

Request for City Council Committee Action from the Department of Community Planning & Economic Development – CPED

Date: March 31, 2009

To: Council Member Lisa Goodman, Community Development

Subject: **Minneapolis Neighborhood Stabilization Program (NSP) Overview**

Recommendation: Receive and File

Previous Directives: On March 10, 2009 the Community Development Committee requested an overview of the Minneapolis Neighborhood Stabilization Program (NSP) at a future Committee meeting and approved the State of Minnesota award of NSP funds to applicants responding to Minneapolis' request for proposals (RFP) for the purchase and rehabilitation of foreclosed and/or abandoned properties. On October 21, 2008 the City Council authorized staff to submit to the Department of Housing and Urban Development (HUD) and amended 2008 Consolidated Plan consisting of an application for Neighborhood Stabilization Program funding.

Department Information

Prepared by: Cherie Shoquist, Foreclosure Project Coordinator, 612.673.5078

Approved by: Thomas Streitz, Director, Housing & Policy Development _____

Charles T. Lutz, Deputy CPED Director _____

Presenters in Committee: Cherie Shoquist, Foreclosure Project Coordinator

Financial Impact

- Other financial impact: March 23, 2009 the Office of Grants and Special Projects will report to the Ways and Means Committee requesting authorization to accept and appropriate the funds necessary to spend the NSP awards from the State and from HUD.

Community Impact

- Neighborhood Notification: Each Neighborhood was notified of the NSP funding and afforded an opportunity to partake in the community review process.
- City Goals: A Safe Place to Call Home – In five years all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.
- Sustainability: Green standards will be employed in construction and rehabilitation of affordable housing units developed under this program.

Supporting Information

The Minneapolis Neighborhood Stabilization Program implements the reinvestment strategy of the Minneapolis Foreclosure Recovery Plan. An overview of the proposed Minneapolis NSP funding allocation by eligible activity and expected outcomes is provided below. (Also see attached Foreclosures: The Minneapolis Foreclosure Response Three Point Plan, CPED March 2009).

MINNEAPOLIS FORECLOSURE RECOVERY PLAN

In Minneapolis 3,077 properties were foreclosed in 2008 and another 3,000 are projected to be foreclosed in 2009. The City of Minneapolis' focus on prevention, reinvestment and market reposition in 2009 and beyond will lead to market recovery in our neighborhoods.

Strategies to Recover a Healthy Housing Market:

- 1. Prevention:** Continue foreclosure prevention outreach and counseling
- 2. Reinvestment:** Pursue aggressive property acquisition and promote property development
- 3. Repositioning:** Engage in community building and marketing efforts

\$14 million in HUD Neighborhood Stabilization Program (NSP) funds will support the reinvestment strategy of the Minneapolis three point foreclosure recovery plan.

MINNEAPOLIS NEIGHBORHOOD STABILIZATION PROGRAM

In the next one to four years, NSP resources will provide for the demolition of 200 blighted structures, acquisition of 120 properties, and rehabilitation of 175 properties in Minneapolis neighborhoods hardest hit by foreclosures, primarily in North, Northeast and South Central Minneapolis. Foreclosed and/or abandoned homes and residential properties will be acquired strategically near existing public investment and community corridors to maximize the neighborhood and market impact of NSP reinvestment. (See attached Map of Neighborhood Stabilization Program Target Areas).

NSP Eligible Activities:

- Establish **financing** mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties
- Purchase and rehabilitate** homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop
- Establish **land banks** for homes that have been foreclosed upon
- Demolish** blighted structures
- Redevelop** demolished or vacant properties

A description of the Minneapolis NSP eligible activities, the number of properties impacted and the amount of NSP funds proposed for each activity is summarized below.

Financing/Down Payment and Closing Cost Assistance 50 Properties \$0.5 Million

CPED will make down payment and closing cost assistance available to meet the affordability gap in homeownership opportunities for homebuyers, which may include buyers at the HUD required 50% of area median income, \$40,450 for a family of four. This activity may closely resemble the Minneapolis Advantage Program guidelines and will expand homeownership incentives and promote Minneapolis neighborhoods in preparing the housing market for a rebound.

In addition, the Minneapolis Advantage Program is currently funded at \$2 million in City of Minneapolis (\$500,000) and Federal Home Loan Bank (\$1.5 million) funds and expected to provide \$10,000 in down payment and closing cost assistance to 200 homebuyers who purchase foreclosed properties in targeted neighborhoods.

repositioning the market place to the extent necessary to “tip” the market toward restoring a healthy housing market.

