

Board Action Request (09-0297)

(06/25/2009 - BAR forwarded to County Administrator by Booth, Melissa with a status of Communication)

County Administrators Recommendation:

Request Type:
Board Action Request

Originating Department: Housing Community Works Transit

Immediate Approval? No

Item:

Authorize submittal and execution of consortium application and agmts with Brooklyn Park and Mpls for HUD Neighborhood Stabilization Prgm 2 funds under the Recovery Act of 2009

Board Action Request

BE IT RESOLVED, That, in cooperation with the cities of Brooklyn Park and Minneapolis, Housing, Community Works and Transit staff be authorized to submit an application to the U.S. Department of Housing and Urban Development for Neighborhood Stabilization Program 2 (NSP2) funds under the American Recovery and Reinvestment Act of 2009; that the County Administrator be authorized to negotiate a NSP2 Consortium Agreement with the cities of Brooklyn Park and Minneapolis, as required by NSP2; that following review and approval by the County Attorney's Office, the County Administrator be authorized to execute the NSP2 Consortium Agreement on behalf of the County; that the Chair of the Board be authorized to execute recipient funding agreements and other necessary documents; and that the Controller be authorized to disburse such funds as directed.

Background:

History: The American Reinvestment and Recovery Act of 2009 (Recovery Act) appropriated federal funding for additional activities under Division B, Title III of the Housing and Economic Recovery Act of 2008 (HERA), as amended, for the purpose of assisting in the redevelopment of abandoned and foreclosed homes. The U.S. Department of Housing and Urban Development (HUD) will award Recovery Act funds to stabilize neighborhoods whose viability have been and continue to be damaged by the economic effects of properties that have been foreclosed upon and abandoned. This program, called the Neighborhood Stabilization Program 2 (or NSP2), is a component of the Community Development Block Grant (CDBG) Program (authorized under the Public Housing and Community Development Act of 1974, 42 U.S.C.5301 et seq. (HCD Act)). NSP2 funds will be awarded through competitions whose eligible applicants include states, units of general local government, nonprofits, and consortia of nonprofits.

Approximately \$2 billion is available nationwide on a competitive basis for the following purposes:

- 1) Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties, including such mechanisms as soft-seconds, loan loss reserves, and shared-equity loans for low and moderate-income homebuyers;
- 2) Purchase and rehabilitation of homes and residential properties that have been abandoned and foreclosed upon, in order to sell or redevelop such homes and properties;
- 3) Establish land banks for homes and residential properties that have been foreclosed upon;
- 4) Demolish blighted structures; and
- 5) Redevelop demolished or vacant properties as housing.

Hennepin County, in cooperation with the cities of Brooklyn Park and Minneapolis, is seeking to submit an NSP2 consortium application to HUD by July 17, 2009. For the purposes of NSP2, HUD defines a consortium as two or more private or public nonprofit organizations with the capacity and experience to carry out proposed NSP2 activities. The City of Minneapolis has been identified as the lead applicant of the consortium and will submit to HUD an NSP2 application on behalf of all consortium members.

A consortium agreement must be executed by all consortium members and submitted with the application by July 17, 2009 that includes: contributions and responsibilities of each consortia member, the division of NSP2 funds and a commitment to follow NSP2 requirements. After NSP2 selection, but before the grant is awarded, the lead member (City of Minneapolis) must enter into a separate consortium funding agreement with each consortium member (Hennepin County and the City of Brooklyn Park) that must be executed

by December 1, 2009 that includes activities and timetables for completion and demonstrates necessary and reasonable costs. The total NSP2 application is approximately \$48 million and is estimated to impact over 850 housing units in Hennepin County. This includes approximately \$4 million for Hennepin County, \$6 million for Brooklyn Park, and \$38 million for Minneapolis (see attached NSP2 Proposed Sources and Uses).

All NSP2 funding must be used to serve households at or below 120 percent of Area Median Income (AMI), with at least 25 percent of the funds expended on projects serving households at or below 50 percent of AMI.

