

**The FY 2008
Minneapolis**

HUD CONSOLIDATED PLAN
for Housing and Community Development

**Amendment #1 - Neighborhood Stabilization
Program Funding**

**Submitted to HUD
December 1, 2008**

Jurisdiction(s): City of Minneapolis, MN	NSP Contact Person: Cherie Shoquist Address: 105 5 th Ave. S. Minneapolis MN 55401
Jurisdiction Web Address: www.ci.minneapolis.mn.us/grants (URL where NSP Substantial Amendment materials are posted)	Telephone: (612) 673-5078 Fax: (612) 673-5212 Email: Cherie.Shoquist@ci.minneapolis.mn.us

This Amendment #1 to the City of Minneapolis 2008 Consolidated Plan is to account for the receipt of special CDBG funding known as Neighborhood Stabilization Program (NSP) funds. These NSP funds were authorized by the Housing and Economic Recovery Act of 2008, Title III, Section 2301 – Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes. The Congressional intent for these funds is to provide cities and states funding to address the effects of abandoned and foreclosed upon homes and residential properties. The City of Minneapolis is a direct grantee of these NSP funds and will receive \$5,601,967. Additionally, the State of Minnesota is set to receive \$38,849,929 of NSP funds. A portion of the award to the State will be of benefit to the City of Minneapolis, as further described in this application.

As stated, the federal intent for NSP funds is to address the redevelopment and rehabilitation of abandoned and foreclosed upon home and residential properties. The funding is not intended for foreclosure prevention. The Housing and Economic Recovery Act did provide separate assistance for foreclosure prevention activities, however, this assistance is granted to non-profit housing counseling agencies. The City of Minneapolis does provide existing financial support for foreclosure prevention and will continue to fund that effort through use of its CDBG funds and other local resources. Since 2007 the City has invested \$1.1 million in foreclosure prevention. In 2009, the city budget proposes \$660,000.

The amendment addresses only the NSP funds directly awarded to the City and further describes how the funds will be used within the City and the context of the City's existing Consolidated Plan strategies. Unless otherwise noted in this amendment, all NSP funds available to the City will need to meet existing Consolidated Plan/CDBG strategies, goals and objectives.

In developing this amendment, the City will be following a HUD-recommended format. It addresses all required information needed to allow for a HUD release of NSP funds to the City.

To summarize the citizen participation aspect of this Consolidated Plan amendment, to assist in releasing NSP funds in a timely manner, HUD provides in its enabling regulations an alternative of a 15-day public comment period with

a public posting of the amendment on the City's website. Minneapolis followed this alternative citizen participation requirement with the addition of a public hearing in order to include a key element of the local Consolidated Plan amendment process – the need to hold a public hearing on any substantial change to the Consolidated Plan. This amendment meets the test of a substantial change to the Consolidated Plan; therefore, the City held a public hearing on November 18, 2008, to solicit public comment on the draft amendment in that type of public forum. The draft amendment also was made available on its website, as well as public libraries and in response to request during a public comment period running November 10-25, 2008. Staff has included all comments received and the city response to them in the Appendix to this Consolidated Plan Amendment #1.

A public notice of the public hearing was published in Finance and Commerce, in accordance with City notification practices. An electronic version of this Consolidated Plan Amendment #1 can be found at <http://www.ci.minneapolis.mn.us/grants>.

The City's lead agency responsible for the plan's development is the Office of Grants and Special Projects in the Department of Intergovernmental Relations, Office of the City Coordinator. The contact person for any questions related to the Consolidated Plan and this amendment is:

Matt Bower
Grants and Special Projects
307M City Hall
350 South Fifth St.
Minneapolis, MN 55415
(612) 673-2188
Fax: (612) 673-3724
Matthew.Bower@ci.minneapolis.mn.us

The City will implement the NSP funding through two agencies. The Minneapolis Community Planning and Economic Development Department (CPED) will implement the housing redevelopment strategies. The Minneapolis Department of Regulatory Services will implement the demolition budget of the proposed NSP strategy. Staff contact information for these NSP activities is listed in the activity descriptions found later in this document.

A. Areas of Greatest Need

The City of Minneapolis is the largest municipality in the State of Minnesota with a population of 382,618 (2000 Census) and possessing approximately 102,000 housing units. Approximately eighty-six percent of its housing was built prior to 1960. Seventy-five percent (75%) of the housing stock is single family detached structures. Eighteen percent (18%) of its single family housing stock is non-homesteaded, a one hundred forty-one percent (141%) increase since 2002.

As noted in recent Consolidated Plans and other local reports, residential mortgage foreclosures continued a sharp increase in the City. In 2005, Minneapolis had 863 mortgage foreclosure sales. In 2006, 1,610 homes in Minneapolis went to foreclosure sale, over half of them in North Minneapolis. In 2007, 2,895 homes went through foreclosure sale; 54.7% were in the three Northside wards of the City. Through the third quarter of 2008, there have been 2,152 foreclosures. Many of these foreclosures are on investment properties that house rental opportunities. South central, northeast and northside Minneapolis neighborhoods have been especially hard hit.

In determining communities to receive NSP funding, HUD determined a risk factor assessment by census block group for the country. The risk factor was for whether a census block group had a predictive risk for foreclosed and abandoned housing. The scale was from 0 (very low risk) to 10 (very high risk). City staff took this block group information and layered it onto city neighborhood boundaries. The following chart details Minneapolis neighborhoods that are classified as high risk according to HUD data calculations. City staff classifies high risk neighborhoods as having a risk factor of 7-10. Moderate and low risk neighborhoods are illustrated in maps found in the appendix.

The risk factor score is based on:

- Office of Federal Housing Enterprise Oversight data on decline in home values as of June 2008 compared to peak home value since 2000 at the metropolitan/micropolitan/non-metropolitan level
- Federal Reserve Home Mortgage Disclosure Act (HMDA) data on percent of all loans made between 2004 and 2006 that are high cost (at the census tract level)
- Labor Department data on unemployment rates in places and counties as of June 2008
- United State Postal Service data on residential addresses identified as being vacant for 90 days or longer as of June 2008 (at the census tract level)

As illustrated by the maps in the Appendix, the incidence of the high risk neighborhoods derived from the above HUD data sources correlates well with

local foreclosure and vacant and boarded listed structure data for similar time periods.

Table 1
Minneapolis Neighborhoods with High Risk of Foreclosure and Abandonment

Neighborhoods at High Risk for Foreclosed and Abandoned Housing	
North Minneapolis	
Shingle Creek	
Humboldt Industrial Area	
Lind-Bohanon	
Victory	
Webber-Camden	
Cleveland	
Folwell	
McKinley	
Jordan	
Hawthorne	
Willard-Hay	
Near North	
Harrison	
Sumner-Glenwood	
Northeast Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Marshall Terrace	Waite Park
Columbia Park	Audubon Park
Bottineau	Windom Park
Holland	St. Anthony West
Sheridan	Marcy Holmes
Logan Park	
Beltrami	
Northeast Park	
South Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Downtown East	Elliot Park
Ventura Village	Whittier
Phillips West	Lowry Hill East
East Phillips	Longfellow
Midtown Phillips	Howe
Lyndale	Hiawatha
Central	King Field
Powderhorn Park	Wenonah
Corcoran	Diamond Lake

Bryant	Windom
Bancroft	
Standish	
Regina	
Morris Park	

The dramatic rise in foreclosures mirrors a sharp increase in vacant and boarded structures. According to statistics maintained by the Regulatory Services Department, in 2006, there were 481 structures on the vacant and boarded list. This number rose to 770 structures in 2007 and through August 2008, 928 structures. The longer a building remains in the City's Vacant Building Registration program, the more likely it is to experience serious decline such as copper theft, fire and general disrepair. This will result in more costly repairs to properly rehabilitate in the future. To maintain quality housing stock, it is in the best interest of everyone to work collectively to remove the blighting influence and return the property back into the housing market as fast as possible. Regulatory Services Department uses Restoration Agreements with property owners and coordinates with the Single Family Housing Division of CPED on public-assisted redevelopment. Demolition is the option of last resort.

Looking at the current list of properties that are registered as vacant, of the 928 properties, 87% of the properties have been on the list less than 24 months. There is a direct correlation between this and the current foreclosure crisis that the City is experiencing. Only 10% have been vacant for more than 3 years. Historically (based on past analysis), buildings have remained in the Vacant Building Registration program for an average of 21 months, with some for many years. It remains to be seen if these more recent additions will follow the same pattern.

B. Distribution and Uses of Funds

HUD has determined several eligible activities that a grantee can pursue with NSP funding. Eligible activities need to be carried out in areas affected by:

- The greatest percentage of home foreclosures;
- The highest percentage of homes financed by a subprime mortgage related loan; and
- Likely to face a significant rise in the rate of home foreclosures in the next 18 months

The City will seek to meet two national benefit objectives through the Neighborhood Stabilization Program. An activity can be of benefit to an area composed of at least 51% of low-, moderate-, and middle-income residents at or below 120% of area median income (LMMA), or it can be of benefit to low-, moderate-, and middle-income residents at or below 120% of area median income (LMMH). Other national benefits available to the City are the low-, moderate-, and middle-income jobs (LMMJ) and low-, moderate-, and middle-income limited clientele (LMMC) benefits. The following table illustrates the most recent area median income limits for the Twin Cities metropolitan area. HUD adjusts these income figures annually. All NSP activities must benefit persons at these income levels.

Table 2
Metropolitan Median Income Limits
Effective: April 2008

% of Area Median Income (AMI)	Household Size (Number of Persons)							
	1	2	3	4	5	6	7	8
50%	\$28,300	\$32,350	\$36,400	\$40,450	\$43,700	\$46,900	\$50,150	\$53,400
80%	\$43,050	\$49,200	\$55,350	\$61,500	\$66,400	\$71,350	\$76,250	\$81,200
120%	\$67,950	\$77,650	\$87,350	\$97,100	\$104,850	\$112,600	\$120,400	\$128,150

As noted by the maps referenced and discussed above, several neighborhoods are identified as meeting NSP priority areas due to the high risk of foreclosed and abandoned residential properties. The neighborhoods rated as high risk on the map titled "HUD Estimated Foreclosure and Abandonment Risk Score with Actual Foreclosures and Registered Vacant and Boarded Properties" (page 47) will receive prioritized delivery of NSP program offerings. Properties in moderate and low risk neighborhoods identified in the maps may receive NSP

programming as determined through evaluative factors to be developed by the City as changing market conditions and program demands determine.

The City neighborhoods identified as high risk are as follows:

**Table 3
Minneapolis Neighborhoods with High Risk of Foreclosure and
Abandonment Data**

Neighborhood	Number of Foreclosures (2007 – June 2008)	Number of Registered Vacant and Boarded Properties (as of July 2008)	Average % of Residential Properties in Foreclosure	Average % of Residential Properties with High Cost Loans	Average % of Residential Properties with HUD Estimated Problem Foreclosure in Next 18 Months
Audubon Park- <i>partial (census tract 000601, 001100)</i>	58	14	2.76	23.11	5.42
Bancroft	49	4	3.50	25.10	5.84
Beltrami	21	12	5.12	33.76	7.70
Bottineau	24	10	5.32	32.05	7.33
Bryant	72	11	8.04	42.08	9.47
Camden Ind.	1	0	1.16	45.72	10.25
Central	154	48	8.34	40.53	9.14
Cleveland	111	22	8.87	40.57	9.15
Columbia Park	19	3	2.54	27.16	6.28
Corcoran	60	9	4.58	32.27	7.38
Diamond Lake- <i>partial (census tract 012003)</i>	32	0	1.42	16.70	4.05
Downtown East	13	0	0.77	22.58	5.30
East Phillips	77	28	8.57	44.87	10.07
Elliot Park- <i>partial (census tract 005901)</i>	32	4	2.41	21.14	5.00
Field- <i>partial (census tract 110900)</i>	23	0	2.23	20.16	4.79
Folwell	281	31	14.43	48.15	10.77
Harrison	45	25	5.38	38.67	8.75
Hawthorne	245	141	16.48	58.81	13.05

Neighborhood	Number of Foreclosures (2007 – June 2008)	Number of Registered Vacant and Boarded Properties (as of July 2008)	Average % of Residential Properties in Foreclosure	Average % of Residential Properties with High Cost Loans	Average % of Residential Properties with HUD Estimated Problem Foreclosure in Next 18 Months
Hiawatha- <i>partial (census tract 110400)</i>	27	4	1.20	16.28	3.96
Holland	67	20	4.60	32.89	7.51
Howe- <i>partial (census tracts 110400, 108800)</i>	57	5	2.04	20.23	4.8
Humboldt Ind.	0	0	0	40.06	9.04
Jordan	391	117	16.08	57.24	12.72
King Field- <i>partial (census tract 109300)</i>	54	5	1.94	18.07	4.34
Lind- Bohanon	152	15	7.88	44.25	9.94
Logan Park	23	7	3.21	29.92	6.87
Longfellow- <i>partial (census tracts 108800, 107400)</i>	38	6	2.18	23.78	5.56
Lowry Hill East- <i>partial (census tract 007700)</i>	24	2	1.65	16.57	4.02
Lyndale	54	6	3.39	25.56	5.94
Marcy Holmes- <i>partial (census tract 003800)</i>	11	7	0.63	12.62	3.18
Marshall Terrace	25	3	4.19	31.06	7.12
McKinley	173	39	14.93	53.56	11.93
Midtown Phillips	88	32	6.08	43.77	9.84
Morris Park	37	4	2.78	27.39	6.33
Near North	148	49	9.18	49.26	11.01
Northeast Park	25	1	0.66	33.76	7.70
Phillips West	39	15	4.44	28.94	6.66
Powderhorn Park	112	22	4.94	32.20	7.36

Neighborhood	Number of Foreclosures (2007 – June 2008)	Number of Registered Vacant and Boarded Properties (as of July 2008)	Average % of Residential Properties in Foreclosure	Average % of Residential Properties with High Cost Loans	Average % of Residential Properties with HUD Estimated Problem Foreclosure in Next 18 Months
Regina	38	6	3.80	31.62	7.24
Sheridan	31	10	2.93	29.84	6.86
Shingle Creek	86	3	7.39	40.06	9.04
Standish	72	7	2.64	24.50	5.71
Sumner Glenwood	6	0	2.68	16.95	4.10
Ventura Village	46	15	6.31	42.47	9.56
Victory	99	8	4.99	31.23	7.15
Waite Park- <i>partial (census tract 000601)</i>	33	5	1.39	17.64	4.25
Webber Camden	207	36	11.51	41.66	9.39
Wenonah- <i>partial (census tract 012101)</i>	36	6	2.30	23.17	5.43
Whittier- <i>partial (census tracts 107000, 106900, 007700, 007801)</i>	61	15	2.32	22.49	5.29
Willard-Hay	368	60	13.30	55.53	12.35
Windom- <i>partial (census tract 012003)</i>	31	3	2.11	15.48	3.79
Windom Park- <i>partial (census tract 101900)</i>	56	9	3.24	21.37	5.05

In addition, the State of Minnesota has identified particular ZIP codes within the City that would receive prioritized State of Minnesota NSP funding under the State's NSP allocation formula. The City will be making an application in January 2009 for prioritized State NSP funding. These state NSP funds will supplement local NSP strategies being delivered in these ZIP codes.

The neighborhoods covered by the State funding by ZIP Code formula are:

Table 4

State of Minnesota NSP Funding Formula Target ZIP Codes

ZIP Code	Neighborhood	Local Risk Factor
55430	Shingle Creek	High
	Humboldt Ind.	High
	Lind –Bohanon	High
55412	Victory	High
	Webber –Camden	High
	Camden Ind.	High
	Cleveland	High
	Folwell	High
	McKinley	High
55411	Jordan	High
	Hawthorne	High
	Willard –Hay	High
	Near North	High
55407	Phillips West- <i>partial</i>	High
	Midtown Phillips- <i>partial</i>	High
	East Phillips- <i>partial</i>	High
	Central- <i>partial</i>	High
	Powderhorn Park	High
	Corcoran- <i>partial</i>	High
	Bryant- <i>partial</i>	High
	Bancroft	High
	Standish- <i>partial</i>	High
	Regina- <i>partial</i>	High
	Field- <i>partial</i>	High
	Northrop	Moderate
	Ericsson- <i>partial</i>	Moderate
55418	Columbia Park	High
	Marshall Terrace	High
	Waite Park	High/Moderate
	Audubon Park	High/Moderate
	Bottineau	High
	Holland	High
	Windom Park	High/Moderate

The Neighborhood Stabilization Program requires that 25% of the funds received (\$1.4 million plus any program income) must be targeted to households at or below 50% of the area median income. Narrative under Section D. Low Income Targeting and the Activity descriptions describes how this requirement will be met.

