

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

**Date:** February 1, 2011  
**To:** Councilmember Goodman, Chair, Community Development Committee  
**Referral to:** Councilmember Hodges, Chair, Ways & Means/Budget Committee  
**Subject:** Minneapolis Neighborhood Stabilization Program 3 (NSP3)

## **Recommendation:**

1. Authorize staff to submit to the United States Department of Housing and Urban Development (HUD) an application for \$2,671,275 in Neighborhood Stabilization Program 3 (NSP3) funds under the Housing and Economic Recovery Act of 2008 (HERA), as amended, and the American Recovery and Reinvestment Act of 2009 (ARRA), as amended, and an additional allocation of funds provided by the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). Procedurally this means we will provide a first amendment to our 2010 Consolidated Plan and submit it as a “NSP3 Substantial Amendment and Abbreviated Action Plan” to HUD by March 1, 2011.
2. Authorize staff to submit to the Minnesota Housing Finance Agency (MHFA) an application for \$600,000 of \$5,000,000 in NSP3 funds allocated to the State of Minnesota.
3. Authorize staff to develop and execute funding agreements with HUD and MHFA as required by NSP3.
4. Set the public comment period for Minneapolis NSP3 for February 1 – February 15, 2011 with an opportunity for public comment by means of public hearing before the City Council Community Development Committee, scheduled for Tuesday, February 15, 2011.
5. Authorize the CPED Director to make changes to the proposed NSP3 activities if necessitated by refinements made to NSP3 to meet HUD, MHFA or programmatic requirements.

## **Previous Directives:**

The Minneapolis City Council authorized the applications for and approved the allocation of nearly \$30 million in NSP1 and NSP2 funds in 2008, 2009 and 2010 for Minneapolis foreclosure recovery efforts.

## **Department Information**

Prepared by: Cherie Shoquist, Foreclosure Recovery Coordinator, 612.673.5078 Approved by: Thomas Streitz, Director, Housing & Policy Development Charles T. Lutz, Deputy CPED Director Presenters in Committee: Cherie Shoquist, Foreclosure Recovery Coordinator
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## Financial Impact

- Other financial impact: If awarded, NSP3 funds will provide an increase to the Capital and Operating budgets and increased revenue.

## Community Impact

- Neighborhood Notification: Each Neighborhood is notified of the NSP3 applications and afforded an opportunity to partake in the community review process.
- City Goals: Livable Communities, Healthy Lives
  - Our built and natural environment adds character to our city, enhances our health and enriches our lives.
  - High-quality, affordable housing for all ages and stages in every neighborhood.
  - Sustainability: Green standards will be employed in construction and rehabilitation of affordable housing units developed under this program.

## Supporting Information

### Minneapolis Neighborhood Stabilization Program Background:

Minneapolis seeks to submit applications for NSP3 funds in the amount of \$600,000 to MHFA by January 24, 2011 and 2,671,275 to HUD by March 1, 2011. The expected timeline for funding is: MHFA contingent awards by the end of February followed by MHFA contingent agreements by mid March, 2011 and HUD award approval by mid April followed by HUD agreements mid May, 2011.

Funds must be 50% expended within two years of HUD signing the grantee agreement. Funds must be 100% expended within three years of HUD signing the grantee agreement.

The target areas for NSP3 funding will be set by HUD and MHFA based on a foreclosure and vacancy mapping tool developed by HUD to determine areas of greatest need and greatest impact. HUD requires identified high need target areas to be further defined so that a minimum of twenty percent of the real estate owned housing units in the target area are addressed to make a visible impact in the area. These areas will be within the NSP2 target areas yet significantly more targeted.

In Minneapolis 2,174 properties were foreclosed in 2010 through November 2010; year totals will likely be under the CPED estimated 2,500 foreclosures in 2010. Another 2,500 are projected to be foreclosed in 2011. Foreclosure and vacancy data from 2010 will be compiled for the NSP3 HUD application. The Results Minneapolis Healthy Housing Indicators reports will assist in guiding neighborhood reinvestment over time.

The awards of nearly \$30 million in NSP1 and NSP2 funds and applications for an additional \$3.3 million in NSP3 funds support the reinvestment and repositioning strategies of the three point Minneapolis Foreclosure Recovery Plan. Minneapolis NSP3 implements the reinvestment and repositioning strategies of the Minneapolis Foreclosure Recovery Plan.

An overview of the proposed Minneapolis NSP3 funding allocation by eligible activity and expected outcomes is provided in the NSP3 Eligible and Proposed Activities sections below.

### HUD NSP3 Eligible Activities:

- A. Establish **financing** mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties
- B. **Purchase and rehabilitate** homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop
- C. Establish **land banks** for homes and residential properties that have been foreclosed upon

D. **Demolish** blighted structures

E. **Redevelop** demolished or vacant properties as housing

NSP requires that 25% of funds received must be targeted to households at or below 50% of area median income. This requirement will be met for NSP3 with the redevelopment of multifamily rental units.

**Minneapolis NSP3 Proposed Activities:**

The amount of funds and number of units dedicated to each activity may change based on input from our non-profit community developers and other stakeholders once the feasibility of meeting housing unit goals in the HUD required target areas is determined.

**A. Financing:** The HUD application will propose making funds available to provide down payment and closing cost assistance to incentivize the purchase of approximately 12-24 foreclosed homes in target neighborhoods; this is likely to be covered in Activity A.

**B. Rehabilitation:** Rehabilitation activities will be funded through Activity E.

**C. Land Banking and D. Demolition:** The HUD application will propose under Activity C Land Banking and Activity D Demolition the acquisition of approximately 12 properties for future redevelopment.

**E. Redevelopment:** The HUD application will propose under Activity E Redevelopment the rehabilitation and redevelopment of approximately 12 units of single family homes for ownership and approximately 12 multifamily units for rental. The MHFA application will propose under Activity E Redevelopment the rehabilitation and redevelopment of 10 units of single family homes for ownership and duplexes for rental.

Project and administrative costs will be considered in NSP3 applications.

More detail on proposed activities, sources and uses will be included in the draft Minneapolis NSP3 Action Plan to be posted on the City of Minneapolis NSP website on February 1, 2011 at: <http://www.ci.minneapolis.mn.us/foreclosure/nsp.asp>. The public comment period for Minneapolis NSP3 will be February 1 – February 15, 2011 with an opportunity for public comment at a public hearing before the City Council Community Development Committee, scheduled for Tuesday, February 15, 2011. Thoughtful consideration will be given to community input in developing the NSP3 program goals and program design. Community engagement during program implementation and refinement of goals and methods as market conditions change is vital to Minneapolis' foreclosure recovery efforts.

The Neighborhood Stabilization Program 3 is a key component of the Minneapolis Foreclosure Recovery Plan based on strategic and timely government intervention for reinvestment and repositioning the market place to the extent necessary to "tip" the market toward restoring a healthy housing market.