The County has been awarded \$8.6 million under NSP1.

Current Request: This request is for authorization to submit an application for HUD NSP2 funds and execution of consortium agreements with the cities of Brooklyn Park and Minneapolis.

Impact/Outcomes: Approval of the consortium application with the cities of Brooklyn Park and Minneapolis will allow Hennepin County and the cities of Brooklyn Park and Minneapolis to compete for approximately \$48 million from the U.S. Department of Urban Development (HUD) Neighborhood Stabilization Program 2 (NSP2).

The Grant Identification Number for the NSP funds is:#FG-7T2K89.

Contact: Kevin Dockry

Contact Phone: 612-348-2270

Created Date: 6/12/2009

Board Agenda Number: 18144

County Admin Disposition: Refer to Committee

Communication Date: 6/30/2009

Committee Name: Public Works, Energy & Environment Committee

Committee Date: 7/7/2009

Committee Meeting Section: Items for Discussion and Action

Additional Readers:

Are Certified Copies Required?: No	Quantity: 0
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Neighborhood Stabilization Program 2009 (NSP 2)

Foreclosure Recovery Plan Sources & Uses

	Hennepin County		Brooklyn Park		Minneapolis		Total	
	Funds	Units	Funds	Units	Funds	Units	Funds	Units
NSP 2 Eligible Use								
A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties	\$ 1,350,000	135	\$ 500,000	50	\$ 2,000,000	200	\$ 3,850,000	385
B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop	\$ 1,200,000	20	\$ 4,200,000	70	\$ 16,500,000	275	\$ 21,900,000	365
C. Establish and operate land banks for homes and residential properties that have been foreclosed upon ¹	\$ 800,000	5	\$ 450,000	3	\$ 15,600,000	300	\$ 16,850,000	308
D. Demolish blighted structures	\$ -	0	\$ -	0	\$ -	0	\$ -	0
E. Redevelop demolished or vacant properties as housing	\$ 500,000	5	\$ 200,000	2	\$ 500,000	10	\$ 1,200,000	17
Subtotal	\$ 3,850,000	165	\$ 5,350,000	125	\$ 34,600,000	785	\$ 43,800,000	1075
Administration ²	\$ 327,250		\$ 454,750		\$ 3,598,000		\$ 4,380,000	
TOTAL³	\$ 4,177,250	165	\$ 5,804,750	125	\$ 38,198,000	785	\$ 48,180,000	1075
25% Requirement⁴	\$ 1,044,313		\$ 1,451,188		\$ 9,549,500		\$ 12,045,000	

