase the revenue budget for the Community Planning and Economic Development agency Federal Fund (01300-8900900-321008) by \$2,079,636.95 and CDBG Fund (01400-8900900-321008) by \$101,714.03.

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**