



Neighborhood Stabilization Program

October 2008





Minnesota Housing finances
and advances affordable housing
opportunities for low and moderate
income Minnesotans to
enhance quality of life and foster
strong communities.

Photo by Scott Stieble


Minnesota
Housing
Finance Agency

End long-term homelessness.

Finance new affordable housing opportunities.

Increase emerging market homeownership.

Preserve affordable housing.

All Minnesotans
live in
affordable homes.

Jim Cegla
Director of Federal Affairs
Minnesota Housing

Neighborhood Stabilization Program (NSP)

Overview

- **Title III of Division B of the Housing and Economic Recovery Act, 2008 (HERA)**
- **Signed by the President on July 30, 2008**
- **Section 2301-Emergency Assistance for the Redevelopment of Abandoned and Foreclosed Homes**
- **HUD has assigned name of Neighborhood Stabilization Program**

Grantees of NSP dollars

Minnesota Housing : \$38.8 MM (State Program)

Minneapolis : \$ 5.6 MM

St. Paul : \$ 4.3 MM

Hennepin County : \$ 3.8 MM

Dakota County : \$ 2.7 MM

Anoka County : \$ 2.3 MM

NSP Targeting Requirements

Geography:

NSP grantees must target funds to give priority emphasis and consideration to areas with greatest need, including those:

- » **With the greatest percentage of home foreclosures;**
- » **With the highest percentage of homes financed by a subprime mortgage related loan; and**
- » **Identified as likely to face a significant rise in the rate of home foreclosures.**

NSP Targeting Requirements

Income:

- **Additional HERA requirement - Not less than 25% of funds for households with incomes not exceeding 50% of area median income, adjusted for family size**
- **Directs all funds be used to benefit individuals at or below 120% of area median income**

NSP Eligible Uses

- **Five eligible uses specified by HERA**
- **Eligible uses have root in CDBG program with exception of land banking provision**
- **HUD is tying NSP eligible uses to Entitlement CDBG eligibility provisions, but not all CDBG activities eligible**

Uses of NSP Funding

Eligible Use (NSP)

A. Establish financing mechanisms for purchase & redevelopment of foreclosed upon homes & residential properties...

Eligible Activities (CDBG)

- As an activity delivery cost for an eligible activity (designing & setting it up)
- Financing of an NSP eligible activity, to carry out that activity, is eligible as part of that activity

Uses of NSP Funding

Eligible Use (NSP)

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

Eligible Activities (CDBG)

- Acquisition
- Disposition
- Relocation
- Direct homeownership assistance
- Eligible rehabilitation and preservation activities for homes and other residential properties
- Housing counseling for those seeking to take part in the activity

Uses of NSP Funding

Eligible Use (NSP)

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

Eligible Activities (CDBG)

- Acquisition
- Disposition (includes maintenance)

Uses of NSP Funding

Eligible Use (NSP)

D. Demolish blighted structures

Eligible Activities (CDBG)

- Clearance, for blighted structures only

Uses of NSP Funding

Eligible Use (NSP)

E. Redevelop
demolished or vacant
properties

Eligible Activities (CDBG)

- Acquisition
- Disposition
- Public facilities and improvements
- Housing Counseling Public Services (limited to prospective purchasers or tenants of redeveloped properties)
- Relocation

NSP Timelines

- NSP grantees must use funds to purchase and redevelop abandoned and foreclosed homes and residential properties no later than 18 months after execution of the grant agreement
- Use=obligate for a specific project

NSP Timelines

- **Action Plan Substantial Amendments due by December 1, 2008 to HUD**
- **Draft plan to be posted by Minnesota Housing by November 7th.**
- **15 Day Comment Period**

Other NSP Requirements

- **Discounted Sales Price**
- **Program Income**
- **Compliance: Environmental, Long Term Affordability**
- **Homebuyer Counseling Requirements**