The City proposes that the NSP grant funding will be applied to the following NSP eligible strategic activities:

**Table 5
NSP Foreclosure Recovery Plan -- Uses and Programs**

Eligible Uses	CDBG Correlated Eligible Activities	Responsible Organization and Program (\$5.6m)
A. 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	Activity delivery cost: ▪ Administrative costs; management, oversight and coordination	CPED Foreclosure Recovery Affordable Homeownership Program \$500,000 plus program income
B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties	<ul style="list-style-type: none"> • Acquisition • Disposition • Relocation • Direct homeownership assistance • Rehabilitation and preservation 	CPED Foreclosure Recovery Rehabilitation Program \$1,466,767 plus program income
C. Establish land banks for homes that have been foreclosed upon	<ul style="list-style-type: none"> ▪ Acquisition ▪ Disposition 	CPED Foreclosure Recovery Land Bank Program \$ 1,515,200 plus program income
D. Demolish blighted structures	▪ Clearance for blighted structures only	Regulatory Services Demolition of Blighted Structures \$1,700,000 plus program income
E. Redevelop demolished or vacant properties	<ul style="list-style-type: none"> ▪ Acquisition ▪ Disposition ▪ Public facilities and improvements 	At this time no specific activities or NSP funds are identified for this eligible use, though any

	<ul style="list-style-type: none"> ▪ Public services for housing counseling ▪ Relocation ▪ Direct homeownership Assistance 	redevelopment of this nature will be in coordination with the above strategies. To be funded through NSP program income
--	---	---

Additionally, \$420,000 of NSP funding will be applied to support four years of administrative functions in the Intergovernmental Relations, Community Planning and Economic Development and Finance Departments.

C. Definitions and Descriptions

a. Blighted Structure

For purposes of NSP funding and in the context of local law, the City of Minneapolis will use its nuisance definition in Chapter 249, Minneapolis Code of Ordinances, as the standard for a blighted structure. Specifically, a structure is defined as a nuisance in 249.30:

249.30. "Nuisance condition" defined; waiver of waiting period. (a) A building within the city shall be deemed a nuisance condition if:

- (1) It is vacant and unoccupied for the purpose for which it was erected and for which purpose a certificate of occupancy may have been issued, and the building has remained substantially in such condition for a period of at least six (6) months; or
- (2) The building is unfit for occupancy as it fails to meet the minimum standards set out by city ordinances before a certificate of code compliance could be granted, or is unfit for human habitation because it fails to meet the minimum standards set out in the Minneapolis housing maintenance code, or the doors, windows and other openings into the building are boarded up or otherwise secured by a means other than the conventional methods used in the original construction and design of the building, and the building has remained substantially in such condition for a period of at least sixty (60) days; or
- (3) Evidence, including but not limited to neighborhood impact statements, clearly demonstrates that the values of neighborhood properties have diminished as a result of deterioration of the subject building; or
- (4) Evidence, including but not limited to rehab assessments completed by CPED, clearly demonstrates that the cost of rehabilitation is not justified when compared to the after rehabilitation resale value of the building.

(b) When it is determined by the director of inspections or the city fire marshal that a building constitutes an immediate hazard to the public health and safety, and after approval by the city council, the sixty-day waiting period set out in this section may be waived and the other procedures, as set out in this chapter, may be implemented immediately.

(c) Notwithstanding the foregoing provisions, accessory buildings such as garages, barns and other similar structures, not intended to be used for human habitation, shall be deemed to constitute a nuisance condition when such buildings are in violation of section 244.1560 of the housing maintenance code which regulates nondwelling structures or when such accessory buildings are structurally unsound in the opinion of the director of inspections. (76-Or-102, § 1, 7-9-76; 77-Or-226, § 2, 11-10-77; 78-Or-233, § 2, 11-9-78; 79-Or-016, § 1, 1-26-79; 80-Or-181, § 1, 8-8-80; 84-Or-095, § 1, 6-15-84; 86-Or-236, § 1, 10-10-86; 91-Or-157, § 1, 8-9-91; 92-Or-110, § 2, 9-11-92; 93-Or-142, § 1, 10-1-93; 94-Or-123, § 2, 9-16-94; 2006-Or-059, § 1, 5-26-06 effective October 1, 2006).

b. Affordable Rents

For any NSP-funded rental activity, affordable rents are defined as described in 24 CFR §92.252(a), (c), (f). The maximum unit rent level must be the lesser of HUD Fair Market Rent or the amount affordable to a household at 65% of area median income. If the renter is to pay utilities and services than the most recent Minneapolis Public Housing Authority utility allowance schedule for will be used to determine the net rent. These HUD schedules are updated annually and NSP activities will conform to the most recent schedule in effect at time of project commitment.

**Table 6
HUD Current Fair Market Rents
Twin Cities, effective October 1, 2008**

Efficiency	1BR	2BR	3BR	4BR	5BR	6BR
\$610	\$719	\$873	\$1,143	\$1,284	\$1,477	\$1,670

c. Affordability

For the purposes of NSP funding, the City is electing to use the continued affordability standards of the HOME program 24 CFR §92.252 (e) and §92.254 as outlined in the table below. These periods apply to rental and ownership activities.

Table 7

NSP Affordability Periods

Per unit amount of NSP funds for New Construction, Rehab or Acquisition of Existing Housing	Minimum Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years
New Construction Rental	20 Years

To ensure that NSP-assisted homeownership properties will remain affordable to low/moderate/middle-income homebuyers, a resale provision will be implemented for certain activities and a recapture provision for others. The resale provision will not allow the resale price of the NSP-assisted property to exceed 95 percent of the area median purchase price or after-rehabilitation price for the type of single family housing in this jurisdiction, as determined by HUD. The recapture provision will require repayment of the assistance in the event of property transfer or default during the affordability period.

The proposed resale restriction meets federal requirements, ensuring the initial purchaser with a fair return on their initial investment plus principal reductions, post sale capital improvements and standard closing costs. The resale or recapture requirements would be spelled out in a declaration, promissory note and mortgage or other instrument filed against the property.

The affordability period levels above will also apply to any rental housing assisted with NSP funds. The affordability will be enforced through loan and/or mortgage documents, and a deed restriction or covenant similar to the HOME program.

d. Housing Rehabilitation Standards

The City of Minneapolis plans to adopt the NSP Rehabilitation Standards identified as Exhibit A in the Appendix for all NSP-assisted rehab projects. The standards are designed to correct health, safety, and building code violations in order to sell or rent.

In addition, rehabilitation standards would include housing maintenance standards, energy efficiency, lead abatement (see below), and ease of maintenance and long term maintenance issues. While the homes would be rehabilitated to be an asset to the neighborhood and to avoid high maintenance costs, some economies would be made to avoid excessive rehab costs. For example, newer roofs, furnaces, water heaters, etc., which function properly and with an expected 7 to 10 year usable life expectancy, would not be replaced. The general rule would be to ensure that the homeowner does not experience major replacement costs for a minimum of the first seven years of ownership, and that the home would be eligible for FHA financing.

Additionally, efforts will be made to encourage the developers to institute green and sustainability techniques in the rehab projects.

HUD Lead Safe Housing Rule, 24 CFR 35 will be followed in NSP-assisted housing activities. The requirements of subparts B through R of 24 CFR 35 implement the Lead-Based Paint Poisoning Prevention Act, as amended, and the Residential Lead-Based Paint Hazard Reduction Act of 1992. Most HUD housing

programs are covered by only one subpart of this part, but some programs can be used for more than one type of assistance and therefore are covered by more than one subpart of this part. All properties constructed prior to 1978 must be tested for lead-based paint to determine the presence or absence of lead-based paint on deteriorated painted surfaces or surfaces to be disturbed or replaced during construction and shall be performed by a certified lead-based paint inspector or risk assessor. In addition a risk assessment in the dwelling units receiving Federal assistance, in common areas servicing those units, and exterior painted surfaces, shall be performed prior to the start of rehabilitation. The individual or firm conducting the risk assessment shall provide and explain the results of the investigation and options for reducing lead-based paint hazards. The scope of work and method for abatement shall correlate with the per unit rehabilitation dollar amount.

D. Low Income Targeting

The City of Minneapolis will make at least \$1,400,491 (25 percent of the NSP allocation, as required) available for acquisition/rehabilitation/resale or rental serving households at or below 50 percent of area median income. Any NSP funds received from the State of Minnesota will also be required to meet this threshold. This will be accomplished through programming delivered through NSP activity strategies A, B, and E.

In summary though, this income target for affordable housing can be met through a variety of ways and the City will evaluate project proposals for their ability to assist the City in meeting the 25% target. Likely ways that a project could assist the City in providing at least 25% of its NSP funding for housing those at or below 50% of area median income can include:

- Assist a low-income family with purchase/rehab of a property;
- Support through gap financing a non-profit or public agency redevelopment of a vacant and boarded residential property into affordable rental housing;
- Acquire a property for use by a non-profit for permanent supportive housing;
- Link NSP-assisted housing activities to other affordable housing resources such as Section 8 vouchers

E. Acquisitions and Relocations

HUD has waived the one-for-one replacement requirements for the NSP program and instituted alternative disclosure and reporting requirements. Some conversion or demolition of low- and moderate-income dwelling units (\leq 80% of area median income) may be expected through this program due to the nature of the housing affected by foreclosures (rehabilitation costs in excess of after market value, poor condition, higher uses for property). However, demolitions

undertaken in support of Activity D—Demolition of blighted structures will not constitute a lost unit as these are properties that have been vacant for a minimum of six months.

Properties in Activity B—Purchase Rehab and Activity C—Land Banking may have been recently occupied by a low- or moderate-income household ($\leq 80\%$ of area median income) or be under an affordability restriction. If that were the case, the City anticipates being able to add more housing units affordable to those at or below 80% of area median income than it would take out of the market through these NSP-assisted activities. Considering a large percentage of these units will be foreclosed properties, the occupancy rate of these units will be minimal.

**Table 8
NSP Unit Production**

NSP Activity	Conversion	Demolition	Total Housing Units	Households at 120% AMI	Households at 50% AMI
Financing	0	0	50	0	50
Purchase/Rehab	0	0	73	33	40
Land Bank	0	75	75	55	20
Demolition	0	100	100	N/A	N/A
Redevelop	0	0	*	N/A	*
Total	0	175	298	88	110

*NOTE: Considering the Financing Activity is a buyer affordability program, it is likely that some of the units identified in this section may also be part of the purchase/rehab activity. The duplication is based on the use of buyer affordability funds and developer gap financing. Additionally, though 75 properties are identified to be land banked, it is likely that some of these properties may be developed as housing affordable to 50% AMI within the four year period of the funding. In which case, it is anticipated that the NSP assistance will count toward the 25% low-income requirement.

F. Public Comment

The draft 2008 Consolidated Plan Amendment #1 was made available for public comment on November 10, 2008, for a public comment period of November 10-25, 2008. On November 18, 2008, the Minneapolis City Council's Community Development Committee held a public hearing to receive input on the proposed Amendment #1.

All public comments received and the City's response to them are found in the Appendix to this Amendment.

G. NSP Activity Descriptions

The following pages detail proposed Minneapolis Neighborhood Stabilization Program funded activities. The NSP allocations proposed for these activities are

from the City's \$5.6 million direct grantee share. The City will be applying for further NSP funding made available from the State of Minnesota. It is anticipated that these additional NSP funds will be directed to the same activities as described below with the exception of NSP Activity #4- Demolition of Blighted Structures.

HUD regulations require that the City obligate all of its NSP funding within 18 months of receipt (approximately June 2010). Additionally, housing market conditions in the City may rapidly change and affect one or more of the proposed strategic activities. Therefore, the City will consider NSP allocation changes to, within and among the NSP eligible activities as non-substantial changes to its Consolidated Plan. This means that any NSP allocation changes will be handled through routine staff review and City Council review processes.

Activity: Financing-CPED Foreclosure Recovery Affordable Homeownership Program (NSP Activity #1)

Activity Type:

NSP Eligibility – A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties.

CDBG Eligibility – As part of an activity delivery cost for an eligible activity as defined in 24CFR 570.206; 24 CFR 570.210(a), acquisition; (b) disposition; 570.202 rehabilitation; 570.201(n) direct homeownership assistance; 570.202 eligible rehabilitation and preservation activities for homes and other residential properties

National Objective: Low-, moderate-, and middle-income Households (LMMH) (up to 120% of metropolitan median income).

Activity Description:

In response to the foreclosure crisis, the Minneapolis City Council recently approved a demonstration program called the Minneapolis Advantage Program to provide \$10,000 deferred loans to buyers of houses in communities heavily impacted by foreclosures. The City funded the program with \$500,000, providing 50 loans forgivable over a five year period with loan principal reductions of 20% per year. It is the intent of the City of Minneapolis to replicate this program to assist owner-occupied households in the purchase of foreclosed properties. Priority will be given to households at or below 50% of AMI. The City will ensure that properties assisted under this activity will be foreclosed upon as described in § 2301 (c), (3), (A) of the HERA Act in performing its due diligence. NSP funds will be a direct subsidy to the buyer. The affordability period for provided assistance will be five years. The City will use a promissory note and mortgage to impose recapture requirements on the homebuyer. Should the household not meet the five year residency requirement, they will be expected to pay the entire amount of assistance, not to exceed net proceeds, at the sale of the unit. Lead-based paint requirements will need to be met on assisted properties.

Guidelines

- Eligible homebuyers with incomes at or below 120% AMI purchasing a foreclosed upon home who can qualify for a traditional fixed-rate first mortgage loan (or an alternative financing program acceptable to the City) will be eligible to receive a \$10,000 loan that is forgivable over five years.
- The loan may go toward the closing costs payments, down payment, and any renovation costs.
- The homebuyers must receive 8 hours of pre-purchase home ownership counseling through a HUD-approved housing counseling agency as verified by a completion certificate.
- The purchase price of the home may not exceed 95% of the current market appraised value.

Affordability periods for properties assisted under this activity are noted in following table:

NSP Affordability Periods

Per unit amount of NSP funds for Rehab or Acquisition of Existing Housing	Minimum Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years

The proposed forgiveness of the loan at the end of five years is offered to encourage stable owner occupancy of the home. Five years is the amount of time considered by the real estate community as the length of time people own a home before moving on to their next home during the earlier years of home ownership. Resale within the five-year affordability period will be subject to a loan recapture provision.

First Mortgage Lending

Eligible households may be able to apply for a non-NSP mortgage loan through one of the City’s participating lenders, where interest rates are typically below market rates for a 30-year mortgage. If needed, additional down payment and closing cost loans may be available through City programs, various lenders and non-profit organizations.

Activity Location: Citywide with priority be given to the following neighborhoods:

Neighborhoods at High Risk for Foreclosed and Abandoned Housing	
North Minneapolis	
Shingle Creek	
Humboldt Industrial Area	
Lind-Bohanon	
Victory	
Webber-Camden	
Cleveland	
Folwell	
McKinley	
Jordan	
Hawthorne	
Willard-Hay	
Near North	
Harrison	
Sumner-Glenwood	
Northeast Minneapolis	
Whole Neighborhoods	Partial Neighborhoods

Marshall Terrace	Waite Park (<i>census tract 000601</i>)
Columbia Park	Audubon Park (<i>census tract 000601, 001100</i>)
Bottineau	Windom Park (<i>census tract 101900</i>)
Holland	St. Anthony West (<i>census tract 103000</i>)
Sheridan	Marcy Holmes (<i>census tract 003800</i>)
Logan Park	
Beltrami	
Northeast Park	
South Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Downtown East	Elliot Park (<i>census tract 005901</i>)
Ventura Village	Whittier (<i>census tracts 107000, 106900, 007700, 007801</i>)
Phillips West	Lowry Hill East (<i>census tract 007700</i>)
East Phillips	Longfellow (<i>census tracts 108800, 107400</i>)
Midtown Phillips	Howe (<i>census tracts 110400, 108800</i>)
Lyndale	Hiawatha (<i>census tract 110400</i>)
Central	King Field (<i>census tract 109300</i>)
Powderhorn Park	Wenonah (<i>census tract 012101</i>)
Corcoran	Diamond Lake (<i>census tract 012003</i>)
Bryant	Windom (<i>census tract 012003</i>)
Bancroft	
Standish	
Regina	
Morris Park	

Performance Measure: Estimated at 50 households ≤ 50% AMI.

Total Budget: NSP funds - \$500,000 plus program income. It is anticipated that the City of Minneapolis will augment this activity with other local funded programs and resources that development partners may bring to the project.

Responsible Organization: City of Minneapolis Department of Community Planning and Economic Development will be the lead entity: 105 5th Ave. S., Minneapolis, MN 55401. Contact Mark Anderson, 612-673-5289. mark.anderson@ci.minneapolis.mn.us

Projected Start Date: January 2009

Projected End Date: Continue financing activity through NSP expenditures and program income through July 31, 2013.

Activity: *Purchase and Rehabilitation-CPED Foreclosure Recovery Rehabilitation Program (NSP Activity #2)*

Activity Type:

NSP Eligibility – B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties

CDBG Eligibility – 24 CFR 570.201 (a) Acquisition; (b) Disposition; (i) Relocation; and (n) Direct homeownership assistance as modified; 570.202 Eligible rehabilitation and preservation activities for homes and other residential properties

National Objective: Low-, moderate-, and middle-income Households (LMMH) (up to 120% of metropolitan median income).

Activity Description: The City of Minneapolis proposes to utilize NSP funds to provide development/value gap assistance to developers acquiring and rehabilitating single-family or multi-unit housing for the purpose of providing affordable housing. The single family units will be directed toward ownership housing and the multi-unit projects will have a rental focus. Developers will be required to provide documentation that the project will remain affordable at the NSP minimum affordability levels as stipulated in the table below.