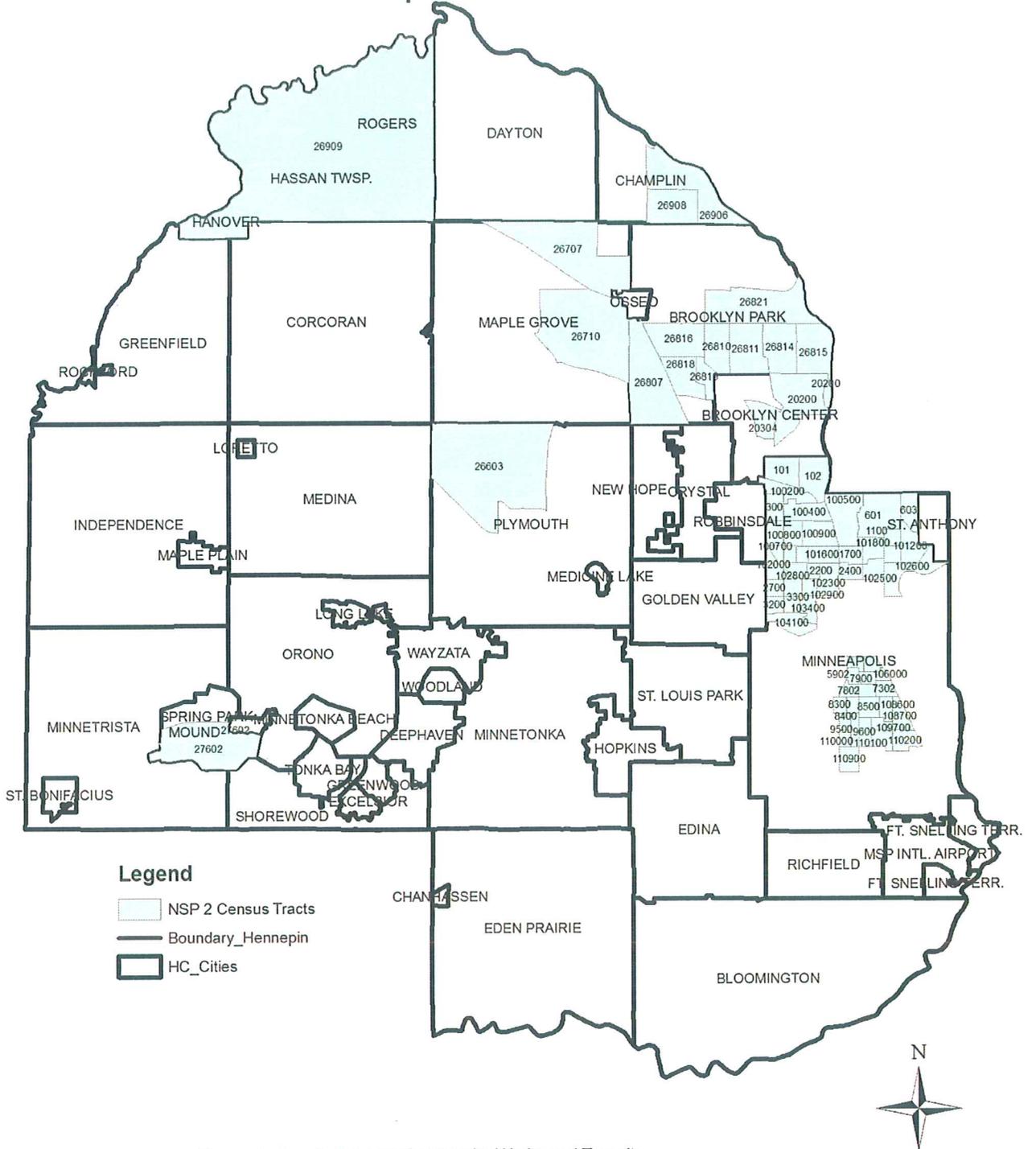
Footnotes

- ¹Some of these funds will be used to support the Twin Cities Community Land Bank, subject to each jurisdiction's board approval.
- ²NSP2 limits administration to 10% of total award. Hennepin County and Brooklyn Park will receive 8.5% of their total award for administration. Minneapolis will receive the remainder for administration as the lead entity.
- ³There may be duplication in the total unit count (i.e. the down payment program under Activity A could be used to purchase a property rehabbed in Activity B).
- ⁴NSP2 requires that 25% of the funds received must be targeted to households at or below 50% of area median income.

Assumptions

- A. Financing: \$10,000 average per homebuyer for down payment and closing cost assistance.
- B. Purchase and Rehabilitate: \$60,000 average per unit for value gap, and in Brooklyn Park for value gap and homebuyer assistance.
- C. Land Bank: \$100,000 for Hennepin County and Brooklyn Park and \$50,000 for Minneapolis average per property for acquisition, demolition and holding costs.
- D. Demolition: No NSP2 funds are allocated to demolition. In Minneapolis, NSP1 Funds will be recycled for regulatory services demolition.
- E. Redevelop: \$100,000 for Hennepin County and Brooklyn Park and \$50,000 for Minneapolis average per property for new construction to assist in meeting low income requirements.

NSP 2 Proposed Census Tracts



Hennepin County Housing Community Works and Transit
 Data Source: US Department of Housing and Urban Development