NSP Recipient Approaches

Cherie Shoquist
Foreclosure Project Coordinator
City of Minneapolis

Housing and Economic Recovery Act of 2008

Neighborhood Stabilization Program

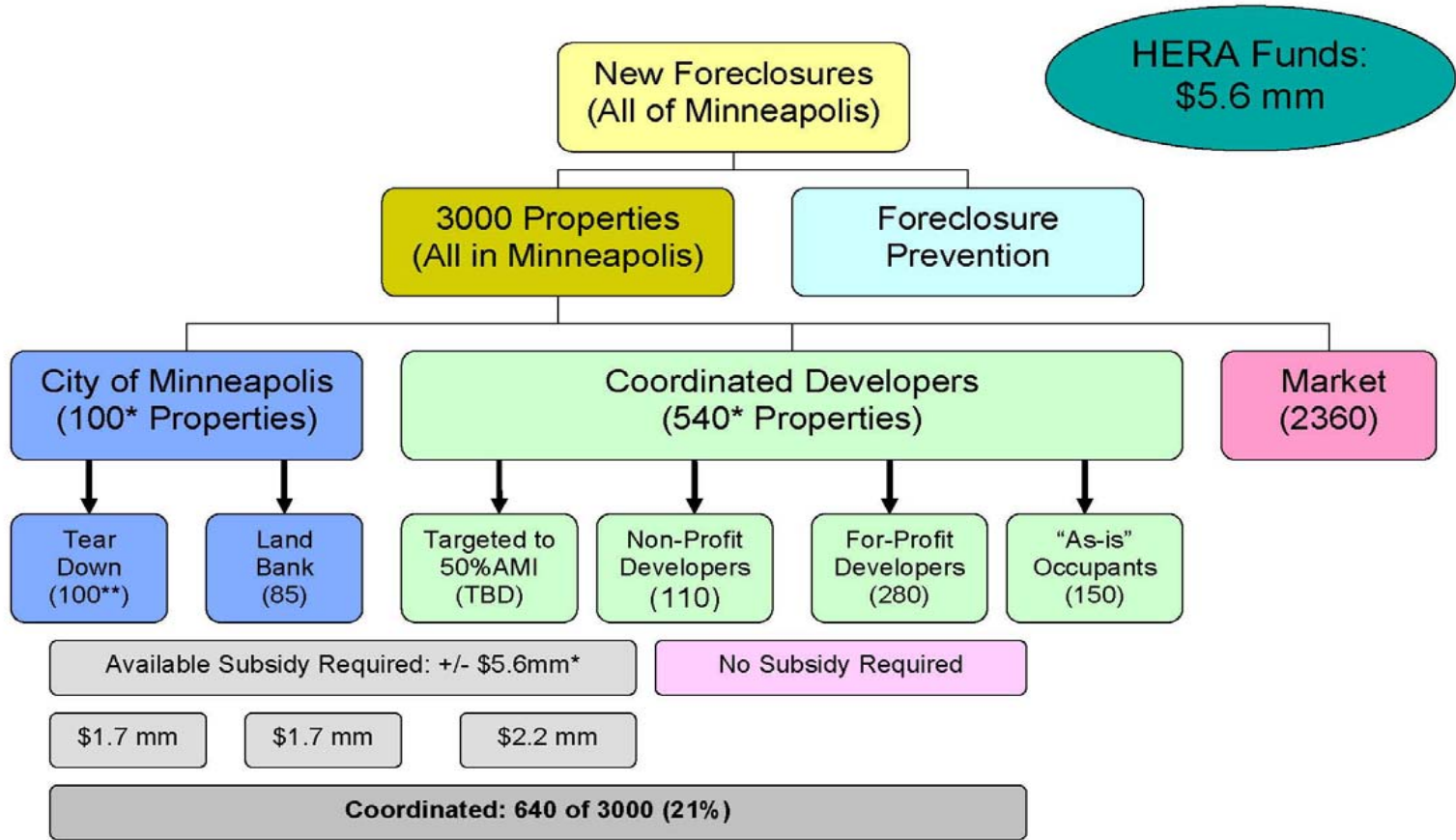
Foreclosure Recovery Plan Activities

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Eligible Uses	EXAMPLE (\$5.6m)*
A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties	40% (\$2.2 m) Rehabilitation (up to 110) Rental/Ownership (TBD)
B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop	
C. Establish land banks for homes that have been foreclosed upon	30% (\$1.7 m) Acquisition and Holding (85)
D. Demolish blighted structures	30% (\$1.7 m) Demolition (100)
E. Redevelop demolished or vacant properties	

•The Neighborhood Stabilization Program requires that 25% of the funds received (\$1.4 million) must be targeted to households at or below 50% of the area median income.