NSP Affordability Periods

Per unit amount of NSP funds for Rehab or Acquisition of Existing Housing	Minimum Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years

The City will be contracting this work with the existing development community. An RFP will be used to solicit proposals. The RFP will give priority ranking to ownership and rental projects that house households at or below 50% AMI. The selected developers will be obligated to rent or sell the properties to households whose income is at or below 50% of AMI. For ownership projects, the developer will be required to grant a note/mortgage to the City that will not be released until project completion and documentation of sale at a price not to exceed the NSP maximum sales price to an income-eligible buyer. For rental projects, the developer will be required to place a declaration of restrictive covenants against the real estate requiring compliance with occupancy and rental restrictions.

The eventual split between homebuyer and rental units will be dependent upon response to the RFP. There are more foreclosed one unit structures suitable for

ownership than there are multi-unit structures. However, the number of units in a multifamily structure may weigh toward rental redevelopment.

To accomplish the single family and multi-family strategies, coordination efforts will be pursued with the National Community Stabilization Trust's First Look Program. The Trust is a partnership among Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation and NeighborWorks America. The Trust will coordinate the transfer of real estate owned (REO) properties from financial institutions nationwide (lenders, loan servicers, and investors) to local housing organizations, in collaboration with state and local governments.

The Trust provides a single entity with which the financial institution holding these foreclosed properties can negotiate large scale programs for the efficient and cost effective transfer of foreclosed properties to local communities. The City anticipates that the First Look program will facilitate compliance with the discount requirements of the NSP regulations that say purchase of properties must be at a discount from the current market appraised value.

The City will appraise all properties it acquires with NSP funds to ensure that the purchase discount rate is met. The City will impose a similar requirement on developers through its rehab program RFP (indirect acquisitions). The City will keep a central log of all NSP-assisted direct and indirect acquisitions to monitor achievement of the overall portfolio 15% discount.

Single Family Units

The funds will be used to pay for development gap. Development gap is defined as the difference between the total development cost and the sales price which is capped by NSP regulations at an amount equal to or less than the cost to acquire and redevelop or rehabilitate the property to a decent, safe and habitable condition. The developer's acquisition price must not exceed 95% of the current market appraised value. These units must be sold to homebuyers with incomes \leq 120% of AMI. Homebuyers must attend at least 8 hours of HUD-certified homebuyer counseling as verified through a completion certificate. Continued affordability requirements will be imposed through a resale restriction recorded against the real estate. Any direct award to the homeowner, whether a loan or a grant, will be from Activity #1 or a non-NSP source and will be determined as defined in Activity #1. Any direct assistance to the homebuyer whose income is at or below 120% of AMI will be in the form of a forgivable loan. The term will mirror the required affordability period. To comply with the NSP requirements, the property must have been foreclosed upon or abandoned.

The resale restriction will require the homeowner to sell the property to an income qualified buyer who will occupy the home as his principal residence. The income-qualified buyer must assume the City's note and mortgage to ensure continuing affordability during the affordability period. If an income qualified

buyer is not found, the City will participate in a formula for sharing in the net sales proceeds (see below) on the property. The formula provides a fair return on investment to the seller.

“*Net Proceeds*” means any and all consideration of any kind, whether direct or indirect, that is received by the Borrower for, or in connection with, the Transfer, including without limitation, the stated purchase price, cash, notes, and any indebtedness assumed and/or to which the Property is then subject, interest on any deferred portion of the purchase price, and non-customary net prorations in favor of seller (the “Transfer Proceeds”); adjusted by deducting Borrower’s Capital Investment, the sum of the reasonable broker’s commissions to the extent actually paid to a person or entity, usual and customary closing costs and credits, including, but not limited to title charges, survey costs, escrow charges, recording fees, transfer taxes and reasonable attorneys’ fees, special assessments required to be paid as a condition of Transfer, and reasonable prorations in favor of the purchasers for real estate taxes not yet due and payable, if any and adding any Net Proceeds received by Borrower for or in connection with all previous Transfers. Notwithstanding the foregoing, if the Transfer of all or part of the Property is other than an arms-lengths transaction with a third party, at the option of the Lender, Net Proceeds with respect to such Transfer shall mean the Fair Market Value of the transferred Property less Borrower’s Capital Investment and less all disposition expenses approved by the Lender.

Multi-Family Units

The intent of this tool is to provide capital to acquire and renovate multi-unit buildings. To comply with the NSP requirements, the building must have been foreclosed upon or abandoned. The acquisition price must not exceed 95% of the current market appraised value. These properties would then be rented to households at or below 50% of median income based on family size. The developer may elect to convert the units to ownership with the renters at a later date. The NSP funds will be used solely for capital activities and not as rental subsidies.

Activity Location: Citywide with priority be given to the following neighborhoods:

Neighborhoods at High Risk for Foreclosed and Abandoned Housing
North Minneapolis
Shingle Creek
Humboldt Industrial Area
Lind-Bohanon
Victory
Webber-Camden
Cleveland

Folwell	
McKinley	
Jordan	
Hawthorne	
Willard-Hay	
Near North	
Harrison	
Sumner-Glenwood	
Northeast Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Marshall Terrace	Waite Park (<i>census tract 000601</i>)
Columbia Park	Audubon Park (<i>census tract 000601, 001100</i>)
Bottineau	Windom Park (<i>census tract 101900</i>)
Holland	St. Anthony West (<i>census tract 103000</i>)
Sheridan	Marcy Holmes (<i>census tract 003800</i>)
Logan Park	
Beltrami	
Northeast Park	
South Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Downtown East	Elliot Park (<i>census tract 005901</i>)
Ventura Village	Whittier (<i>census tracts 107000, 106900, 007700, 007801</i>)
Phillips West	Lowry Hill East (<i>census tract 007700</i>)
East Phillips	Longfellow (<i>census tracts 108800, 107400</i>)
Midtown Phillips	Howe (<i>census tracts 110400, 108800</i>)
Lyndale	Hiawatha (<i>census tract 110400</i>)
Central	King Field (<i>census tract 109300</i>)
Powderhorn Park	Wenonah (<i>census tract 012101</i>)
Corcoran	Diamond Lake (<i>census tract 012003</i>)
Bryant	Windom (<i>census tract 012003</i>)
Bancroft	
Standish	
Regina	
Morris Park	

Performance Measure: Projected to be 73 units, approximately 33 units will be for households at 120% AMI, and approximately 40 units will be to households at 50% AMI.

Total Budget: NSP funds - \$1,466,767 plus NSP program income. It is anticipated that the City of Minneapolis will augment this activity with other local funded programs and resources that the development partner may bring to the project.

Responsible Organization: City of Minneapolis Department of Community Planning and Economic Development will be the lead entity: 105 5th Ave. S., Minneapolis, MN 55401. Contact: Wes Butler, 612-673-5194.
wesley.butler@ci.minneapolis.mn.us

Proposed sub recipients may be non-profit organizations.

Projected Start Date: January 2009

Projected End Date: Continue financing activity through NSP expenditures and program income through July 31, 2013.

Activity: Land Bank - CPED Foreclosure Recovery Land Bank Program (NSP Activity #3)

Activity Type:

NSP Eligibility – C. Establish land banks for homes that have been foreclosed upon.

CDBG Eligibility – 24 CFR 570.201(a) acquisition; (b) disposition; (d) clearance, for blighted structures only

National Objective: Acquisition: Low-, moderate-, and middle-income Area (LMMA) (up to 120% of AMI). Disposition: Low-, moderate- and middle-income Households (LMMH) (up to 120% of AMI)

Activity Description: City of Minneapolis, acting through its department of Community Planning and Economic Development, will strategically acquire homes that have been foreclosed upon and demolish blighted structures with NSP funds. The City will purchase only foreclosed properties that are vacant and exhibit blight. It is the City's expectation to hold these vacant parcels (land bank) for an unspecified time period, not to exceed 10 years, until the market is ready to absorb new development of owner-occupied housing units. As required, the City will adhere to all acquisition, holding and disposition stipulations specified in the NSP notice.

Specifically the City's Land Bank Program will purchase and demolish those properties that:

- are vacant and blighted to a degree justifying demolition;
- are located in the City-defined NSP high risk service area; and
- are available for purchase at least 5% and on average 15% below the current market appraised value.

The City ultimately will redevelop or facilitate redevelopment for NSP and CDBG eligible uses that meet the LMMH national objective. This can be accomplished through a combination of Activities C and E. Disposition of properties purchased with NSP funding:

- will be offered to both non-profit and for-profit entities;
- for uses that benefit households with incomes at or below 120% AMI;
- will, at a minimum, follow all NSP periods of affordability; and
- if sold for redevelopment of housing occupied by households with incomes at or below 50% AMI within the four-year NSP period, any write-down of NSP funds used for acquisition would be credited to the City's 25% requirement.

When the market improves, the City will seek the development of single family owners-occupied housing. However, where density is encouraged, the City will support development of multi-unit housing, in which case rental may be preferred.

The City of Minneapolis plans to work toward satisfying the 50% AMI NSP criterion through this activity, as some of these properties may be disposed for the development of housing units made available for households at 50% AMI. The credit for meeting the 50% AMI target will be through the write down of NSP funds used to acquire the property.

There will be coordination with the National Community Stabilization Trust as described in Activity #2. This coordination is expected to assist in satisfying the NSP requirement of getting these properties at a minimum 5% discount from the current market appraised value.

The City will appraise all properties it acquires with NSP funds to ensure that the purchase discount rate is met. The City will keep a central log of all NSP-assisted acquisitions to monitor achievement of the overall portfolio 15% discount.

Activity Location: Citywide with priority be given to the following neighborhoods:

Neighborhoods at High Risk for Foreclosed and Abandoned Housing	
North Minneapolis	
Shingle Creek	
Humboldt Industrial Area	
Lind-Bohanon	
Victory	
Webber-Camden	
Cleveland	
Folwell	
McKinley	
Jordan	
Hawthorne	
Willard-Hay	
Near North	
Harrison	
Sumner-Glenwood	
Northeast Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Marshall Terrace	Waite Park (<i>census tract 000601</i>)
Columbia Park	Audubon Park (<i>census tract 000601, 001100</i>)
Bottineau	Windom Park (<i>census tract 101900</i>)
Holland	St. Anthony West (<i>census tract 103000</i>)
Sheridan	Marcy Holmes (<i>census tract 003800</i>)
Logan Park	

Beltrami	
Northeast Park	
South Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Downtown East	Elliot Park (<i>census tract 005901</i>)
Ventura Village	Whittier (<i>census tracts 107000, 106900, 007700, 007801</i>)
Phillips West	Lowry Hill East (<i>census tract 007700</i>)
East Phillips	Longfellow (<i>census tracts 108800, 107400</i>)
Midtown Phillips	Howe (<i>census tracts 110400, 108800</i>)
Lyndale	Hiawatha (<i>census tract 110400</i>)
Central	King Field (<i>census tract 109300</i>)
Powderhorn Park	Wenonah (<i>census tract 012101</i>)
Corcoran	Diamond Lake (<i>census tract 012003</i>)
Bryant	Windom (<i>census tract 012003</i>)
Bancroft	
Standish	
Regina	
Morris Park	

Performance Measure: CPED anticipates acquiring 75 foreclosed properties. Up to 20 properties are anticipated to be disposed in the near term to house households at or below 50% AMI.

Total Budget: NSP funds- \$1,515,200 plus NSP program income

Responsible Organization: City of Minneapolis, acting through its Department of Community Planning and Economic Development, a governmental entity with authority to acquire, hold, redevelop, and dispose of real property will lead this activity. CPED is located at 105 5th Ave S, Suite 200 Minneapolis, MN 55401. The person responsible for this activity is Darrell Washington, 612-673-5174. Darrell.Washington@ci.minneapolis.mn.us

Projected Start Date: January 2009

Projected End Date: Continue financing activity through NSP expenditures and program income through July 31, 2013.

Activity: Demolition of Blighted Structures (NSP Activity #4)

Activity Type:

NSP Eligibility – D. Clearance for blighted structures

CDBG Eligibility – 24 CFR 570.201(d) Clearance

National Objective: Low-, moderate-, and middle-income households (up to 120% of metropolitan median income) Area Benefit (LMMA).

Activity Description: Demolition of Chapter 249 Vacant Boarded Registration (VBR) properties to support reduction of blighting influences in NSP strategy-assisted neighborhoods. Demolition is recommended only after a thorough and individual analysis of each nuisance property to determine viability for rehabilitation. NSP funds will assist in removing nuisance properties that do not meet the viable rehabilitation test. Liens will be placed against the property to recover the cost of demolition.

Activity Location: Citywide - Chapter 249 listed properties with priority given to the following neighborhoods:

Neighborhoods at High Risk for Foreclosed and Abandoned Housing	
North Minneapolis	
Shingle Creek	
Humboldt Industrial Area	
Lind-Bohanon	
Victory	
Webber-Camden	
Cleveland	
Folwell	
McKinley	
Jordan	
Hawthorne	
Willard-Hay	
Near North	
Harrison	
Sumner-Glenwood	
Northeast Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Marshall Terrace	Waite Park (<i>census tract 000601</i>)
Columbia Park	Audubon Park (<i>census tract 000601, 001100</i>)
Bottineau	Windom Park (<i>census tract 101900</i>)
Holland	St. Anthony West (<i>census tract 103000</i>)

Sheridan	Marcy Holmes (<i>census tract 003800</i>)
Logan Park	
Beltrami	
Northeast Park	
South Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Downtown East	Elliot Park (<i>census tract 005901</i>)
Ventura Village	Whittier (<i>census tracts 107000, 106900, 007700, 007801</i>)
Phillips West	Lowry Hill East (<i>census tract 007700</i>)
East Phillips	Longfellow (<i>census tracts 108800, 107400</i>)
Midtown Phillips	Howe (<i>census tracts 110400, 108800</i>)
Lyndale	Hiawatha (<i>census tract 110400</i>)
Central	King Field (<i>census tract 109300</i>)
Powderhorn Park	Wenonah (<i>census tract 012101</i>)
Corcoran	Diamond Lake (<i>census tract 012003</i>)
Bryant	Windom (<i>census tract 012003</i>)
Bancroft	
Standish	
Regina	
Morris Park	

Performance Measure: Estimated to remove 100 residential properties. These units will be credited for LMM Area (LMMA) Benefit.

Total Budget: NSP funds - \$1,700,000 plus NSP program income

Responsible Organization: City of Minneapolis Department of Regulatory Services will be the lead entity: 250 South Fourth St.; 401 Public Service Center; Minneapolis, MN 55415. Contact Henry Reimer, 612-673-2872.
Henry.Reimer@ci.minneapolis.mn.us

Projected Start Date: January 2009

Projected End Date: Continue financing activity through NSP expenditures and program income through July 31, 2013.

Activity: Redevelopment of Demolished or Vacant Properties (NSP Activity #5)

Activity Type:

NSP Eligibility – E. Redevelop Demolished or Vacant Properties

CDBG Eligibility – 24 CFR 570.201 (a) Acquisition; (b) Disposition; (c) Public facilities and improvements; (e) Public services for housing counseling, but only to the extent that beneficiaries are limited to prospective purchasers or tenants of redeveloped properties; (i) Relocation, and (n) Direct homeownership assistance; 24 CFR 570.204 Community Based Development Organizations.

National Objective: Low-, moderate-, and middle-income Households (LMMH) (up to 120% of metropolitan median income).

Activity Description: At this time no specific activities or NSP funds are identified for this eligible use, though any redevelopment of this nature will be in coordination with other NSP strategies. The purpose of this activity will allow for the redevelopment of properties that may have been previously assisted with NSP funds under NSP eligible activities #3 and #5. When the market improves, the City will seek development of single family, owner-occupied housing. However, where density is encouraged, the City will support development of multi-unit housing, in which case rental may be preferred. Development of properties assisted through this activity description will be targeted for helping the City meet the requirement that at least 25% of NSP expenditures house those at or below 50% AMI. It is anticipated that CPED will work with non-profit developers to accomplish this work.

Affordability periods for developments assisted under this activity will be

NSP Affordability Periods

Per unit amount of NSP funds for New Construction, Rehab or Acquisition of Existing Housing	Minimum Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years
New Construction of Rental	20 Years

Continued affordability of a rental unit will be as described for Activity #2, we plan to provide NSP funds as development gap financing to the developer. The development gap financing will be structured as a loan that is forgivable upon completion/documentation of developer compliance with the NSP affordability requirements. For an ownership unit, to ensure continuing affordability, the buyer of the assisted unit will be required to sign a promissory note and mortgage

containing resale restrictions for 5, 10 or 15 years, depending upon the amount of NSP funding.

The resale restriction will require the homeowner to sell the property to an income qualified buyer who will occupy the home as his principal residence. The income-qualified buyer must assume the City's note and mortgage to ensure continuing affordability during the affordability period. If an income qualified buyer is not found, the City will participate in a formula for sharing in the net sales proceeds (see below) on the property. The formula provides a fair return on investment to the seller.

