

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

**Date:** June 16, 2009

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

**Subject:** **First Look Program Agreement under the Neighborhood Stabilization Program of the U.S. Department of Housing and Urban Development**

**Recommendation:**

1. Direct staff to negotiate a First Look Program Agreement with the Greater Metropolitan Housing Corporation (GMHC), a Minnesota nonprofit corporation, in compliance with guidance and regulations of the U.S. Department of Housing and Urban Development for the use of Neighborhood Stabilization Program funds awarded to the City.
  
2. Authorize execution of the First Look Program Agreement between the Greater Metropolitan Housing Corporation (GMHC), a Minnesota nonprofit corporation, and the City of Minneapolis under the Neighborhood Stabilization Program of the U.S. Department of Housing and Urban Development.

**Previous Directives:** On March 31, 2009, the Community Development Committee received and filed an overview of the Minneapolis Neighborhood Stabilization Program (NSP) 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 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 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.

## **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 (NSP 1) 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 awarded approximately \$6.5 million in NSP 1 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.

GMHC, in conjunction with the National Community Stabilization Trust (NCST), has developed a program with participating lenders called "First Look" that allows GMHC to obtain pre-market access to eligible properties and uses standardized transaction formats and pricing models to facilitate a significant purchase price adjustment.

GMHC intends to offer certain of the eligible properties it acquires pursuant to the "First Look" program for its own acquisition and rehabilitation program and to City and the NSP I Developers, among others.

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 I. 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.

The purpose of this Agreement is to satisfy the requirements in the HUD Guidance so that foreclosed or abandoned properties acquired by GMHC under the First Look program and transferred to City or the NSP I Developers retain their eligibility for NSP I assistance. The agreement will require GMHC to follow NSP acquisition and relocation rules, including appraisals, purchase discount, and environmental review, among other things. GMHC will distribute eligible properties to the City and the NSP I Developers at GMHC's cost of acquisition plus a transaction fee of \$2,000-3,000 per property and reimbursement of its out of pocket costs.

Due to the expedited schedule associated with the First Look Program, staff is concerned that we will not be able to meet the Citizens Participation Agreement's 45-day neighborhood review requirement for acquisition of these properties. To ensure program effectiveness, staff has requested eligible-NSP neighborhoods to waive the 45-day review requirement. Should a neighborhood elect not to waive the review requirement, acquiring properties through First Look in said neighborhood will be unlikely. Staff has informed each affected neighborhood and Council Member that should the neighborhood waive the review requirement, staff will still advise them of the proposed acquisition and should we be successful in the acquisition, they will be afforded the 45-day review period associated with the disposition of the property. Additionally, each affected neighborhood has been asked to supply staff with a list of problem properties for consideration in the First Look Program, should they become available.