Minneapolis Foreclosure Recovery Plan 2009



Minneapolis Contact

Cherie Shoquist
Foreclosure Project Coordinator
City of Minneapolis
612.673.5078

cherie.shoquist@ci.minneapolis.mn.us

www.ci.minneapolis.mn.us/foreclosure/

Tom Sanchez
East Team Leader
City of St. Paul – Department of
Planning and Economic
Development

City Of Saint Paul

INVEST SAINT PAUL INITIATIVE MISSION

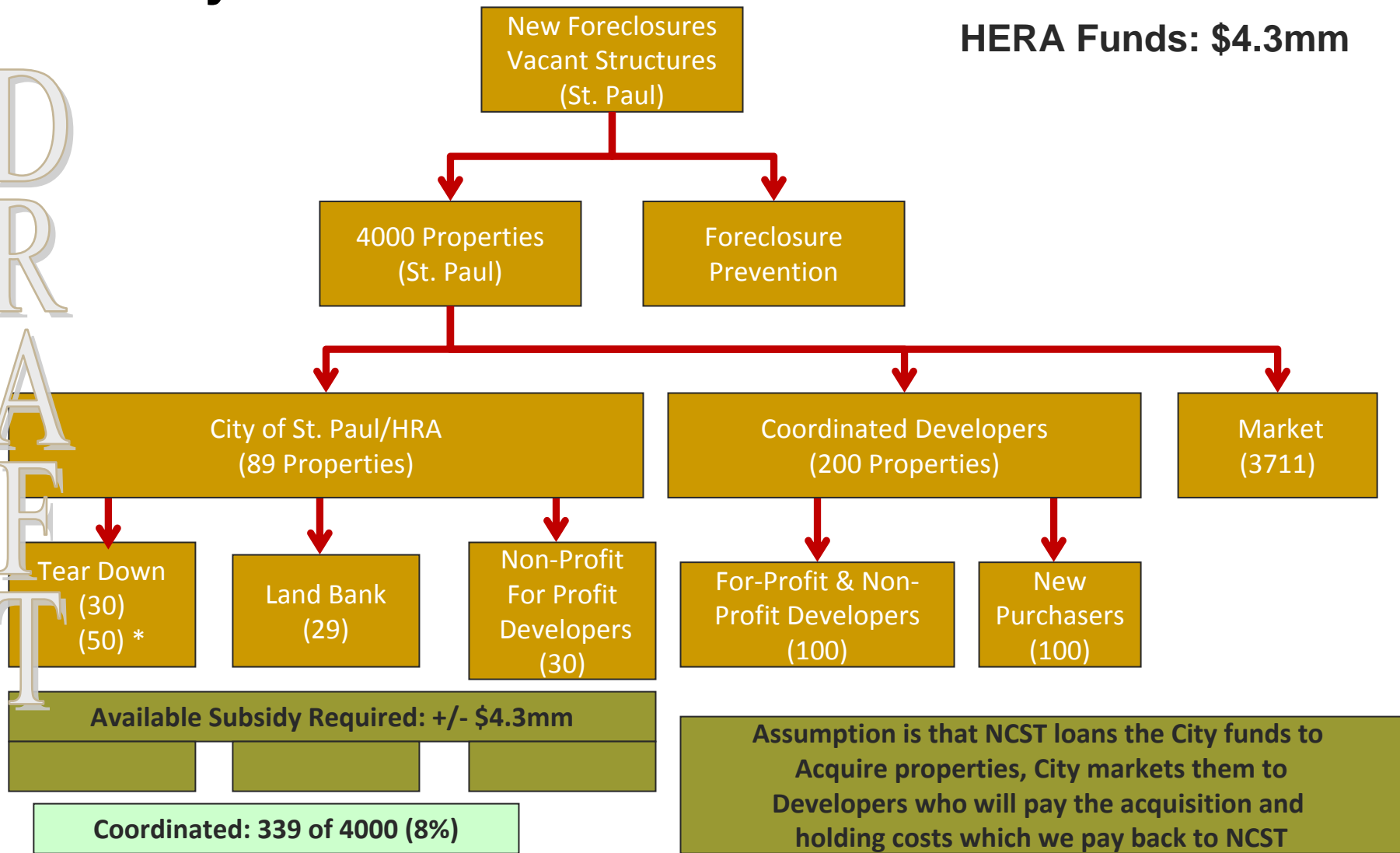
Ensure city government is an effective partner with the community in improving the quality of life in neighborhoods through government and community partnership, and that there is a measured approach to show stakeholders accountability and improvements (holistic approach).