“Net Proceeds” means any and all consideration of any kind, whether direct or indirect, that is received by the Borrower for, or in connection with, the Transfer, including without limitation, the stated purchase price, cash, notes, and any indebtedness assumed and/or to which the Property is then subject, interest on any deferred portion of the purchase price, and non-customary net prorations in favor of seller (the “Transfer Proceeds”); adjusted by deducting Borrower’s Capital Investment, the sum of the reasonable broker’s commissions to the extent actually paid to a person or entity, usual and customary closing costs and credits, including, but not limited to title charges, survey costs, escrow charges, recording fees, transfer taxes and reasonable attorneys’ fees, special assessments required to be paid as a condition of Transfer, and reasonable prorations in favor of the purchasers for real estate taxes not yet due and payable, if any and adding any Net Proceeds received by Borrower for or in connection with all previous Transfers. Notwithstanding the foregoing, if the Transfer of all or part of the Property is other than an arms-lengths transaction with a third party, at the option of the Lender, Net Proceeds with respect to such Transfer shall mean the Fair Market Value of the transferred Property less Borrower’s Capital Investment and less all disposition expenses approved by the Lender.

Activity Location: Citywide with priority be given to the following neighborhoods:

Neighborhoods at High Risk for Foreclosed and Abandoned Housing
North Minneapolis
Shingle Creek
Humboldt Industrial Area
Lind-Bohanon
Victory
Webber-Camden

Cleveland	
Folwell	
McKinley	
Jordan	
Hawthorne	
Willard-Hay	
Near North	
Harrison	
Sumner-Glenwood	
Northeast Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Marshall Terrace	Waite Park (<i>census tract 000601</i>)
Columbia Park	Audubon Park (<i>census tract 000601, 001100</i>)
Bottineau	Windom Park (<i>census tract 101900</i>)
Holland	St. Anthony West (<i>census tract 103000</i>)
Sheridan	Marcy Holmes (<i>census tract 003800</i>)
Logan Park	
Beltrami	
Northeast Park	
South Minneapolis	
Whole Neighborhoods	Partial Neighborhoods
Downtown East	Elliot Park (<i>census tract 005901</i>)
Ventura Village	Whittier (<i>census tracts 107000, 106900, 007700, 007801</i>)
Phillips West	Lowry Hill East (<i>census tract 007700</i>)
East Phillips	Longfellow (<i>census tracts 108800, 107400</i>)
Midtown Phillips	Howe (<i>census tracts 110400, 108800</i>)
Lyndale	Hiawatha (<i>census tract 110400</i>)
Central	King Field (<i>census tract 109300</i>)
Powderhorn Park	Wenonah (<i>census tract 012101</i>)
Corcoran	Diamond Lake (<i>census tract 012003</i>)
Bryant	Windom (<i>census tract 012003</i>)
Bancroft	
Standish	
Regina	
Morris Park	

Performance Measure: Estimated to be 10 housing units for households at or below 50% AMI.

Total Budget: A portion of or all NSP program income generated from NSP eligible activities 1-4 -- \$ TBD

Responsible Organization: City of Minneapolis, acting through its Department of Community Planning and Economic Development, a governmental entity with authority to acquire, hold, redevelop, and dispose of real property, will lead this activity. CPED is located at 105 5th Ave S, Suite 200 Minneapolis, MN 55401. The person responsible for this activity is Wes Butler, 612-673-5194. wesley.butler@ci.minneapolis.mn.us

Projected Start Date: January 2009

Projected End Date: Continue Financing activity through July 31, 2013.

Activity: NSP Program Administration (NSP Activity #6)

Activity Type:

NSP Eligibility – NSP Administration

CDBG Eligibility – 24 CFR 570.206

National Objective: Low-, moderate-, and middle-income Households (LMMH) and Area (LMMA) benefit (up to 120% of metropolitan median income).

Activity Description: General administration of the NSP Program. Pre-award costs are being incurred and will be claimed within regulatory limits issued by the applicable federal financial circulars and regulations. Administrative activities include program design, planning, financial processing and monitoring, program monitoring and reporting, environmental reviews, and citizen participation functions.

Activity Location: Citywide.

Performance Measure: N/A

Total Budget: NSP funds- \$420,000

Responsible Organization: City of Minneapolis, acting through its Departments of Intergovernmental Relations, Finance, and Community Planning and Economic Development. Central Administration is located at 350 South Fifth St., 307M City Hall, Minneapolis, MN 55415. The person responsible for this activity is Matt Bower, 612-673-2188. Matthew.Bower@ci.minneapolis.mn.us

Projected Start Date: September 29, 2008

Projected End Date: Continue financing activity through July 31, 2013.

CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds \leq 120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

Signature/Authorized Official

__12/1/08__
Date

City Coordinator
Title

APPENDIX

Exhibit A- NSP Housing Rehab Standards

Maps City of Minneapolis-

- Foreclosed Properties January 2007-June 2008
- Registered Vacant & Boarded Properties as of July 2008
- 120% of HUD Area Median Income
- 120% of HUD Area Median Income with Foreclosures & Vacant and Boarded Properties
- HUD Estimated Foreclosure & Abandonment Risk Score with Actual Foreclosures & Registered and Vacant and Boarded Properties
- HUD High Cost Loan Rate with Actual Foreclosures
- HUD Underlying Problem Foreclosure with Actual Foreclosures

Public Comments & Letters & City Response

- November 18, 2008 Public Hearing Testimony
- Public Comment Period Emails
 - John Hemp
 - McKinley Neighborhood Association
 - Chris Morris
 - Larissa Carlson
 - Bottineau Neighborhood Association
 - Blake Zochert
- Public Comment Written Letters
 - Sue Watlov Phillips, Metropolitan Interfaith Council on Affordable Housing
 - Robert Woods
 - Tom Schirber, Pat Huelman, University of Minnesota Cold Climate Housing Program
 - Genevieve Gaboriault, Legal Aid Society of Minneapolis
 - Jim Roth, Metropolitan Consortium of Community Developers
- City of Minneapolis Response

EXHIBIT A

NSP HOUSING REHAB STANDARDS

NOTE: All details and/or materials listed may be subject to change or deletion, as required by specific location or structure. All changes must be approved in writing by CPED Project Staff.

The City of Minneapolis will adopt the following standards for all rehab projects associated with the Neighborhood Stabilization Program. These guidelines are to be used in conjunction with the minimum code associated with all permits pulled for the completion of the rehabilitation. Additionally, all developers are encouraged to perform sustainability techniques and use Energy Star products and standards.

BASEMENT

1. Basement floors shall be concrete with no tripping hazards or exposed dirt.
2. Replace hazardous or unserviceable stairways
3. All structural concerns need to be addressed, including cracks and limestone foundations must be properly tuck-pointed.
4. Basement walls should be free of scaling or spalling material. Apply two coats of waterproofing.

PLUMBING

1. Provide a minimum of a single laundry tub and washer bib-cocks.
2. Provide one exterior sill-cock centrally located to reach front and rear yards.
3. When the water heater needs to be replaced, install a new *40-gallon water heater in 2 bedroom homes and 50-gallon water heater in 3+ bedroom homes.*
4. Sewer systems must be individual and separate from adjacent buildings / properties. If the existing sewer system is retained, it must be cleaned out to the city sewer main. Install a Clean Out, if there is no Main Clean Out.
5. Provide an exterior vent for clothes dryer through the rim joist area. If rim joist venting is not accessible, alternatives can be discussed. Window venting is not acceptable. Glass block venting may be acceptable as determined by CPED.
6. Replacement of bathtubs shall be restricted to either cast iron tubs or fiberglass tub enclosures. **NO STEEL TUBS!**

HEATING & VENTILATION

1. If an existing heating plant will be retained, general contractor must provide written certification from a licensed heating contractor that the plant is at least 80% efficient, and the existing system meets code. All valves on radiators must be operational.
2. If replacement is required, replacement units shall be a minimum of 90% efficient and be placed on a 2" concrete pad or legs.
3. All kitchens must have a hood fan, which shall be vented to the outside where possible. Where not possible, please notify CPED at the time plans and specs are submitted for review.
4. Bathroom fans will be vented to the exterior.

5. Whole House Ventilation: Provide a low zone ceiling exhaust fan vented to the exterior, and a wall switch set for continuous half speed venting with full speed boost.

ATTIC ACCESS

1. Install attic access with weather-stripping and insulate to code. Attic access must be open at final inspection for verification of insulation.

ELECTRIC

1. Minimum of 100-amp service per unit.
2. Dwelling and garage must be wired to code (Note: all non-grounded outlets shall be changed to grounded type).
3. Dwelling to have a minimum of two exterior receptacles for the (1) front and (1) rear.
4. Each outside entry door to have lighting.

INSULATION

NOTE: Order energy audit and insulate according to energy audit recommendations. In the event of any inconsistencies between the Energy Audit and these Rehab Standards, the Energy Audit shall prevail.

Minimally the following standards shall apply:

1. If rim joist is accessible, insulate to R-19.
2. Insulate sidewalls, if sidewalls are enclosed insulate to R-14 with the "blow-in-blanket" system or R-13 batts to code on all exposed framing areas.
3. Insulate attic to R-44.
4. If sidewall framing is exposed, provide 6-mil poly vapor barrier, otherwise use vapor barrier paint on interior of outside walls.
5. If insulation is exposed at the exterior foundation, it must be covered with a finish approved by CPED.
6. Provide a copy of the cleared Energy Audit final inspection

WINDOWS

1. Existing Windows—Rehab Wood Single Pane: Remove weight hardware and insulate pockets. Install full – tilt jamb liners. Refinish and reglaze sash as required. Weather-strip sash and plow to fit liners. Include locks and lifts. Install two track aluminum combination windows with full screen.
2. New Windows—Sash kit or Whole Unit: Remove weight hardware and insulate pockets. Insulated low–e glazing. Include locks, lifts, and full screens.
3. All storm/screen window units must compliment the fabric and color of the prime window.
4. All windows must be equipped with locks and lifts.
5. All windows are to be adjusted, weather-stripped, and made weather tight.

DOORS

1. When replacing primary entry doors, install a pre-hung insulated, metal door, include a locking knob set and dead bolt lock keyed alike.
2. For each exterior entry door install a storm door.
3. Interior doors should be serviceable with matching hardware installed.

INTERIOR TRIM

1. When replacing, match existing as close as possible.

FINISH FLOORING

1. Ceramic tile (where used on floors) shall be installed in concrete or on cement board. No vinyl base allowed.

SPECIAL WALLS

1. If new ceramic tile is used in the tub area it will be installed on cement board.

DECORATING

1. No painting over wallpaper.
2. Semi-gloss paint will be used in the kitchen, baths, basement stairwell, attic and rear entry areas. Flat paint or eggshell should be used for all bedrooms, living room, dining room, and stairway to the second floor.

EXTERIOR WALLS

1. Where existing wood siding and trim is retained, the general contractor shall warrant via a written warranty that all painted surfaces will not peel or flake for two years after final payment.
2. Where vinyl siding is installed, it must be .042 mil. When aluminum covering for trim is installed, it must be .019 gauge.
3. All painted stucco shall be sandblasted and redashed as needed.
4. When aluminum coil stock is used include covering the window wells and the outside blind stop.
5. Provide a mailbox.
6. Provide front and rear address numbers.

ROOFING

1. Remove and replace any asphalt shingled roof in a deteriorated condition or that cannot be warranted for seven years. All rotted wooden materials must be replaced.
2. Roofing shall be 240#, self-sealing, 3 tab, strip shingles; or appropriate roofing for flat roofs.
3. NO STAPLES shall be used to fasten shingles.
4. When roof is replaced, all roof caps and flashings shall be replaced. All flashing must be metal. valleys must be metal inverted V type (26 gauge). All vents, flashing, and valleys will match the shingle color.

SITE WORK

1. Existing garages in deteriorated condition that will not be treated will be removed.
2. Existing fences or other exterior amenities, i.e. gaslights, clothes poles in deteriorated condition, that will not be treated, will be removed.
3. If there is no garage, provided there is access, a minimum of one hard-surfaced (bituminous or concrete) off-street parking space must be provided.

4. If there is an existing deck or porch which needs repair or replacement, the ground under the deck or porch must be covered with poly and landscape rock.
5. Remove all foundation growth and outlaw brush and the roots anywhere on the lot.
6. Provide fill and raise the grade around the foundation to provide proper drainage. Install window wells as necessary, with gravel 3+ inches in depth.
7. Repair any bare dirt areas, any bad sections and areas damaged during construction, including the boulevard areas.

MISCELLANEOUS

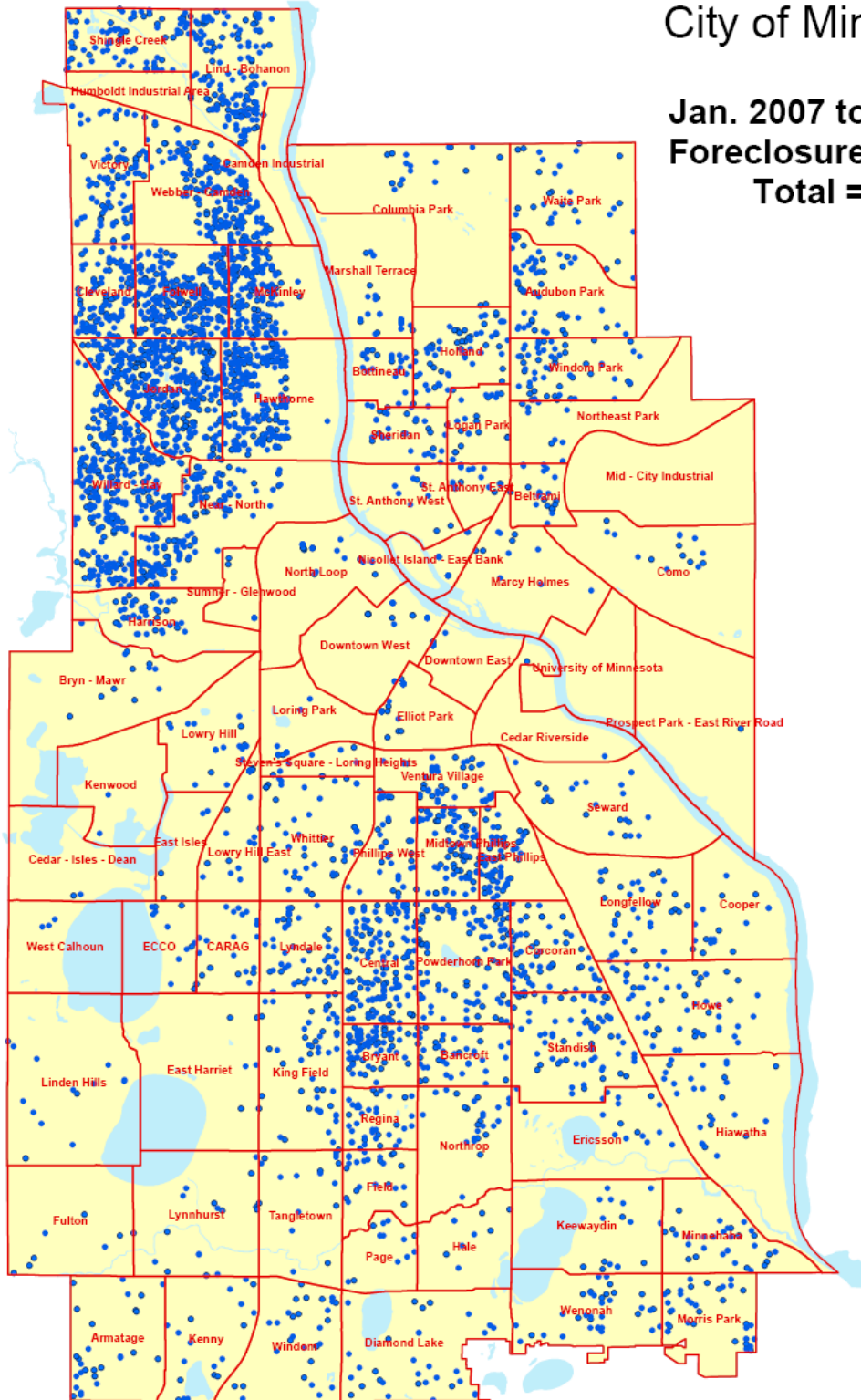
1. All buildings shall meet all applicable codes.
2. All necessary approvals will be received by CPED prior to the release of the final payment.

LEAD BASED PAINT

1. Developers are required to certify and ensure that their activities comply with the same lead regulatory requirements that apply to Community Development Block Grant programs. These requirements are in the Lead Disclosure Rule (24 CFR part 35, subpart A), and the Lead Safe Housing Rule's provisions for the rehabilitation (subpart J), and for acquisition, leasing, support services, or operation (subpart K), and the accompanying procedural requirements of subparts B and R. Developers must provide reports to the lead hazard contractor(s).

