

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

Date: June 10, 2010
To: Councilmember Lisa Goodman, Chair, Community Development Committee
Referral To: Councilmember Hodges, Chair, Ways & Means/Budget Committee
Subject: **Minneapolis Neighborhood Stabilization Program 2 (NSP2)** Foreclosure Recovery Rehabilitation Program Request for Proposals (RFP) for development of rental housing and Request for Qualifications (RFQ) for development of ownership housing.

Recommendation: Staff recommends that the City Council:

- A. Approves the staff recommendation to award approximately \$3.7 million for development gap financing in the treatment of foreclosed and/or abandoned multifamily rental housing to three of four community developers that submitted proposals in response to the City's Foreclosure Recovery Rehabilitation Program RFP as outlined in this report;
- B. Approves the staff recommendation to fund six of seven community developers that submitted qualifications in response to the City's Foreclosure Recovery Rehabilitation Program RFQ to be qualified to receive approximately \$5.6 million in financing on a first come-first serve basis for the treatment of foreclosed and/or abandoned single family housing as outlined in this report;
- C. Approves the staff recommendation to provide non-NSP single family Home Ownership Works Program funding on a first-come first-serve basis to selected developers that indicated interest in these funds in response to the City's RFQ as outlined in this report;
- D. Authorizes the appropriate City officials to enter into related agreements with the selected qualified non-profit community developers; and
- E. Authorizes the CPED Director to make changes to the awards and funding, if necessitated by refinements made to NSP2 to meet HUD or programmatic requirements.

Previous Directives: On April 10, 2010, the City Council approved the NSP2 Foreclosure Recovery Rehabilitation Program guidelines, directed staff to issue a Request for Proposals for rental housing purchase rehab activities and a Request for Qualifications for ownership housing redevelopment activities. On March 12, 2010, the City Council accepted the award of \$19,455,156 in NSP2 funds; authorized execution of the NSP2 grant between HUD and the City of Minneapolis as lead in a Consortium with the City of Brooklyn Park and Hennepin County with HUD approved allocations of \$15,424,156 to the City of Minneapolis, \$2,344,000 to the City of Brooklyn Park and \$1,687,000 to Hennepin County; and authorized the execution of related NSP2 Consortium agreements. On June 16, 2009, the City Council authorized staff to submit to HUD an application for NSP2 funding as lead applicant in a Consortium with the City of Brooklyn Park and Hennepin County.

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: On March 8, 2010, the Ways & Means/Budget Committee authorized the Office of Grants and Special Projects to accept and appropriate the NSP2 funds.

Community Impact

- Neighborhood Notification: Each neighborhood group in impacted areas 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 – Healthy homes, welcoming neighborhoods and Livable Communities, Healthy 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.
- Appropriate sector planners will be provided information on funded proposals and specific properties once contracts have been executed and properties are identified.

Supporting Information

The activities outlined in this report are being funded by a NSP2 grant from the Department of Housing and Urban Development (HUD) as authorized by the federal American Reinvestment and Recovery Act of 2009 (The Recovery Act) and by non-NSP federal funds allocated to the Home Ownership Works (HOW) program.

On April 19, 2010, the City released the Foreclosure Recovery Program Request for Proposals/Qualifications. The proposals and qualifications were due May 21, 2010. A question and answer meeting was held April 30, 2010. Ten proposals, requesting \$9,856,010 in NSP funding to rehabilitate approximately 161 units of foreclosed or abandoned housing in Minneapolis neighborhoods hardest hit by foreclosures (see attached NSP Eligible Areas Map) were received. Eight of the proposers also expressed an interest in being considered for participation in the Home Ownership Works Program.

In its NSP2 plan (see attached NSP2 Minneapolis Foreclosure Recovery Plan Sources & Uses), the City has allocated approximately \$3.7 million for 54 units of rental housing and \$5.6 million for 80 single family homes.

The approximately \$3.7 million that is available for the development of rental housing under NSP2 Activity B Purchase Rehabilitation will produce housing that is affordable to households with income at or below 50% of area median income (AMI).

The approximately \$5.6 million that is available for development of ownership housing under NSP Activity E Redevelopment will produce housing that is affordable to households with income at or below 120% AMI.