Minneapolis Neighborhood Stabilization Program (NSP)

| Eligible Uses | Program Description | Total 2008 NSP Funds to Minneapolis | Units |
|---|--|--|--------------|
| A. Financing / Down- payment and Closing Cost Assistance | CPED will make down payment and closing cost assistance available to meet the affordability gap in homeownership opportunities for homebuyers. | \$500,000 | 50 |
| B. Purchase Rehab | CPED will provide development value gap financing to non-profit developers to cover the difference between the cost of purchase and rehab of a foreclosed and/or abandoned property and the sale price. The property will be sold to an income-qualified owner-occupant or rented to an income-qualified tenant. | \$6,495,636 | 236* |
| C. Land Banking | CPED will strategically acquire foreclosed or abandoned properties that cannot be rehabbed due to cost or condition, demolish them and hold them as vacant parcels (land bank) until the market is ready to absorb new development. | \$4,288,212 | 120 |
| D. Demolition | The Department of Regulatory Services will address properties on the Chapter 249 Vacant and Boarded Building list that require demolition. | \$1,700,000 | 200 |
| E. Redevelopment | CPED has reserved the ability to shift HUD NSP funds to the redevelopment of demolished or vacant properties. However, the current NSP strategy prioritizes abandoned and foreclosed homes and residential properties over other properties for redevelopment. | \$0 | 0 |
| Administration | NSP will be locally administered by City staff and monitored for compliance with federal and state requirements. Administrative costs incurred under the program are covered under an allowable administrative fee of ten percent. | \$1,019,391 | 0 |
| TOTAL | | \$14,003,239 | 606** |

The Neighborhood Stabilization Program requires that 25% of the funds received (approximately \$3.5 m) must be targeted to households at or below 50% of the area median income (\$40,500).

*175 properties will yield 236 units. Of the 236 units, 130 will be targeted to households at 50% area median income to meet NSP requirements.

**There may be duplications in the numbers of units between uses. The numbers of units may project the ability to recycle funds.

Minneapolis Neighborhood Stabilization Program (NSP) Purchase/Rehab

| Applicant | Project Description | Housing Type |
|--|---|----------------------|
| Habitat for Humanity | Purchase and rehab foreclosed and abandoned single family units and sell to households with incomes at or below 50% AMI. Area of focus is identified as areas of greatest need as defined by City of Minneapolis. | Ownership |
| Project for Pride in Living | Purchase and rehab foreclosed and abandoned multi-unit structures (no more than an 8-plex) and rent them to households with income at or below 50% AMI. Primary focus is in Phillips and North Minneapolis. | Rental |
| City of Lakes Community Land Trust | This is part of the City of Lakes Community Land Trust's Homebuyer Initiated Program. The buyer will identify a foreclosed property that they will owner-occupy. The NSP resources will assist with the rehab of the property. This will be available to all NSP-eligible neighborhoods. | Ownership |
| Neighborhood Housing Services of Minneapolis | Purchase and rehab foreclosed and abandoned single family units, primarily in North Minneapolis. Half of the units will be sold to households with incomes at or below 50% AMI. | Ownership |
| Urban Homeworks | Purchase and rehab foreclosed and abandoned single family and multi-unit structures. The multi-unit structures will be rental and the single family units will be sold for ownership. Primary focus is North Minneapolis. | Ownership and Rental |
| Alliance Housing | Purchase and rehab foreclosed and abandoned multi-unit structures (no more than an 8-plex) and rent them to households with income at or below 50% AMI. They have identified three eligible projects in North Minneapolis. | Rental |
| Powderhorn Residents Group | Purchase and rehab foreclosed and abandoned single family units and sell to households with incomes at or below 50% AMI. Primary focus is in the neighborhoods of Jordan and Harrison. | Ownership |
| Greater Metropolitan Housing Corporation | Purchase and rehab foreclosed and abandoned single family units and sell to households with incomes at or below 50% AMI. Focus is in all NSP eligible neighborhoods. GMHC is the primary agent for the First Look pilot, where lenders offer foreclosed properties for sale before they are marketed. | Ownership |

| | | |
|--------------------------|---|-----------------------------|
| | | |
| Minneapolis Urban League | Purchase and rehab foreclosed and abandoned single family and multi-unit structures. The multi-unit structures will be rental and the single family units will be sold for ownership. Focus is in all NSP-eligible neighborhoods. | Ownership and Rental |
| TOTAL | | 65% Ownership 35% Rental |

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