City of Minneapolis

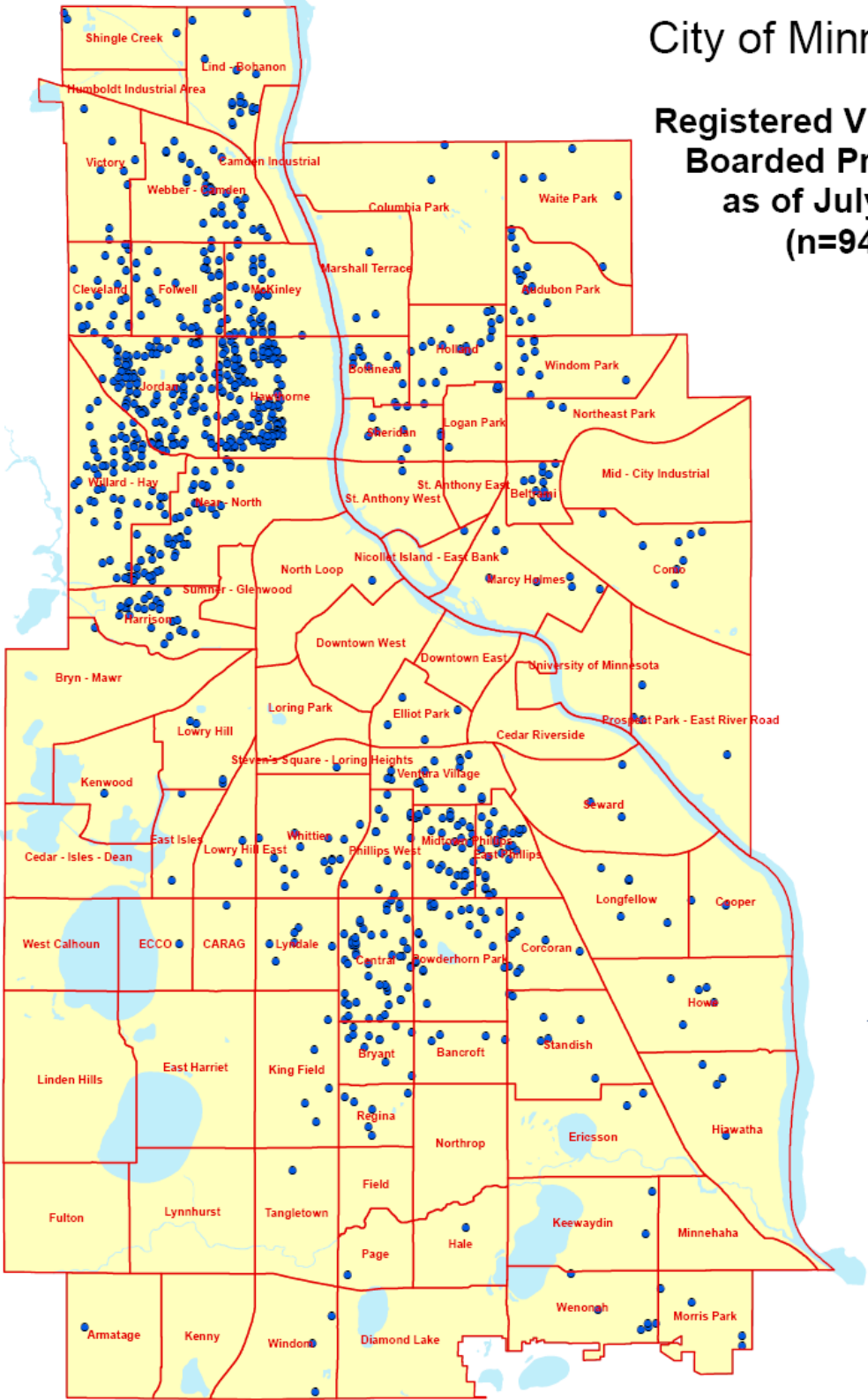
**Jan. 2007 to June 2008
Foreclosure properties
Total = 4,481**



Source: Community Planning and Economic Development Research with data from Hennepin County Sheriff's Office
Oct. 28, 2008

City of Minneapolis

Registered Vacant and Boarded Properties as of July 2008 (n=943)

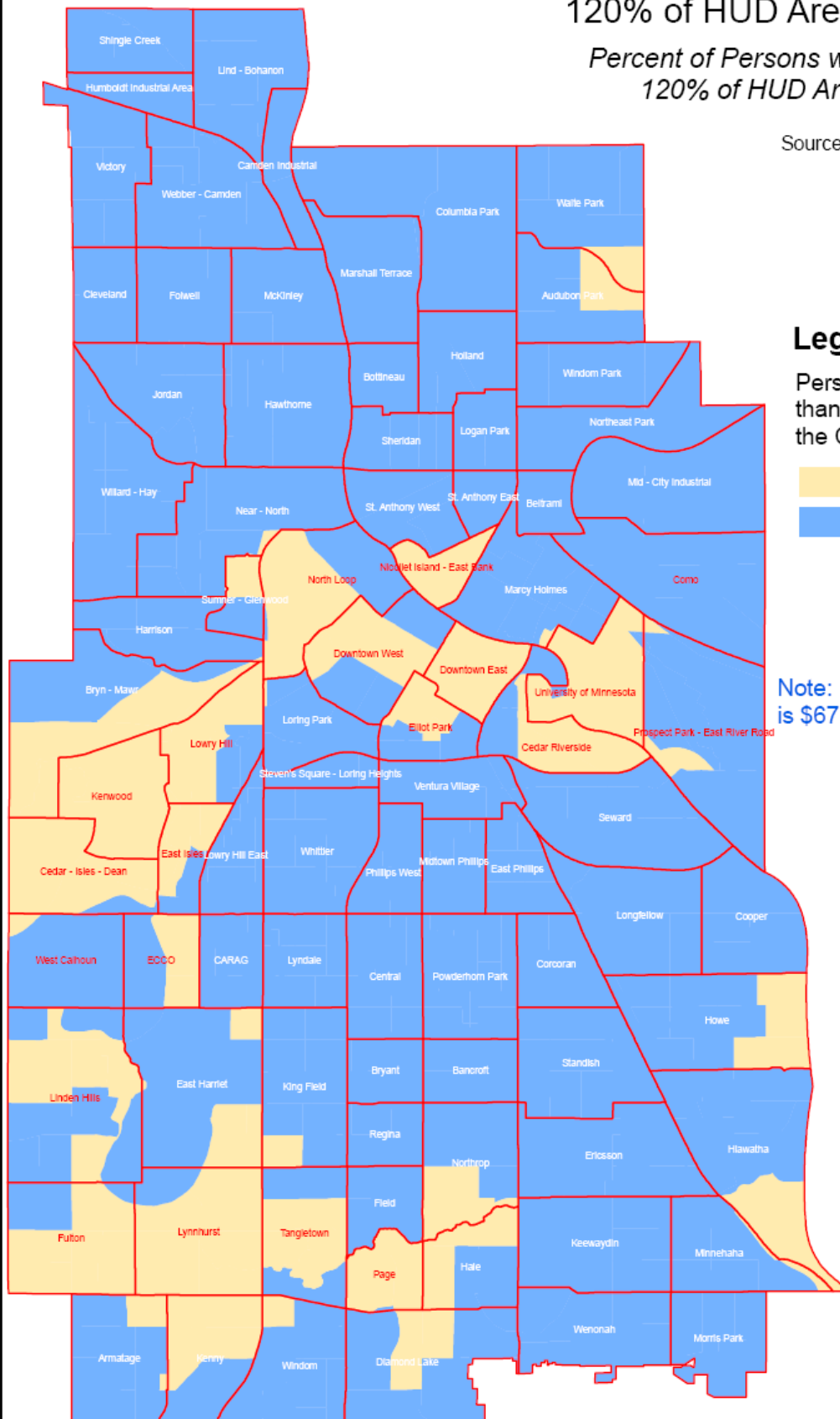


Source: Community Planning and Economic Development Research with data from Regulatory Services Oct. 28, 2008

120% of HUD Area Median Income

Percent of Persons with Income Less Than 120% of HUD Area Median Income

Source: HMDA



Legend

Person with income less than 120% of HUD AMI in the Census Block Group

- Less than 51%
- 51% or more

Note: HUD Area Median Income is \$67,975 for One Person



City of Minneapolis
Department of Community Planning
& Economic Development - CPED

Created by CPED Research
Oct. 28, 2008

120% of HUD Area Median Income

Percent of Persons with Income Less Than 120% of HUD Area Median Income with Actual Foreclosures and Vacant and Boarded Properties

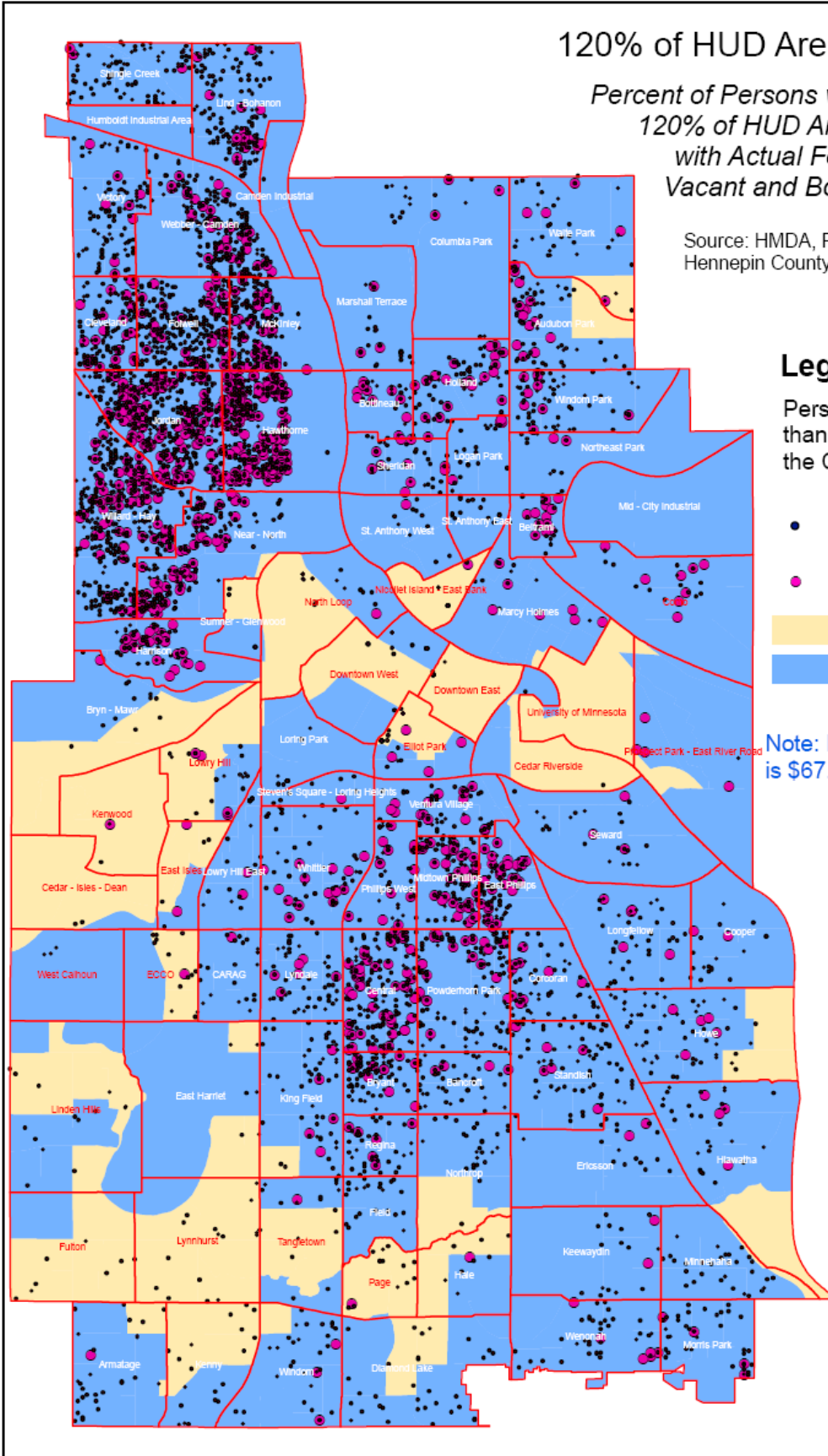
Source: HMDA, Regulatory Services and Hennepin County Sheriff's

Legend

Person with income less than 120% of HUD AMI in the Census Block Group

- Property foreclosed (n=4,481) from 2007 to June 2008
- Vacant & Boarded Properties as of July 2008 (n=943)
- Less than 51%
- 51% or more

Note: HUD Area Median Income is \$67,975 for One Person

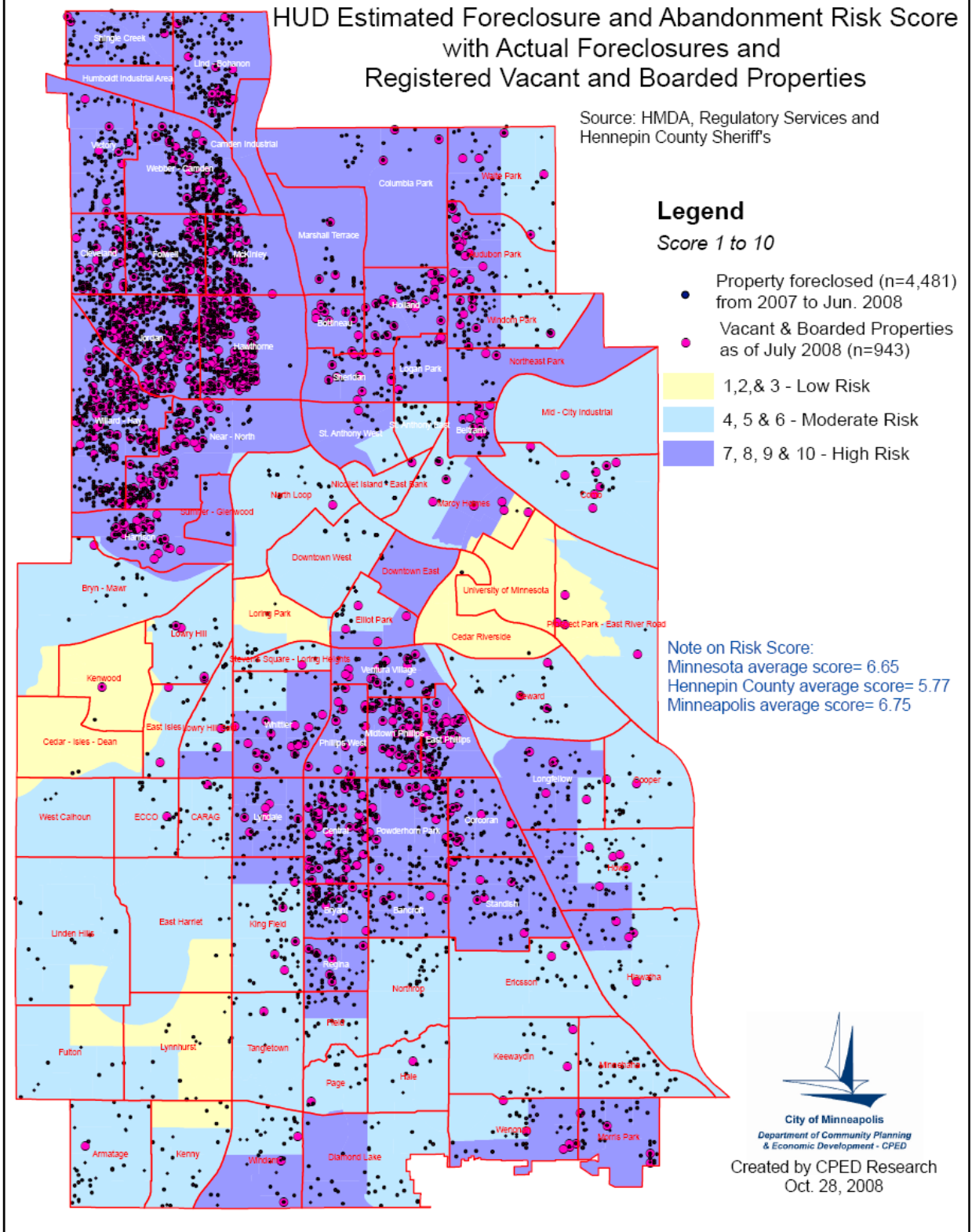


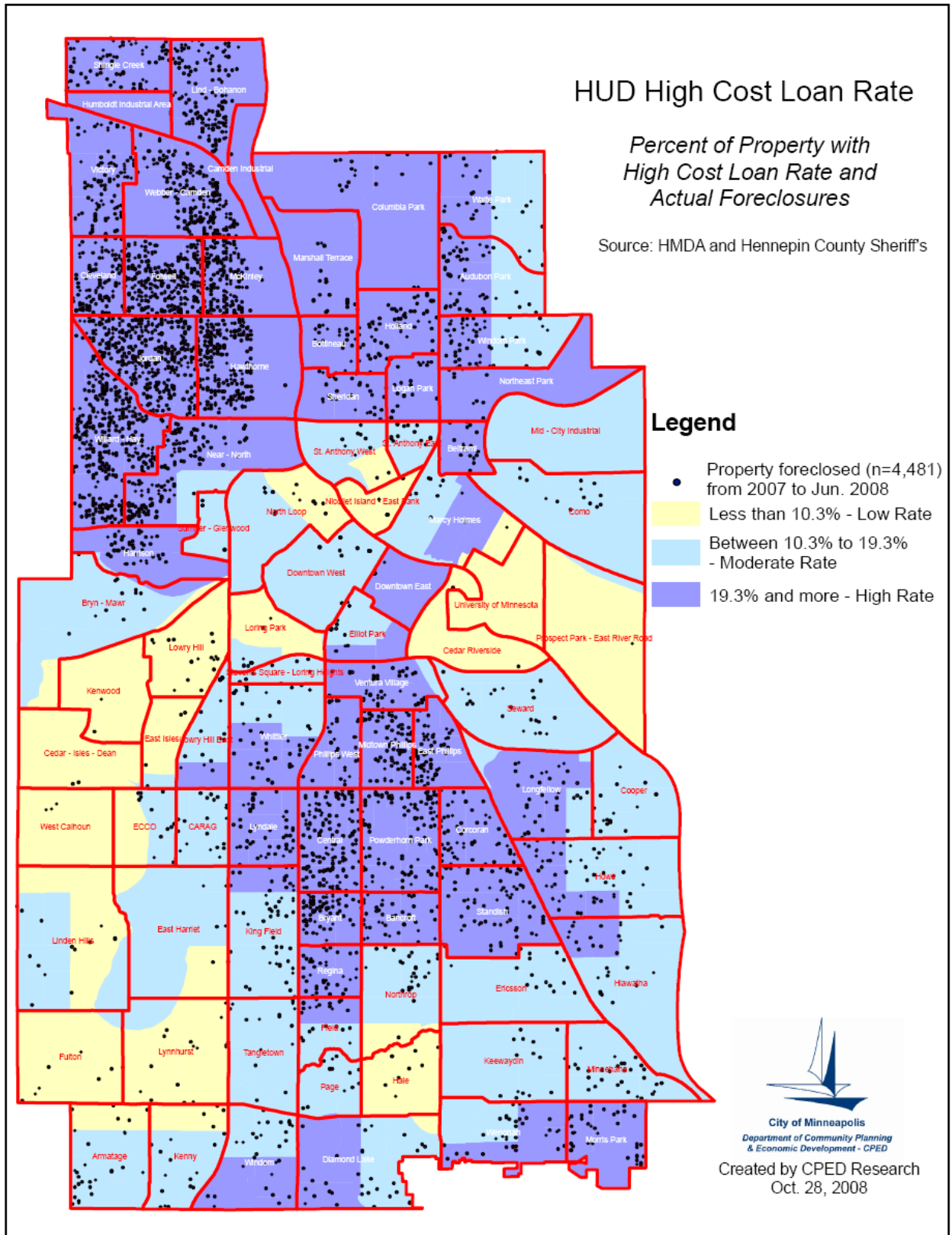
City of Minneapolis
Department of Community Planning
& Economic Development - CPED