For the rental proposals, the funds will be awarded among the proposers as indicated below. For the ownership proposals, funds will be awarded on a first come-first served basis once the unit has been identified by the approved developer.

A review committee of City staff scored and ranked the proposals based on the criteria made available to all interested applicants via the City's website. The committee, based on the scoring and ranking of each application, is recommending funding for eight of the ten applicants, as noted below:

Rental: \$3,671,725, 52 units

Staff received proposals from four developers to rehabilitate rental housing. Staff ranked all eligible proposals and is recommending that the following developers meet the minimum qualifications for NSP:

Developer Requested			Score	Staff Recommended	
Applicants	Amount Requested	Units	Max (155)	NSP2	Units
Recommended					
Urban Homeworks	\$960,000	16	152	\$960,000	16
Alliance Housing	\$720,000	12	150	\$720,000	12
Project for Pride in Living	\$1,440,000	24	150	\$1,440,000	24
Unallocated Funds	N/A	N/A		\$551,725	N/A
Subtotal	\$3,120,000	52		\$3,671,725	52
Non-Recommended					
Phoenix Development	\$1,186,800	16	N/R*	\$0	0
Subtotal	\$1,186,800	16		\$ -	0
Total	\$4,306,800	68		\$3,671,725	52

*N/R: Not Ranked

Staff did not rank Phoenix Development because it did not meet the minimum requirement as a non-profit developer. Non-profit developers have knowledge of and expertise in meeting complex federal requirements that impact both acquisition and management of rental property or sale of homeownership properties in a competitive market. Please note that for-profit developers interested in partnering with the City of Minneapolis in foreclosure recovery efforts may participate through the Twin Cities Community Land Bank.

The unallocated amount of \$551,725 will be used to fund future rehab rental projects and project delivery costs (approximately \$150,000). The remaining funds (approximately \$400,000) will be awarded on a first come-first served basis to one of the three developers after the awarded amount has been expended. Staff recommends that the City Council authorize the CPED Director to increase the developer(s) contract amount as will be appropriate to expend the remaining unallocated funds.

Homeownership: \$5,575,000, 80 single family homes

Staff received proposals from eight developers to redevelop ownership housing. Like the rental proposals, staff ranked all the proposals and is recommending that the following developers meet the minimum qualifications for both the NSP and HOW Programs:

Developer	Score	Qualifications Met (Yes/No)
Recommended		
Greater Metropolitan Housing Corporation (GMHC)	125	Yes
Neighborhood Housing Services of Minneapolis	125	Yes
Powderhorn Residents Group (PRG)	125	Yes
Twin Cities Habitat for Humanity (Habitat)	125	Yes
Urban Homeworks	125	Yes
Project for Pride in Living	120	Yes

City of Lakes Community Land Trust(CLCLT)	105	Yes
Non-Recommended		
Northside Residents Redevelopment Council/Ethnic Homes	84	No
Phoenix Development	*N/R	No

*N/R: Not Ranked

Staff is not recommending funding for two applications. This decision is based on ineligibility, not meeting minimum requirements, lack of project funding secured, submitting incomplete applications and/or low ranking based on scoring. The non-recommended applicants are:

- Phoenix Development Company of Minneapolis, LLC
- Northside Residents Redevelopment Council/Mississippi Pathway Development Company, LLC and Ethnic Home

Funding of these eight non-profit community developers by award and on a first come-first served basis will expedite the obligation and expenditure of NSP funds and will result in the rehabilitation and redevelopment of 161 units of housing (approximately one-third rental and two-thirds homeownership). About 78 units will serve households at 50% area median income to meet the NSP requirement that at least 25% of the total funds must be targeted to households at or below 50% of area median income (\$42,000 for a family of four).

HUD requires that 50% of NSP2 funds be expended by February 11, 2012 and 100% be expended by February 11, 2013. Due to the time sensitive nature of NSP2 funding and the potential for federal policy improvements resulting in program changes, staff recommends authorization for the CPED Director to make changes to the funding awards if necessitated by refinements made to NSP2 to meet HUD or programmatic requirements.

The Minneapolis Neighborhood Stabilization Program implements the reinvestment strategy of the Minneapolis Foreclosure Recovery Plan. The Neighborhood Stabilization Program 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 continue to “tip” the market toward restoring a healthy housing market.