



Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: November 18, 2014
To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee
Referral to: Council Member John Quincy, Chair, Ways and Means/Budget Committee
Subject: Neighborhood Stabilization Program (NSP) Amendment to Amended and Restated Grant Agreement for NSP1 between the City of Minneapolis and the Minnesota Housing Finance Agency

Recommendations:

1. Authorize execution of a Neighborhood Stabilization Program (NSP) Amendment to the Amended and Restated Grant Agreement for NSP1 between the City of Minneapolis and the Minnesota Housing Finance Agency to award reallocated funds under the Program in an amount not to exceed \$600,000 (the "Reallocated Funds").
2. Ratify the Neighborhood Stabilization Program (NSP) Amended and Restated Grant Agreement for NSP 1 executed by the CPED Director on June 24, 2013 and the Minnesota Housing Finance Agency Assistant Commissioner on June 27, 2013.
3. Authorize the Finance Officer or designee to execute an Acknowledgement of Receipt for each disbursement of Reallocated Funds and adjust the appropriation in fund 01300 – Grants – Federal as needed.

Previous Directives: On April 29, 2014, the Council approved the appropriation of NSP1, 2, and 3 Funds received from Minnesota Housing Finance Agency and Program Income generated by the City of Minneapolis. On April 10, 2009, the Council authorized the acceptance and appropriation of funds necessary to spend the NSP awards from the State and from HUD. On March 27, 2009, Council 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.

Department Information

Prepared by: Cherie Shoquist, Principal Project Coordinator, Phone 612-673-5078
Approved by: Charles T. Lutz, Deputy CPED Director _____
Catherine Polasky, Director, Economic Policy and Development _____
Presenter in Committee: Cherie Shoquist, Principal Project Coordinator
Funding Source and Appropriation Language Reviewed by _____
Development Finance: _____ X _____

Financial Impact
Grant revenues will be sufficient to pay for all expenditures.

Community Impact

Neighborhood Notification: Each Neighborhood is notified of the NSP project applications and afforded an opportunity to partake in the community review process.

City Goals:

Living well: Minneapolis is safe and livable and has an active and connected way of life.

- All neighborhoods are safe, healthy and uniquely inviting.
- High-quality, affordable housing choices exist for all ages, incomes and circumstances.
- Neighborhoods have amenities to meet daily needs and live a healthy life.

One Minneapolis: Disparities are eliminated so all Minneapolis residents can participate and prosper.

- All people have access to quality essentials, such as housing, education, food, child care and transportation.

Supporting Information

The Neighborhood Stabilization Program was 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. See “The City of Minneapolis Three Point Plan for Foreclosure Recovery and Neighborhood Stability” (attached). The Minneapolis NSP Action Plans are posted on the City’s NSP website:

<http://www.ci.minneapolis.mn.us/foreclosure/nsp.asp>

NSP awards from the United States Department of Housing and Urban Development were made directly to the City of Minneapolis. The MHFA also awarded NSP funds to the City. The original MHFA Grant Agreement to administer NSP 1 funds in the amount of \$8,401,272 was effective May 29, 2009 and was amended and restated in June, 2013 to allow for the use of program income over an extended period (collectively, the “Grant Agreement”).

In NSP 1, based upon performance, MHFA has provided the City an additional \$929,410.99 from program income realized by other grantees in their program. Because of Minneapolis’ success in using the previously awarded funding, MHFA was comfortable that the award to Minneapolis would produce a similar outcome.

The proposed amendment to the Grant Agreement would provide for reallocation to the City of up to \$600,000, in NSP 1 funds from other subrecipients (the “Reallocated Funds”) along with additional requirements related to the use of such monies under the Program.

The Reallocated Funds may be used for all previous eligible Activities, except Demolition, Land Banking, and Financing Mechanism activities. Approximately 25% of the funds must be used to serve households at or below 50% of area medium income. Up to 8.8% of the funds may be used for administrative costs. The funds may only be used for projects located in the MHFA-specific HUD approved target areas of the City which were significantly impacted by the foreclosure crisis.

NSP Eligible Activities using Reallocated Funds:

- **Activity B: Purchase and rehabilitate** homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop.
- **Activity E: Redevelop** demolished or vacant properties as housing.

As of January 31, 2014, 842 properties (964 units) were directly impacted by the Neighborhood Stabilization Program:

- 118 homebuyers purchased homes with financial assistance towards closing costs or down payment.

- 233 properties (355 units) purchased for rehabilitation and redevelopment.
- 188 homeownership properties; 144 homes sold, 27 homes rehabbed and listed for sale, 17 homes in different phases of rehabilitation.
- 45 rental properties (167 units); 127 units rented, and 40 units in different phases of rehabilitation.
- 231 properties acquired and land-banked for future redevelopment.
- 260 (142 city-owned and 118 privately-owned) condemned and blighted properties demolished.

NSP1, 2 and 3 developers will be encouraged to propose projects for rehabilitation or redevelopment and funds will be granted on a first come, first serve basis or by lottery in the event of competition. The additional funds from MHFA will increase the number of properties purchased for rehabilitation or redevelopment under NSP.