Created by CPED Research
Oct. 28, 2008

HUD Estimated Foreclosure and Abandonment Risk Score with Actual Foreclosures and Registered Vacant and Boarded Properties

Source: HMDA, Regulatory Services and Hennepin County Sheriff's

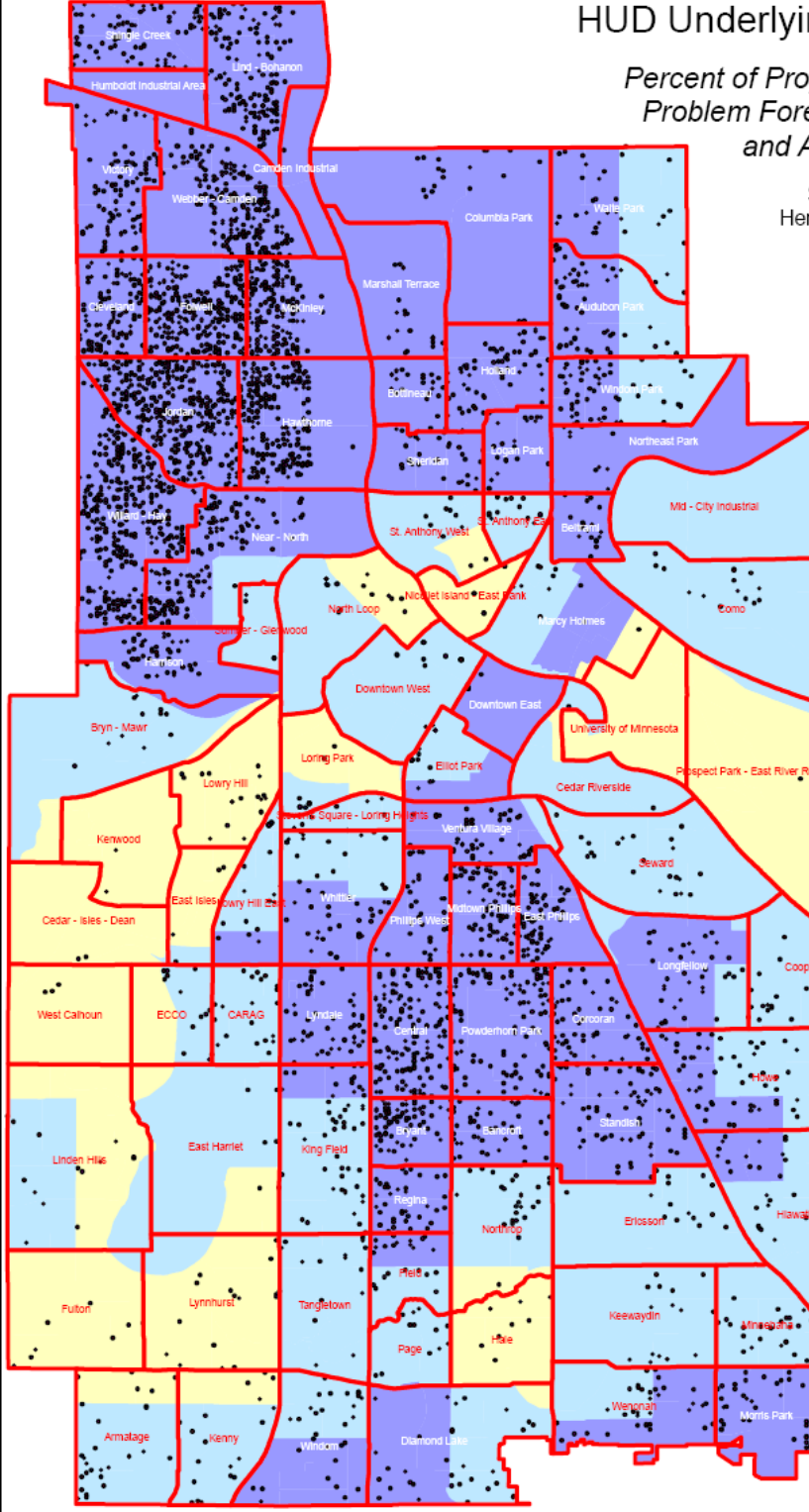




HUD Underlying Problem Foreclosure

Percent of Properties with HUD Estimated Problem Foreclosure in Next 18 Months and Actual Foreclosures

Source: HMDA and Hennepin County Sheriff's



Legend

- Property foreclosed (n=4,481) from 2007 to June 2008
- Less than 2.7% - Low Rate
- Between 2.7% to 4.6% - Moderate Rate
- 4.7% and more - High Rate



**City of Minneapolis FY 2008 Consolidated Plan Amendment #1
Summary of Public Comments
Public Hearing November 18, 2008
Public Comment Period November 10-25, 2008**

A public hearing was held on November 18, 2008, to obtain comment on the City's proposed draft Amendment #1 to the 2008 Consolidated Plan- application for Neighborhood Stabilization Program funding. City staff also accepted written comments during the public comment period of November 10-25, 2008.

Submitted written comments follow the summary of public hearing comments. Following the written comments is a City response to the primary themes raised during the comment period.

Summary of Public Hearing Comments: Public hearing oral testimony was provided by the following residents and organizations:

Roger Banks, Council on Black Minnesotans

NSP funds should be spent considering equity and accountability. Funding should especially be of benefit to the African American community. Data should be kept on race and ethnicity benefit. An evaluation system should look at short-term and long-term program benefit outcomes.

Sue Watlov Phillips, Metropolitan Interfaith Council on Affordable Housing
(also provided written comments)

Focus on investment properties with renters. Consider meeting the 25% target of housing for those at 50% of AMI be instead 50% of the city's median income. Use existing residents in the First Look program. Limit demolitions and land banking strategies. Provide for priority contracting to W/MBE contractors.

Judi Tennebaum, Jewish Community Action

Supportive of above comments and Jewish Community Action supports the NSP plan, limit use of NSP for demolition, first priority for housing should be displaced residents that have become homeless.

Leslie Davis, Resident

Limit use of NSP for demolition and land banking. Consider impact of macro issues on the foreclosure crisis and treat: economy, banking, drug war, nutrition standards.

Al Flowers, Resident

Affirmed comments represented by Council on Black Minnesotans and MICAH. Encouraged NSP planning and implementation work to be done through community organizations such as Minneapolis Urban League, Sabathani Community Center.

Jeff Skrenes, Hawthorne Neighborhood Council

Supported continuation of Minneapolis Advantage program. Though not eligible as part of the NSP plan, he encouraged funding for police services in foreclosed impacted neighborhoods to prevent further neighborhood destabilization. City should work with community-based groups with experience in foreclosure in implementing NSP plan: Habitat for Humanity, Acorn Housing.

Robert Woods, Resident

Consider the foreclosure impact on northside neighborhoods and African-Americans in program design. Bring the benefits of NSP to these neighborhoods. Use NSP as a job creation and neighborhood stabilization strategy.

Lenny Chisolm, Resident

Link NSP to North Minneapolis job creation efforts especially the use of unskilled labor on projects.

Cheryl Morgan Spencer, Minneapolis Urban League

Focus NSP funding on north Minneapolis neighborhoods. Consider the effects of foreclosures on renter households and use NSP as an opportunity to stabilize and restore affordable housing stock to the benefit of renters.

Written Comments—E-Mail

From: John Hemp [mailto:jwhemp@msn.com]
Sent: Thursday, November 20, 2008 10:43 AM
To: Bower, Matthew A.
Cc: Hofstede, Diane T.
Subject: Neighborhood Stabilization Program funds- It must pass!

I think that the passage of the city amendment to be necessary. Only the home owners who live on these block of vacant and run down properties will suffer and criminals will continue to gravitate to neighborhoods like McKinley and other neighborhoods only worsening the situation of properties being worth less than the property owner originally paid for them. I hope that the amendment addresses the removal of the run down properties soon so new and improved properties can be built in their place and more wholesome families to move into the new and improved properties to help make for a more safe place for all of us to live.
John Hemp

From: [McKinley](#)
Sent: Thursday, November 20, 2008 9:38 AM
To: [John Hemp](#) ; [Barbara Kennedy](#) ; [Norma Miller](#) ; [Jesse A. Schustedt](#) ; [Witiyala Seewalie](#) ; [Ricky Venson](#) ; [Jessica Williams](#) ; [Jennifer Yates](#) ; [Blake Zochert](#)
Subject: Neighborhood Stabilization Program funds- It must pass!

The McKinley Community has been and is committed to housing issues in our neighborhood and the broader community. Our neighborhood has put over \$1,000,000 into housing related issues in the past 15+ years and we have partnered with Habitat of Humanity, Greater Metropolitan Housing Corporation, Northside Neighborhood Housing Services, the City of Minneapolis, Center for Energy and the Environment and others but we need MORE HELP! The amendment to the City of Minneapolis Consolidated Plan is that help that is so very needed in neighborhoods hit hardest by the current housing crisis and for the great City we all live in.

The Challenges-

Only through a much larger entity like the City can we begin to make real progress to help stabilized current homeowners, remove and renovate blight, and begin to plan for the future by banking land to rebuild our communities. Our current residents are having years of hard earned equity slip away because they live on a block with one, two or three vacant and boarded properties on their block that lowers their property values by an additional \$20,000+ which erodes our tax base further. Predatory investment property owners are swooping in and purchasing already damaged properties, slapping a new coat of paint on them and renting (sometimes without a license) these properties out. Our neighborhood has had several properties completely destroyed by gas explosions because vacant properties were stripped of the valuable cooper. Lastly, any effort to even attempt to attract new families to our great neighborhood becomes an up hill battle when blight, neglect and predatory activities are still a daily battle on the streets.

The Opportunities-

Over the past year, the McKinley Community has partnered with Greater Metropolitan Housing Corporation, the City of Minneapolis and other to make a positive impact on our

small corner of the City. Through an aggressive acquisition/demolition/renovation program we have helped public and private partners purchase and demolition six properties that were damaged beyond repair by mold from exploding water pipes and squatters who used the dwellings as places to stay and go to the bathroom in. In addition, those same partners have acquired three more properties that will be renovated and put back on the market for new and eager homeowners to live in. This was done with only \$25,000 from our organization. Just think what a larger effort can do. Our organization has also helped several residents either buy homes or renovate newly purchased homes with neighborhood dollars. Dollars that went to replace copper piping that had been stripped out of a vacant home, now houses a family of four who relish the natural woodwork and hardwoods floors that give the house charm. Just think what a larger effort can do.

The City's amendment to the Consolidated Plan is well thought out and very comprehensive and should be passed. I would continue to stress that the dollars need to go to those neighborhoods hit hardest by this housing epidemic and that the homes that a remodeled and newly built have to be built with the highest quality in mind to improve the housing stock in these pockets of dwindling housing quality.

McKinley Community
Center for Families
3333 North 4th Street, Suite 1
Minneapolis, MN 55412
612-276-1541
mckinleycommunity@yahoo.com

From: CHRIS MORRIS [mailto:cawdmorris@hotmail.com]
Sent: Thursday, November 20, 2008 9:54 AM
To: Hofstede, Diane T.; Streitz, Thomas A.; Bower, Matthew A.
Subject: Comment on the Neighborhood Stabilization Program funds

As a resident of one of the areas of Minneapolis that have been hardest hit by the foreclosure crisis, the deluge of predatory investment property owners and houses that explode due to stripped out copper piping, the City's Amendment to the Consolidated Plan is a plan that has been needed for several years, but better late than never. However, as the use of these funds is being discussed I feel that I must stress where the funds are most needed.

- 1) Acquisition of blighted properties: Yes, yes, yes. Get rid of substandard housing and rehab the great older homes that are worth saving.
- 2) Renovation and Rehabilitation: Yes, but the funds must ensure that the quality of house being built and remodeled is of a very high quality, the housing stock in these areas needs to improve, not continue to be brought down to the lowest common denominator.
- 3) Land Banking: Yes, but neighborhood and resident input on what eventually goes there is needed.

4) Assistance for Homeownership: Yes! We need to repopulated these areas. Contract for Deed idea is pretty good too.

Our neighborhood has been also hit hard by very bad rental property owners and we need to do something to elevate the level of rental properties in our hardest hit areas. What the answer to that is I cannot say for certain, but we are not doing the homeowners in the neighborhoods, the City or the residents who live in these crummy properties any favors by continuing to allow for the quality of the housing stock to demish to the point of now return.

Chris Morris
McKinley neighborhood resident

From: Larissa Carlson [mailto:vuelodepichon@yahoo.com]
Sent: Monday, November 17, 2008 6:03 PM
To: Bower, Matthew A.
Subject: foreclosure grants

I am writing to support using the federal money to help prevent foreclosure in Minneapolis. I bought my first house in the Jordan neighborhood two years ago and just last week saw the demolition of the house next door to me after a sad foreclosure. In two years I have seen the demolition of 5 homes I could see from my windows. I am not opposed to getting rid of condemnable properties. However I believe we would all be better off if instead of leaving homes empty, abandoned and vandalized, if instead we were to help keep families in their own homes. The only positive measure I have seen in this crisis is that as slum lords have foreclosed, our neighborhood has gotten quieter and calmer. I would like this to be a long lasting improvement.

Larissa Carlson Viana
2129 James ave N.
Minneapolis, MN 55411

-----Original Message-----
From: Bottineau Neighborhood Association
[mailto:bnabottineauneighborhood.org]
Sent: Friday, November 14, 2008 2:11 PM
To: Bower, Matthew A.
Subject: HUD Consolidated Plan Amendment Comment

Please receive the following comments on the Proposed Amendment to the HUD Consolidated Plan from the Bottineau Neighborhood Association.

Generally, the Bottineau Neighborhood Association strongly supports the amendment language.

We are particularly supportive of the increase in the target area beyond the original focus of the Minneapolis Advantage Program. While increasing the size of the area eligible for reinvestment may be seen as increasing the possibility of diluting the effect of a concentrated

reinvestment, we feel it is important to address the 'edges' of this growing issue in order to help prevent additional concentrations of abandonment from becoming established. We see the acknowledgment that many other neighborhoods are at serious risk for abandonment as a positive step in that direction. While we fully expect (and support) a majority of the funding ending up in the neighborhoods with most current need (Bryant, Jordan and Folwell to name three), ignoring the growing areas of risk would have been too short-sighted.

We would like to see some language allowing the reconversion of properties back to single family homes to promote additional home ownership opportunities, particularly in the NSP Activity #2 Section . In a housing inventory study conducted in 2006, BNA identified 126 multi family parcels in the neighborhood. Just over 71% of these are two-family conversions from once single family homes. While this has created a denser neighborhood it has also reduced the range of housing types, specifically the range of available bedrooms, in the neighborhood. Nearly all of the other Northeast neighborhoods identified as high risk for foreclosed and abandoned housing share this trait. One significant affect we have experienced (and supported by US Census Data) from this trend is that the housing stock in the neighborhood does not support growing families. There is a significant drop between the number of five- and six-room units (roughly corresponding to two- and three-bedrooms units) and the number of three- and four plus-person family households in the neighborhood. This has not only created a more transient community but has had an impact on the programming at Bottineau Park and partially contributed to the reduced enrollment levels at Minneapolis Schools. Many of the neighborhood properties we know to be foreclosed and vacant are conversions from single family homes. Allowing conversion back to single family will greatly contribute to the long term stability of the community, especially when combined with the affordability periods identified in the proposed amendment.

