

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

Date: October 6, 2009

To: Councilmember Lisa Goodman, Chair Community Development Committee

Referral to: Councilmember Paul Ostrow, Chair, Ways & Means/Budget Committee

Subject: Neighborhood Stabilization Program (NSP) funded Minneapolis Foreclosure Recovery Rehabilitation Program award

Recommendation:

1. Remove the Minneapolis Urban League, per their request, as a Developer receiving \$675,000 through the Neighborhood Stabilization Program (NSP) award for the purchase and rehabilitation of 27 foreclosed and/or abandoned properties.
2. Award Ethnic Home Housing \$350,000 in NSP funds for the purchase and rehabilitation of 10 foreclosed or abandoned properties.
3. Authorize the appropriate City officials to enter into a contract and related agreements with Ethnic Home Housing.
4. Authorize CPED Director to distribute the remaining \$325,000 for additional development gap financing on an as needed basis to the non-profit entities participating in the City's Foreclosure Recovery Rehabilitation Program.

Previous Directives:

On March 27, 2009, the City Council authorized the acceptance and appropriation of Neighborhood Stabilization Program (NSP) funds; authorized the execution of a grant agreement with Minnesota Housing; approved the staff recommendation to award \$6,495,636 for development gap financing to 9 entities that submitted proposals in response to the City's Foreclosure Recovery Rehabilitation Program RFP; authorized agreements with the selected proposers; and authorized the CPED Director to make changes to the local sub-recipient awards if necessary. 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: Edie Oliveto-Oates, Senior Project Coordinator, 612.673.5339

Approved by: Thomas Streitz, Director, Housing & Policy Development _____
Charles T. Lutz, Deputy CPED Director _____

Presenters in Committee: Edie Oliveto-Oates, Senior Project Coordinator

Financial Impact

- No financial impact

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 City has allocated nearly \$6.5 million of the \$14 million in U.S. Department of Housing and Urban Development Neighborhood Stabilization Program (NSP) 1 funds through the Minneapolis Foreclosure Recovery Program to purchase and rehabilitate residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop them as housing. In the next one to four years, NSP resources will provide for the rehabilitation of properties in Minneapolis neighborhoods hardest hit by foreclosures, primarily in North, Northeast and South Central Minneapolis. Foreclosed and/or abandoned residential properties will be acquired strategically near existing public investment and community corridors to maximize the neighborhood and market impact of NSP reinvestment.

CPED will use NSP funds to provide development gap financing to non-profit developers to cover the difference between the cost of purchase and rehabilitation 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. This strategy will stabilize and return residents to neighborhoods hardest hit by foreclosure.

The Minneapolis City Council approved a Minneapolis Foreclosure Recovery Rehabilitation Program award of \$675,000 to the Minneapolis Urban League on March 27, 2009. Time is of the essence, considering the NSP1 funds for purchase and rehabilitation activities must be obligated by September 20, 2010.

On September 8, 2009, the Minneapolis Urban League submitted a letter informing the City of their withdrawal from participation as a developer and as lead entity in the implementation of the program. With the withdrawal and respecting the extremely short time frame that exists, staff believes that it is appropriate to proceed to contract with the named co-developer in the Minneapolis Urban League's proposal, Ethnic Home Inc., which is creating a nonprofit arm, Ethnic Home Housing, to develop a portion of the proposed homeownership units. The Minneapolis Urban League strongly supports this shift and will continue to be involved in the program and the development of the housing units. This action continues to support a North Minneapolis based developer and will assist with building capacity for the Minneapolis Urban League for future development opportunities.

The Request for Proposals required that that all developers be non-profit entities to participate in the program. Ethnic Home Inc. is not a non-profit entity, but is proceeding to obtain said status. No contracts will be executed until the non-profit entity is officially registered with the State of Minnesota and all necessary documentation has been submitted to the City.

Several of the nonprofit developers participating in the Minneapolis Foreclosure Recovery Program have indicated that \$25,000 per unit may be insufficient to cover the actual development gap. They have requested that the City set aside funds to address this problem. CPED proposes to reserve the \$325,000 balance of the Minneapolis Urban League award to cover developer requests for additional assistance on an as-needed basis. Staff is recommending that the City Council approves the recommendations stated above.