

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

Date: August 24, 2010
To: Councilmember Goodman, Chair, Community Development Committee
Referral to: Councilmember Hodges, Chair, Ways & Means/Budget Committee
Subject: **Minneapolis Neighborhood Stabilization Program 2 (NSP2) Financing:
Change in Minneapolis Program Administration from Hennepin County
Housing, Community Works & Transit to Greater Metropolitan
Housing Corporation**

Recommendation: Authorize a change from contracting with Hennepin County Housing, Community Works & Transit to Greater Metropolitan Housing Corporation (GMHC) and authorize the Director to amend the GMHC's contract by increasing it by \$1,500,000 to cover NSP Financing program costs.

Previous Directives: On April 16, 2010, the City Council approved the NSP2 Financing program and authorized the CPED Director to make changes to the proposed NSP2 activities if necessitated by refinements made to NSP2 to meet HUD or programmatic requirements.

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 the Department of Housing and Urban Development (HUD) an application for Neighborhood Stabilization Program 2 (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
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Financial Impact: No other financial impact.

Community Impact

- Neighborhood Notification: Each Neighborhood was notified of the NSP2 application 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

Nearly **\$15.5 million** in United States Department on Housing and Urban Development (HUD) NSP2 funds will support the reinvestment strategy of the Minneapolis Three Point Plan for foreclosure recovery. In the next three years, Minneapolis NSP2 resources will provide for the financing of up to 70 homes in Minneapolis neighborhoods hardest hit by foreclosures, primarily in North, Northeast and South Central Minneapolis.

All funds must go to households at 120% AMI and below. NSP2 requires that 25% of all grant funds must go to households whose income is at 50% of area median income (AMI) and below. NSP2 also requires that the Minneapolis Consortium must put into productive use or mitigate the negative effects of at least 100 abandoned or foreclosed homes. All funds must be expended by February 11, 2013; 50% of the funds must be expended by 2012.

NSP2 Financing

Financing—\$1.5 million: Approximately 70 Minneapolis homeowners will receive up to \$30,000 in down payment and closing cost assistance. The assistance will provide affordability gap funding for homebuyers and will support Minneapolis neighborhoods in assisting the current housing market rebound.

The program will provide financial assistance for low, moderate and middle income households (up to 120% of Area Median Income) to become homeowners in neighborhoods that have been impacted by the high rate of foreclosure to assist with homeowner and neighborhood stabilization.

The maximum "Incentive" assistance for households 81 percent to 120 percent of the Area Median Income is \$10,000. In addition to the incentive, households at or below 80 percent of Area Median Income may qualify for "Homebuyer Gap" assistance of up to an additional \$20,000.

NSP requires that the eligible buyers purchase foreclosed upon homes and residential properties. The property must be located within an identified area of greatest need, in the Minneapolis NSP target area. (See attached Minneapolis Neighborhood Stabilization Program 2 Map).

To meet HUD's NSP requirements the property must have a purchase price that does not exceed the area median income (currently \$276,683), be purchased at a 1% discount from the current market appraised value, meet environmental review, and meet other HUD eligibility standards. Potential homebuyers must complete a HUD-approved homebuyer education class.

Hennepin County Housing, Community Works & Transit administered this program for NSP1 for both Hennepin County and Brooklyn Park and will continue to for NSP2. Greater Metropolitan Housing Corporation administered this program for NSP1 for Minneapolis and will continue to for NSP2. Greater Metropolitan Housing Corporation administers all Minneapolis funded housing assistance programs which provides the most efficient use of funds and excellent service to potential Minneapolis homeowners.

The Consortium previously interpreted HUD regulations to require one program administrator to deliver the NSP2 Financing program for the Consortium and identified Hennepin County Housing, Community Works & Transit as the administrator for Hennepin County including Brooklyn Park and Minneapolis. Fortunately, the Consortium will meet NSP requirements by delivering one program with Hennepin County Housing, Community Works & Transit as the administrator for suburban Hennepin County and Greater Metropolitan Housing Corporation as the administrator for Minneapolis. The program delivery costs of each administrator will be reasonable and in compliance with HUD regulations. The additional requirements of NSP2 (inspections, appraisals, environmental review, etc.) will likely increase the expected costs of administration from the \$1,400 estimated earlier this year to approximately \$1,900.

The Financing activity of the Neighborhood Stabilization Program 2 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 strengthen our housing markets in Minneapolis.

Staff requests that the City Council authorizes a change from contracting with Hennepin County Housing, Community Works & Transit and approves an amendment to add \$1,500,000 to the Greater Metropolitan Housing Corporation's contract.