Thank you for the opportunity to provide input on an effort to address the most important issue in the City.

--

Chris Gams
Coordinator
Bottineau Neighborhood Association
612.782.2145
www.bottineaneighborhood.org

From: Blake.T.Zochert@wellsfargo.com [mailto:Blake.T.Zochert@wellsfargo.com]
Sent: Thursday, November 20, 2008 10:49 AM
To: Bower, Matthew A.
Cc: Hofstede, Diane T.
Subject: RE: NSP funds and comments

One thing I forgot to mention is I'm a HUGE proponent of REHAB and NOT tear down whenever possible. If the city tears down an original 1920's bungalow and puts up a new

modern blocky townhome, it won't fit in with the rest of the area. And it could actually be a detractor.

So, save the properties when you can, and IF you need to build new, do it to fit the aesthetic of the surrounding neighborhood. Thanks.

-----Original Message-----

From: Zochert, Blake T.

Sent: Thursday, November 20, 2008 10:09 AM

To: 'matthew.bower@ci.minneapolis.mn.us'

Cc: 'Diane.Hofstede@ci.minneapolis.mn.us'

Subject: NSP funds and comments

Good morning. Just writing to add some quick public comments regarding the NSP proposal.

I would say that the monies need to be sure to go to the areas that need them most, that **qualified** workers from the areas that have been hardest hit should be given a chance for employment on the rehabs and new construction homes (once those begin), that quality should be of the highest consideration when home are remodeled and rebuilt to make the overall housing stock better.

I'm a business owner, landlord, and resident of North Minneapolis. I believe it should be the greatest place to live in the city, as far as location, transportation, and amenities are concerned. As you well know, for many reasons too deep to get into in an email, what North Minneapolis "should be" and what it is in reality are two very different things.

This housing crisis actually presents the area with its greatest opportunity in decades to do something concrete for the area, that people can see, appreciate, and use; improve the housing stock that's fallen into disrepair and blight. Perception is one of the most important things in a neighborhood. We need to make the houses, streets, and business look good again. Other city projects like the Lowry Corridor redevelopment have fallen way short of what was promised.

One of the most important aspects of this is that whatever happens, the work and end result can't be done on the cheap. It can be done cost-effectively, sure, but the end result can't look like cheap new construction crap, for lack of a better term. I'd rather the city concentrate on certain areas, clusters, and do them WELL, rather than fixing up one house here or there. Focus on fewer areas and do them well; the new development will grow from those. If one entire block looks fabulous, the next block will follow (ideally).

And if possible, I'd rather the funds go through the neighborhoods themselves (through the non-profit community organizations).

Thanks for your time,

Blake

Other Written Comments Received

11/25/2008 09:10 763/881672

ELIM TRANSITIONAL

FILE 01/00

METROPOLITAN INTERFAITH COUNCIL ON AFFORDABLE HOUSING

"Do Justice, love mercy, walk humbly with your God." Micah 6:8



November 25, 2008

Matt Bower
NSP Comments
Grant and Special Projects
307M City Hall
350 South Fifth Street
Minneapolis, MN. 55415

Dear Mr. Bower,

MICAH, the Metropolitan Interfaith Council on Affordable Housing, would like to thank the City of Minneapolis for the opportunity to comment on your Neighborhood Stabilization Program Plan.

MICAH's mission is to create a metropolitan area where everyone without exception has access to a safe, decent and affordable place to call home. We represent over 100 congregations in the Metro area with active Minneapolis and West Chapters in Hennepin County

The following are general comments we are providing on all the NSP plans in Minnesota followed by specific comments on the Minneapolis Plan.

Recognizing that the vast majority of homeowners or renters in rental investment property that have experienced foreclosures are people of color and/or people with limited resources, we request that the NSP plan includes the following:

1. The majority of Home ownership opportunities and Rental Units should be for people with incomes that are 50% and below median income and/or people of color.
2. People currently residing in the targeted area should have the first opportunities to utilize housing made available through this program.
3. Use of funds for demolition and/or land banking should be kept to a minimum. No more than 10% of total funds. Priority should be placed on utilizing the land for housing development for people at or below 50% not on higher income housing or public and/or commercial facilities.

Minnesota Church Center
122 West Franklin Avenue, Suite 310
Minneapolis, MN 55404

Phone: (612) 871-8960
Fax: (612) 870-2634
E-mail: Info@micah.org
www.micah.org

4. It is imperative these funds make affordable housing available again as soon as possible in our community.
5. Community based non profits and for profits and minority companies should be prioritized to receive contracts from the City receiving the funds.
6. We request that the following options allowed by HUD are eligible uses of NSP funds in your plan. The first and sixth scenarios are ones we strongly encourage you to embrace in your plan to assist homeowners and renters to continue to reside in their current homes.

ELIGIBLE-USE SCENARIOS – HUD Web site 11-13-08

Can an NSP grantee offer NSP funding to a person whose home has been foreclosed in order to buy back the same home or another home? Can a nonprofit purchase a foreclosed home and sell it back to the original owner whose home was foreclosed?
Nothing would prevent a grantee from taking these actions so long as the person receiving the NSP assistance meets the income qualifications. However, it is up to the grantee to decide whether this is an appropriate use of their funds.

Can NSP funds be used to redevelop a public facility (Eligible Use E) that will be owned and operated by a nonprofit (For example, turning a vacant library into a homeownership center owned and operated by a nonprofit organization)?

Yes. Public facilities can be owned and operated by nonprofit entities. 24 CFR 201(c) provides the regulatory parameters for public facilities. It explains that nonprofit entities may acquire title to public facilities so long as these facilities are open for general use by the general public during normal hours of operation.

sted 10/31/08

Can clients eligible to participate in the Section 8 Homeownership program also participate in financing provided through the NSP? For example:

1. **Can a Section 8 Homeownership client purchase a property that was acquired with NSP funding and made available for sale by a subrecipient?**
2. **Can a Section 8 Homeownership client apply for NSP financing to acquire a home and then pay the mortgage with the Section 8 Homeownership Voucher?**

Yes, persons with downpayment assistance, participants in lease-purchase programs, and Sec. 8 homeownership voucher holders may use those mechanisms to purchase an NSP home, whether from a subrecipient or directly from the unit of government. Additionally, prospective purchasers may receive financial assistance from the NSP program, through such means as downpayment assistance, to purchase houses that have been acquired with NSP funds. The grantee must ensure through its underwriting that such forms of dual assistance do not overly subsidize the purchase, but they are allowed.

New construction is an eligible activity under NSP, does the new construction have to follow the CDBG requirements and be done under 24 CFR 570.204 by a Community-Based Development Organization?

HUD does not have any specific restrictions on doing new construction of housing beyond the normal CDBG program requirements. New housing construction does not have to be done by a CBDO to be eligible under the NSP program.

isted 11/7/08

If a municipality completes a tax foreclosure on a property and keeps it vacant waiting for the market to rebound, would such a property be eligible for NSP funding?

This could be eligible under eligible use C as part of a land bank or it could be eligible under eligible use B if the municipality is rehabilitating homes that will be sold, rented or redeveloped for income eligible individuals.

isted 11/7/08

Would such an activity still be eligible if the properties had been foreclosed and vacant versus foreclosed and operating under this scenario?

No, eligible use B does not require NSP assisted homes to be vacant. It only requires that they be abandoned or foreclosed. Please see NSP Notice for definitions of abandoned and foreclosed.

isted 11/7/08

Do the resale/recapture provisions apply to properties assisted with NSP funding?

Yes. The resale recapture provisions to ensure continued affordability do apply. In its NSP action plan substantial amendment, a grantee will define "affordable rents" and the continued affordability standards and enforcement mechanisms that it will apply for each (or all) of its NSP activities. HUD will consider any grantee adopting the HOME program standards at 24 CFR 92.252(a), (c), (e), and (f), and 92.254 to be in minimal compliance with this standard and expects any other standards proposed and applied by a grantee to be enforceable and longer in duration (Note that HERA's continued affordability standard is longer than that required of subrecipients and participating units of general local government under 24 CFR 570.503 and 570.501(b)).

isted 11/7/08

There will be a period of time between acquisition, rehabilitation, and resale where the NSP grantee will need to maintain the property (e.g. grass cutting, snow removal, insurance, etc.). Can the NSP grantee recover those costs from NSP funds as a delivery cost related to the activity?

Yes. Several sections of the NSP Eligible Uses, which are correlated with CDBG Eligible Activities on page 58338 of the NSP Notice, and excerpted below, allow Disposition. The CDBG regulations specifically permit temporary property maintenance as part of Disposition. The only constraint for NSP is that you cannot add these costs to the eventual purchase price.

isted 11/7/08

Can NSP funds be used to rehabilitate properties already in the municipality's portfolio that were abandoned, vacant, foreclosed upon, or subject to tax sale prior to the housing crisis? If no, what is "prior to the housing crisis?" I don't see anything in the NSP Notice to support or negate this use.

Yes. NSP grantees may use properties already in portfolio that meet the definitions of abandoned or foreclosed in the NSP Notice. Keep in mind the following advice from the Guide to NSP Eligible Uses, which you can find at this link:

<http://hudstage.nhd.gov/offices/cdb/cdb/COMMUNITYDEVELOPMENT/ELIGIBLEUSES/NSPELIGIBLEUSES.doc>

vised 11/7/08

Will a portion of NSP allocations be set-aside for supportive services?

There are no specific set-asides for any kind of use under NSP. However, grantees could use NSP funds to support such services in certain circumstances. It will depend on the grantee, the housing stock, etc. Please see the eligible uses in the NSP Notice for further details.

vised 11/7/08

Can a veteran preference of any type be placed on the housing produced using NSP funds?

A veteran's preference would not violate section 109 nondiscrimination requirements or any other NSP/CDBG requirements.

Specific Comments on the Minneapolis NSP Plan:

Overall, we have serious concerns about how Minneapolis will utilize the funding to maintain and create housing opportunities for people in Minneapolis.

1. Please prioritize the majority of the funds to provide housing opportunities to people at or below 50% of median income of Minneapolis and/or people of color. Currently in the plan: Minneapolis is utilizing the Metropolitan Median income. The Minneapolis median income is significantly lower especially in targeted areas. Some examples, according to 2000 Census, Median income for a households in Minneapolis targeted areas were:
 - Census Tract 3300: Near North \$25,081
 - Census Tract 3501: North Loop \$21, 771
 - Census Tract 5901: Elliot Park \$17,230
 - Census Tract 7301: Phillips \$18,237
 - a. 110 Households are identified to be served with incomes under 50% median income (family of four income- under \$40,450). How many households served by these funds will help people at 50% of Minneapolis median income?
 - b. 88 Households are identified to be served with incomes at 50%- 120% median income (family of four income- \$40,450 to \$97, 100).
 - c. 100 units are due to be demolished. 75 units demolished and land banked. Income levels and race and ethnicity should be tracked on previous owner occupants or tenants on properties demolished and/or land banked.

2. We still encourage that no more than 10% of total NSP funds be utilized for demolition. Priority should be placed on utilizing the land for housing development for people at or below 50% median income.

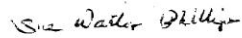
3. Please support innovative models that provide the opportunities for existing homeowners and renters in foreclosed units to stay in their current units as allowed by HUD. While we recognize the excellent work of the Minnesota Homeownership Center, Family Homeless Prevention and Assistance providers, Legal Aid, and Homeline in assisting many homeowners stay in their home through re-financing. There is a group of homeowners if offered a contract for Deed while they are still in the unit or to be able to rent the unit, would not have to move out of their unit. This is allowed by HUD in scenarios 1 and 6 listed above. This is a great opportunity to keep people in their homes, stabilize neighborhoods and save foreclosed homes!

4. To ensure these funds are Affirmatively Furthering Fair Housing we are requesting the following tracking of NSP Funds:
 - Number of Households Served/ Income Level/ Race- Ethnicity
 - Income at or below 30% Median
 - Income at or below 50% Median
 - Income at 51%-80% Median
 - Income at 81%—120% Median
 - People of Color by Race, Ethnicity

5. The need to keep our affordable housing stock and increasing the number of units available to people at or below 50% of median income was clearly demonstrated when: "On June 12-13, 2008 Minneapolis Public Housing Authority opened its Section 8 or Housing Choice Voucher waiting list. Over 12,000 households applied. This deluge of applications demonstrates extremely high demand for Section 8 vouchers. Yet with only 30 vouchers coming available each month for use, most eligible applicants were placed on waiting lists, where they may face a wait of many years. In fact there are people still awaiting vouchers from two previous openings of the waiting list in 2003 and 1998." (Minnesota Housing Partnership: Minneapolis Section 8 Report, November 2008, www.mhponline.org). In addition, Elim Transitional Housing, Inc. contracted with Hennepin County to Screen all the families coming into Minneapolis shelters has been documenting for over a year that 5 to 12 families are coming into the shelters each month due to foreclosure of their homes or their rental property. This costs tax payers at least \$3,000-\$5,000/month/household to shelter the family. The length of stays at shelter have increased due to the economy and decreased number of rental units, primarily due to loss of units to foreclosure and homeowners who have been foreclosed on and are moving into the rental market.

MICAH would like to thank you again for the opportunity to comment on your plan and our work together to ensure everyone, without exception, has access to a safe, decent affordable place to call home.

Sincerely,



Sue Watlov Phillips
MICAH Administrator and Board Member

November 20, 2008

Community Input to the Neighborhood Stabilization Program

The basis for the application of HUD funds and the basis for receipt of the funds is to remedy disproportionate adverse housing and financial consequences in areas where residents make less than 51% of the medium income and have large concentrations of Ethnic minorities. The neighborhoods affected most have been accurately prioritized, mapped And well documented as such. To date, predatory lending and adverse financial consequences to ethnic minority and low-income residents have been well chronicled and legal remedies set in motion.

Minneapolis is taking a leadership position in HUD's National Stability Program which will be Nationally and locally scrutinized and monitored. Because of the current economic crisis and political climate all efforts to maximize the utility and remedies that the infusion of Funds and resulting housing activity must be utilized.

As a community member in one of the neighborhood affected most and in accordance with Fair Housing, Section 3 of the HUD Act of 1968 , Title VI of the Civil Rights Act of 1964, HUD's intent that a portion of programmatic dollars affect those with less than 51% of the areas medium income, and certain recapture prohibitions, we recommend the following:

1. 25% of all funds distributed through contracts and jobs would go to ethnic minorities when used in concentrated communities
2. A paid mentorship program would be established where ethnic minority Contractors and developers would be established to participate in future distribution of Housing funds and programs.
3. Demolition dollars be reduced and 25% of the non administrative dollars should be used in furtherance of redevelopment and producing rental units or rent to own or lease to own programs
4. All distribution of funds including administration, demolition, rehab and rental dollars would be subject to an RFQ process that furthers these objectives.

Robert Woods
1515 Fremont Ave N
Minneapolis, MN 55411

Comment on City of Minneapolis NSP Grant Submission

Tom Schirber, (612-624-2767) Pat Huelman, (612-624-1286)
University of Minnesota Cold Climate Housing Program
schir056@umn.edu; phuelman@umn.edu

We need a new energy efficiency strategy or approach for single family home rehab. There needs to be a better method of systems integration methodology and best practices for contractors and developers if homes are to be safe, healthy, and energy efficient. It is vital to prevent “quick fixes” for homes that will be sold to low income people.

Why?

- Contractors need more training and assistance related to systems integration approach, diagnosis and determining scope. *“The vast majority of home improvement contractors have no easy access to the rationale and knowledge needed to offer home energy improvements effectively.”* (HUD/PATH Baseline Standard Practices Survey, Task Report, January 30, 2006)
- Need a system of oversight to manage execution to avoid costly “unintentional consequences” especially for low income people. *“Inadequate remodeling and equipment installation practices that impair home energy performance, comfort, safety, and home durability are widespread.”* (HUD/PATH Baseline Standard Practices Survey, Task Report, January 30, 2006)
- Testing and evaluation need to be required for home rehab in order to achieve performance outcomes. The only way we can know if we achieved our goals is through performance measurement.
- In some cases, attempts to improve energy efficiency can negatively impact other aspects of home performance. Who is monitoring when this might happen?

Solution: Need an *integrated systems approach* to get the most out of our rehab investment in energy, indoor air quality (health) and durability. How do we get there?

Assessment

1. Test and evaluate how homes work before and after rehab: we must know where we are at and where we need to go.
2. Build a remedial plan for each house. With all the variables in home rehab there are no two homes alike.
3. Develop intentional process to oversee rehab execution. Contractors are specializing more and more and are getting farther away from an integrated systems approach.
4. Test, evaluate, and commission to know what works when completed.
5. On-going monitoring. Build a data base for diagnosis, feed back, and to build a knowledge base for more efficient planning over time.

Build Data Base

1. Data is required to determine homes performance before rehab. Data should include house type, age and performance.
2. Evaluate changes or upgrades based on existing variables as they relate to performance changes.
3. Develop efficient system of triage, assessment and full diagnostics and accumulate data from each.

