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

Date: August 4, 2009

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: First Look Program Agreement under the Neighborhood Stabilization

Program (NSP 1) of the U.S. Department of Housing and Urban

Development

Recommendation:

1. Direct staff to negotiate a First Look Program Agreement with the Twin Cities Community Land Bank LLC, a Minnesota nonprofit limited liability company, in compliance with guidance and regulations of the U.S. Department of Housing and Urban Development for the use of NSP 1 funds awarded to the City.

2. Authorize execution of the First Look Program Agreement between the Twin Cities Community Land Bank LLC, a Minnesota nonprofit limited liability company, and the City of Minneapolis under the Neighborhood Stabilization Program of the U.S. Department of Housing and Urban Development.

Previous Directives: On June 16, 2009, the Community Development Committee authorized staff to submit to HUD an application for approximately \$48 million in Neighborhood Stabilization Program 2 (NSP2) funds under the American Recovery and Reinvestment Act, 2009 by July 17, 2009 as lead applicant in a consortium with Hennepin County and the City of Brooklyn Park. Also on June 16, 2009, the Community Development Committee directed staff to negotiate and authorized execution of a First Look Program Agreement with Greater Metropolitan Housing Corporation (GMHC).

On March 31, 2009, the Community Development Committee received and filed an overview of the Minneapolis Neighborhood Stabilization Program (NSP1) 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) an amended 2008 Consolidated Plan consisting of an application for Neighborhood Stabilization Program (NSP 1) 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

- · Action is within the Business Plan
- No financial impact

Community Impact

- Neighborhood Notification: Each Neighborhood was notified of 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.

Background/Supporting Information

The City applied for and obtained federal funding directly from the Department of Housing and Urban Development (HUD) and through the Minnesota Housing Finance Agency (MHFA) under the FY08 CDBG Neighborhood Stabilization Program (NSP1) to acquire foreclosed and/or abandoned homes in areas of greatest need for purposes of rehabilitation and sale or rental to income-qualified households or land banking. The City recently applied for additional HUD funding for this purpose under the 2009 Neighborhood Stabilization Program 2 (NSP2).

The City awarded approximately \$6.5 million in NSP1 funds to 9 nonprofit developers under its Foreclosure Recovery Rehabilitation Program to rehabilitate abandoned or foreclosed properties. The City also is undertaking an approximately \$4.3 million land banking program to acquire, demolish and hold foreclosed properties.

The National Community Stabilization Trust (NCST) has developed the First Look Program with participating lenders. The program allows NCST-selected intermediaries to obtain premarket access to eligible foreclosed and vacant properties and uses standardized transaction formats and pricing models to obtain a significant purchase price adjustment. NCST selected the Greater Metropolitan Housing Corporation to initially manage this program in Minneapolis. The new Twin Cities Community Land Bank LLC has agreed to assume the Twin Cities metropolitan-wide role as manager of the NCST program on September 1, 2009.

To best facilitate the First Look Program and to assist in other acquisition and land banking efforts to lead to foreclosure recovery, the City, with our collaborative partners, has encouraged the development of Twin Cities Community Land Bank LLC (TCC Land Bank). TCC Land Bank is a wholly owned subsidiary of the Family Housing Fund established to assemble, manage, and dispose of property and vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property. The TCC Land Bank is designed to operate on a large scale, over a broad geographic area, with a long view toward development and re-building communities, and as a public-private partnership coordinating across multiple communities of interest. As a non-profit limited liability company, it is designed to be highly flexible and responsive and to leverage public and private dollars to accomplish the goals of neighborhood stabilization and recovery.

On April 23, 2009, HUD issued a document titled "Guidance on NSP-Eligible Acquisition and Rehabilitation Activities" that clarifies the use of intermediaries for acquisitions under NSP. It says that if acquisition is to be carried out by an intermediary, the grantee must enter into an agreement with the intermediary prior to the acquisition in order for the property to qualify for NSP assistance as a foreclosed or abandoned property.

In June, the City Council approved an agreement authorizing GMHC at act as an acquisition intermediary per the HUD Guidance. The purpose of this report is to authorize the City to enter into a similar agreement with TCC Land Bank so that foreclosed or abandoned properties acquired by the TCC Land Bank under the First Look Program and transferred to City or NSP 1 Developers retain their eligibility for NSP 1 assistance. The agreement will require the TCC Land Bank to follow NSP acquisition and relocation rules, including

appraisals, purchase discount, and environmental review, among other things. TCC Land Bank will distribute eligible properties to the City and the NSP 1 Developers at TCC Land Bank cost of \$2,000 - \$3,000 depending on transaction and financing cost per property plus of pocket costs (closing costs, interest and holding costs etc.).