LEGAL AID SOCIETY OF MINNEAPOLIS

GENEVIEVE E GABORIAULT
gegaboriault@midmnlegal.org
(612) 746-3609

SOUTHSIDE OFFICE
2929 FOURTH AVENUE SOUTH, SUITE 201
MINNEAPOLIS, MN 55408

CLIENT INTAKE: (612) 334-5970
TELEPHONE: (612) 332-1441
FACSIMILE: (612) 827-7890
TDD: (612) 827-1491

November 24, 2008

Matt Bower
Grants and Special Projects
307M City Hall
350 South Fifth Street
Minneapolis, MN 55415

Dear Mr. Bower:

I am writing on behalf of the Legal Aid Society of Minneapolis (LASM). LASM is submitting comments for the City of Minneapolis 2008 Consolidated Plan Amendment #1 - Neighborhood Stabilization Program Funding. LASM has served the legal needs of low-income residents of Minneapolis since it was founded in 1913. LASM attorneys provide direct client representation and also engage in policy advocacy for issues that affect our clients. Many LASM clients have been tenants who will be -- or already have been -- displaced by foreclosures; countless others currently live in communities that have been hit hard by them. The following comments are aimed at ensuring that Minneapolis uses its NSP funds to provide the most benefit for our clients, the most critically impacted members of the community.

1. The City should prioritize housing opportunities for those directly affected by foreclosure.

Minneapolis should ensure that those developers and sub-grantees of the City receiving NSP funds give preference to qualified applicants who have faced a foreclosure as a home owner or as a renter as well as applicants who are living in a high foreclosure risk factor area. Many residents of hard-hit neighborhoods in Minneapolis are proud of their neighborhoods and want to see them revitalized. The individuals who were originally from the area may be able to do the best job at restoring vibrancy to their communities. Many renters and homeowners who have been forced out of their homes due to foreclosures would like to return to safe and affordable housing in North Minneapolis.

A United Way Agency

Similarly, many people currently living in North Minneapolis or South Central Minneapolis desire access to rehabbed homes or affordable rental opportunities. Qualified applicants who currently live in affected neighborhoods or who desire to return to them should be given the first preference for homes developed with NSP funds.

The City should plan to provide relocation benefits to renters who are displaced as a result of NSP-funded operations. It is appropriate that the City certifies its compliance with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. Assisting those families to move into NSP-supported homes will help the City to meet those obligations.

2. The City must emphasize the funding of affordable rental opportunities for low and very low income people.

The current draft of the Amendment gives very little information about how Minneapolis intends to meet the requirement that 25% of the NSP funds be spent on families making 50% AMI or less. Instead of looking at the 25% requirement as a burden, the City should look at it as an opportunity to use federal dollars to expand the affordable rental housing supply in Minneapolis.

There is now a surplus of lower cost homes for sale in affected neighborhoods. In contrast, Minneapolis as a whole faces a significant shortage of affordable rental housing. In addition, the City has pledged support for Heading Home Hennepin (HHH), the City-County 10-year plan to end homelessness. In order to meet the goals for new rental production under HHH, rental units must be built to house families at 30% AMI and below. We suggest that the Amendment expand to include exploration of partnerships with public housing agencies that could acquire, manage and market homes as rental properties, perhaps with an option of resale through the Section 8 home ownership program, or when conditions change, on the private market. We also propose that all rental properties assisted by NSP funds undertake admission policies that ensure that no less than 25% of the units are occupied by persons with section 8 vouchers. In

addition to increasing the number of units taking section 8, this also helps to ensure that the beneficiaries are lower income people.

The federal dollars coming into Minneapolis from NSP funds can be used to meet the dual goals of stabilizing neighborhoods and providing affordable housing. More than 25% of the money should be spent on rental and other low-income opportunities and they should be targeted at households making 30% of AMI or less. The City should also set a priority to fund mixed-income developments which will include units that are affordable to families making 30% to 50% AMI or less. Coordination with other resources, such as Low Income Housing Tax Credits, project and tenant-based Section 8 resources, should be emphasized in order to maximize benefit to families that need the most help. Because the need for additional affordable rental housing is large and is ever increasing due to the influx of homeowners who have been forced out of their homes due to foreclosures, the City should focus on increasing the affordable housing supply and should dramatically de-emphasize both land-banking and demolition.

3. The City and any sub-grantees and contractors of NSP funds must affirmatively further fair housing.

The City of Minneapolis must affirmatively further fair housing and make sure that all sub-grantees who receive NSP funds are aware of their duty to affirmatively further fair housing. In addition to avoiding illegal discrimination, the City should require, as a condition of participation, that NSP partners address the following:

- a) Establishment of a marketing plan to actively inform persons and groups less likely to participate in the local markets where NSP is operating housing made available through the NSP funds. This is an opportunity for the City and its partners to participate in developing inclusive communities. See Minn. Stat. § 363A.39 and http://www.mnhousing.gov/idc/groups/public/documents/webcontent/mhfa_001931.pdf;

- b) Setting up a marketing and rental plan for users of Housing Choice Vouchers and tenant-based subsidies for the rental portion of the Amendment. This will help ensure NSP targeting to lower income households. These families are also often members of protected-class and under-housed groups who are too often unable to use vouchers to get housing in communities of their choice;
- c) Adoption and implementation of policies and practices to serve persons with Limited English Proficiency; see:
<http://www.hud.gov/offices/fheo/promotingfh/lep.cfm>;
- d) Establishment of fair housing policies, training, and referral protocols, something our office can assist with;
- e) Establishment of reasonable accommodation and modification policies consistent with Section 504 of the Rehabilitation Act, the Fair Housing Act as amended (FHAA), applicable sections of the Americans with Disabilities Act, the Minnesota Human Rights Act, etc. For federal guidance on accommodations and modifications under the FHAA, see:
<http://www.hud.gov/offices/fheo/library/huddojstatement.pdf> and
http://www.usdoj.gov/crt/housing/fairhousing/reasonable_modifications_mar08.pdf
- f) Allocation of a portion of rehabilitation funds to increase the supply of accessible and visitable dwellings.

The City should also push forward an update of its Analysis of Impediments to Fair Housing in conjunction with partners on the Fair Housing Implementation Council and thereafter revise the NSP and other housing programs to most effectively serve the fair housing goals established by the FHAA and other legislation.

4. The NSP funds should be used to employ and contract with low income residents and businesses in affected communities.

The communities that are the focus of the NSP funds are home to people who are most likely to face joblessness and under-employment. The HUD Section 3 program establishes a model that requires that recipients of certain HUD financial assistance, to

the greatest extent possible, provide job training, employment, and contract opportunities for low or very low-income residents in connection with projects and activities in their neighborhoods. See: 73 Fed.Reg. 58,343 and <http://www.hud.gov/offices/fheo/section3/section3.cfm>.

5. The City should be transparent in its allocations of NSP funds and provide continued opportunities for public comment and involvement.

There must be transparency and opportunity for public comment throughout the 18 months that the City has to allocate the NSP funds and the four years that the sub-grantees have to spend the funds. The public has an interest in ensuring that the benefits and funds provided to assist families at 50% AMI have been spent and that the long-term affordability goals are met. Under the NSP legislation, affordable housing opportunities should remain affordable to the maximum extent practicable and for the longest feasible term. The City should post monthly or quarterly reports on its website regarding its progress toward meeting the 25% goal and meeting the long-term affordability goal. In order to assist community monitoring of the NSP allocation process, the City should also post a schedule for when the reports will be made available. If it appears that either goal is not being met, then the City should re-double its efforts to ensure the minimum of 25% and the maximum amount of longer term affordability is achieved with these funds.

This concludes the comments from the Legal Aid Society of Minneapolis on the City of Minneapolis 2008 Consolidated Plan Amendment #1 - Neighborhood Stabilization Program Funding. We look forward to helping improve this important effort.

Sincerely,



Genevieve E Gaboriault
Attorney at Law/ Housing Policy Advocate



November 25, 2008

Matt Bower
Office of Grants and Special Projects
307M City Hall
350 South Fifth Street
Minneapolis, MN 55415

Dear Matt,

Thank you for the opportunity to comment on the Substantial Amendment to the City of Minneapolis's 2008 Consolidated Plan, which outlines its plans for the funding provided under the Neighborhood Stabilization Program (NSP). I am writing on behalf of the Metropolitan Consortium of Community Developers (MCCD). MCCD is an association of 43 nonprofit community development organizations working throughout the Twin Cities to build strong, stable communities by leveraging resources for the development of people and places.

First, on behalf of MCCD, I would like to extend our sincere appreciation to the City of Minneapolis for its work in developing the NSP Substantial Amendment and for including MCCD and its members throughout the planning process. We would encourage you to continue to look to MCCD and its membership during the rollout of the NSP and as the application to MHFA for additional NSP funds moves forward.

The NSP funds certainly provide a unique opportunity to address what is probably the most significant housing crisis we have seen in our lifetimes. Our hope is that this program will help our communities turn a corner on the path to neighborhood recovery. Below, please find some comments and questions related to the draft Substantial Amendment. Feedback is provided in four of the five areas that the City of Minneapolis has outlined in its NSP plan: 1.) Purchase and rehab homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties; 2.) Establish land banks for homes that have been foreclosed; 3.) Demolition of blighted structures; and 4.) Redevelopment of demolished and vacant properties.

1.) Activity B: Purchase and rehab homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop such homes and properties

Funds under this aspect of the plan will pay for development gap for single-family units intended for homeownership or for capital expenses for multi-family units intended for rental. With the current financial turmoil, MCCD's members note that obtaining construction financing, especially in areas of greatest need, may be difficult. The City could help address this issue in a couple of different ways. The City might consider convening a group of lenders and encourage them to partner with the City's NSP plan. Alternatively, the City could provide construction loan guarantees to banks or try to secure financing for a revolving construction loan pool for rehab for NSP-funded rehabs.

In addition, MCCD encourages the City to allocate additional NSP resources from Minnesota Housing to augment this activity. As a pilot site for the National Community Stabilization Trust, the City, through its partners, has an unprecedented opportunity to acquire properties at a discount for redevelopment. The funding for this activity should match the opportunity presented by the Trust.

2.) Activity C: Establish land banks for homes that have been foreclosed

Under the land banking element of the plan, the City of Minneapolis states that it will hold vacant parcels "until the market is ready to absorb new development of owner-occupied housing units." MCCD encourages the City to develop the necessary plans and policies to ensure that this activity is carried out in a way that benefits the community. For instance, the City could encourage community uses of the parcels during the interim period, including ideas such as community gardens or parks. The City should also establish a disposition policy for the land-banked parcels, perhaps one that provides incentives to nonprofits to redevelop the properties as affordable housing opportunities. Where feasible and in fitting with the characteristics of the neighborhood, the City should consider assembling multiple parcels for multifamily development, in keeping with the City's Comprehensive Plan goal of growing the city by increasing its density. Additionally, the city might consider acquiring some foreclosed properties that may not warrant demolition, but could be land-banked and used as affordable rental for the period of time needed for market recovery.

3.) Activity D: Demolition of Blighted Structures

Under this activity, the City of Minneapolis is allocating \$1.7 million to demolish 100 properties. If we combine the total funding for this activity with the presumed demolition funds under the land banking element, nearly \$3 million (over 50%) of NSP funds allocated to the City will be used for demolition. MCCD questions if this is an excessive amount of funding being directed toward this purpose, especially with no redevelopment plans or funds identified as of yet. MCCD strongly urges the City to work with owners of Chapter 249 properties to acquire and land-bank these properties, rather than simply demolish and allow the owner to retain control of the vacant property.

4.) Activity E: Redevelopment of Demolished or Vacant Properties

As noted above, and according to the Substantial Amendment, “at this time no specific activities or NSP funds are identified for this eligible use, though any redevelopment of this nature will be in coordination with other NSP strategies.” MCCD suggests that it might be worthwhile to put some thought upfront into plans and timelines for redevelopment, so that the resources are identified and available for putting these properties back into productive use once the market recovers. Given that no funds have been secured at the moment for redevelopment, how can the City be sure that resources will be available when the market recovers? MCCD encourages the City to consider allocating some of the NSP funds from Minnesota Housing for this use.

Overall

Although the Substantial Amendment makes a couple of suggestions about how the City of Minneapolis will meet the requirement to use 25% of NSP funds for households at 50% AMI or less, there is a lack of a specific strategy concerning this issue. MCCD would suggest a supplemental section that might tie together the suggestions that appear in the document, specifying how exactly the 25% requirement will be met.

Thank you again for the chance to comment on the draft Substantial Amendment. MCCD looks forward to continuing to work with the City of Minneapolis on the NSP and the larger recovery efforts in the coming months. Please let me know if I can answer any questions or be of assistance in any way.

Sincerely,

A handwritten signature in black ink, appearing to read 'JRt', with a long horizontal flourish extending to the right.

Jim Roth
Executive Director
Metropolitan Consortium of Community Developers

City Response to Public Comments

The public comments on the draft Consolidated Plan Amendment for NSP funding generally, though not exclusively, centers on the following primary themes. Each theme is outlined with a City response.

1. Outreach

The City of Minneapolis will conduct an open and transparent Request for Qualification (RFQ) process for the distribution of Neighborhood Stabilization Program funds. The process will be posted on the Minneapolis Community Planning and Economic Development website in December and funds will be awarded in early 2009. It is anticipated that the RFQ will include a request for NSP information by activity similar to the information requested in the HUD Substantial Amendment grant submission and additional certifications. Minneapolis factitively promotes the hiring of local and minority contractors and companies to take part in the rebuilding of our communities. The City will meet its federally required responsibilities in its contracting activities.

The Minneapolis Foreclosure Recovery Plan and all NSP strategies will be strategically targeted to Minneapolis neighborhoods that have been most impacted by foreclosures, primarily North, Northeast and South Central Minneapolis. It will be implemented through experience gained through past housing foreclosure strategies and activities and partnerships.

2. Foreclosure Prevention

Minneapolis currently employs foreclosure prevention outreach and counseling through community-based organizations as foreclosures rise and as the housing market begins to decline. It will continue aggressive prevention strategies as long as foreclosure rates remain high.

While NSP funds are not targeted to foreclose prevention, Minneapolis remains committed to this strategy to assist and stabilize homeowners, renters, and neighborhoods. The City recognizes the need to continue efforts to keep individuals and families in their existing homes, whether they reside in homeownership or rental properties. These efforts will be funded through other local funds and partnerships.

3. Demolition vs. Rehabilitation/Redevelopment

Minneapolis is pursuing aggressive property acquisition when the housing market is low and properties are inexpensive. Minneapolis is developing multiple strategies to compete with investors in order to prevent the turnover of single-family homes to rental.

NSP funds will be strategically targeted to demolition of blighted property and the acquisition and holding of vacant property as necessary to improve the safety and marketability of Minneapolis neighborhoods. While nearly one–

third of these initial NSP funds are planned to be allocated to demolition, and nearly one-third will be allocated to acquiring and holding vacant properties, it is anticipated that housing rehabilitation activities will be the highest strategic priority of receipt of additional NSP resources (through program income and State NSP funds).

4. Housing Quality Standards for Rehabilitation/Redevelopment

The immediate rehabilitation and possible future new construction reinvestment in neighborhood housing stock will be of high quality. Sustainable and green design will be incorporated into housing rehabilitation and redevelopment. Consideration of neighboring housing styles, look and construction will be included in evaluation of housing proposals.

5. Program Performance/Monitoring/Evaluation

Minneapolis is committed to ensuring that race and income data will be tracked for outcomes that benefit communities of color as well as households at or below 50% of area median income, and at or below 80% of area median income. The City currently tracks this information for its other HUD entitlement housing grants. The City will incorporate the same data tracking for NSP funded projects. The currently proposed NSP data system that HUD will require grantees to publicly report through does not capture race and ethnicity data, however, the City will track this data and could provide it publicly either through an updated NSP data system platform or through its HUD Consolidated Annual Performance and Evaluation Report.

HUD requires the City to post on the City's website a quarterly progress report on its NSP-funded activities. The City will publicize the availability of these reports to highlight progress on use of the NSP funds.

6. Affirmatively Furthering Fair Housing

In its use of HUD entitlement funds, the City certifies that it will affirmatively further fair housing and that will also be the case in its use of NSP funds. The City and any sub-recipients/grantees will affirmatively market ownership and rental housing units that have been redeveloped or rehabilitated. Fair housing stipulations will be incorporated into development agreements. Federal reasonable accommodations and modifications will be required of NSP-assisted developments.

7. Emphasizing Low-income Housing

The City is committed to meeting the NSP directive that a minimum of 25% of its NSP funds go to housing those households at or below 50% of area median income. It is entirely possible that housing may be able to be produced at income levels lower than 50% of area median income. The City will make efforts in an attempt to restore households displaced by foreclosure into housing that is feasible and sustainable to that household.

The methods by which the City could address low-income housing in its NSP strategy could be through assisting a low-income family with purchase/rehab of a property that has been priced down to an affordable level, supporting a non-profit or public agency redevelopment of a vacant and boarded residential property into affordable rental housing, or acquiring a property for use by a non-profit for permanent supportive housing. The City will seek to link its NSP-assisted housing activities to other affordable housing resources such as Section 8 vouchers. In its solicitation for project proposals, the City will critically evaluate proposals for their promise to assist the City in achieving housing for low-income households.