St. Paul Neighborhood Stabilization and Foreclosure Recovery Plan 2009

HERA Funds: \$4.3mm

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T



*There will be 30 tear downs with HERA funds and an additional 50 tear downs through City Enforcement funds for 2009.

St. Paul Contact

Tom Sanchez

East Team Leader

**City of St. Paul – Department of Planning and
Economic Development**

651.266.6617

tom.sanchez@ci.stpaul.mn.us

Dakota County Contact

Melissa Taphorn

Assistant Director of Community Revitalization

Dakota County CDA

651.675.4467

mtaphorn@dakotacda.state.mn.us

Kevin Dockry
Manager, Housing Development and
Finance
Hennepin County

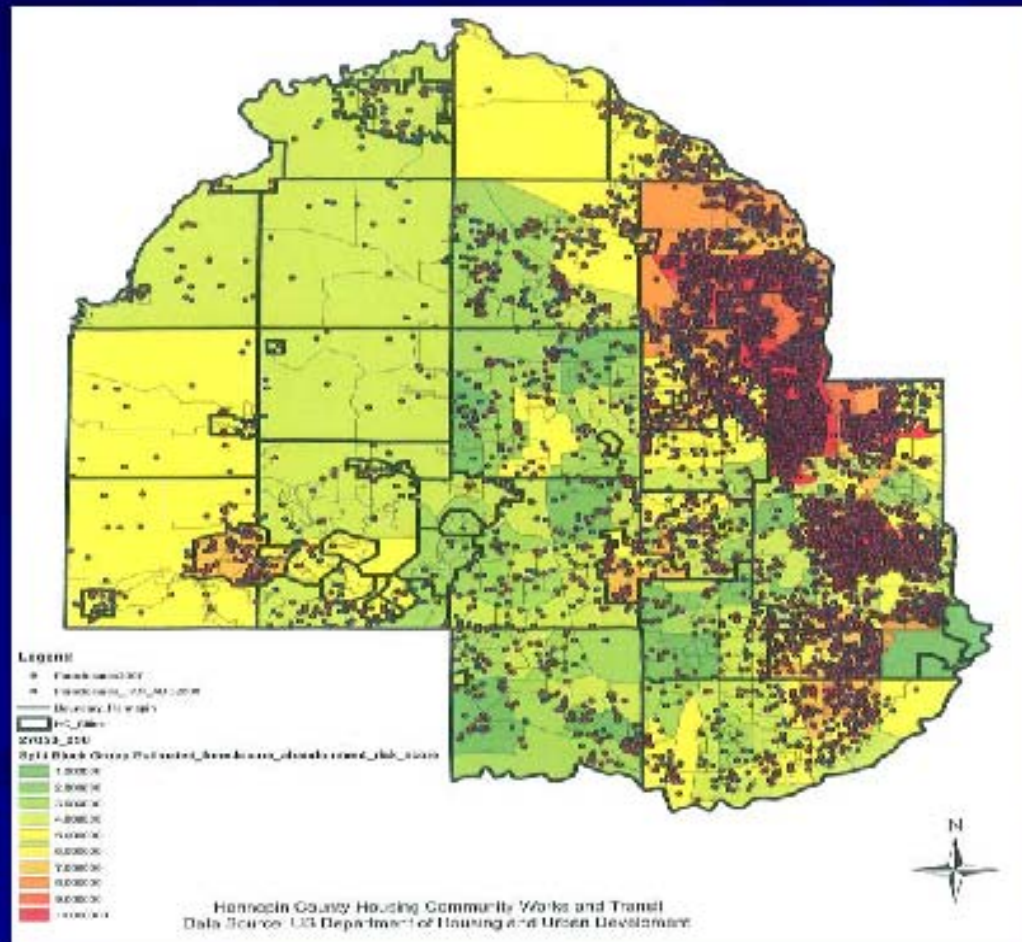
Foreclosure Facts:

Foreclosures for 18 months ending 6-30-08

- **11,064** in Hennepin County
- **5,341 (48%)** in suburban Hennepin
- **2,618 (49%)** in **6 cities** (greatest need areas)
- **Areas of greatest need** – majority HH with incomes at/below **50% AMI**
- **\$3.9 mil NSP funds**
- **October 20th mtg w/suburban cities**
- **Nov. 3-17 public comment on plan**
- **Nov. 25th County Board approves submission**

COUNTY FORECLOSURES

JAN. 1 2007 – AUGUST 31, 2008



Hennepin County Contact

Kevin Dockry
Manager, Housing Development and Finance
Hennepin County
612.348.2270
kevin.dockry@co.hennepin.mn.us
www.co.hennepin.mn.us

Anoka County Contact

Karen Skepper
Community Development Manager
Anoka County
763.323.5709
karen.skepper@co.anoka.mn.us

Katy Lindblad
**Assistant Commissioner, Community
Development**
Minnesota Housing

Minnesota Housing Approach

- **Transparency to stakeholders**
- **Collaboration with fellow grantees**
- **Speed to meet timeframe**
- **Broad Action Plan to accommodate partners' stabilization strategies**

Minnesota Housing Approach

- **Potential distribution strategies**
 - » **Threshold criteria with RFP Cycle**
 - » **Threshold criteria with first come, first serve**
 - » **Metro pool/Greater Minnesota pool**
 - » **Formula allocation with maximum amount and pipeline intake**

Minnesota Housing Approach

- **Using data to determine a formula allocation**
 - » **Foreclosures**
 - » **Sub-prime loans**
 - » **Delinquencies**
 - » **Income**
 - » **Age of housing stock**

Minnesota Housing Approach

- **Pipeline, with a collapse at 4-6 months**
- **Encouraging collaboration, joint proposals**
- **Looking for a plan, strategic approach, leveraging of resources, capacity to meet 18-month timeframe**
- **Website build out, listserv for information**

Minnesota Housing Contacts

Katy Lindblad

Assistant Commissioner, Community Development

651.296.3617

katy.lindblad@state.mn.us

Ruth Simmons

NSP Coordinator

651.297.5146

ruth.simmons@state.mn.us

Other Resources

Mary Tingerthal
President
Community Stabilization Trust

What is the National Community Stabilization Trust?

- **A Joint Venture of Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation and NeighborWorks America.**
- **It will coordinate the transfer of real estate owned (REO) properties from Financial Institutions nationwide to Local Housing Organizations, in collaboration with State and Local Governments.**

What Are the Key Objectives of the Trust?

- **Effectively link financial institutions with local housing providers to stem the decline of communities with high concentrations of vacant, foreclosed properties.**
- **Create an effective link to the new Neighborhood Stabilization Program by providing access to properties through a discount process that is consistent with the regulations for that program.**

What Are the Key Activities of the Trust?

- **Facilitate the Transfer of Foreclosed Properties to Localities**
- **Provide Financing to Support Local and State Efforts**
- **Organize and Facilitate Local Collaborations**
- **Advocate for Programs, Policies and Resources**

When Will the Trust Begin Operations?

- **Currently testing systems and processes in the Twin Cities with two major loan servicers – Fannie Mae and Wells Fargo**
- **Will add additional loan servicers as they are ready – hope to 6 major servicers using the Stabilization Trust by year end**
- **Will add additional local/state programs as they are ready to participate based on the following criteria:**
 - » **Collaboration**
 - » **Concentration**
 - » **Capacity**
 - » **Capital**
 - » **Comprehensive**
- **Trust will be fully operational early in 2009**

How Can I Learn More About the Trust?

- For more information, please send specific questions and information to:

Info@stabilizationtrust.com

Community Stabilization Trust Contact

Mary Tingerthal

President

**Capital Markets Companies, Housing Partnership
Network**

651.602.6340

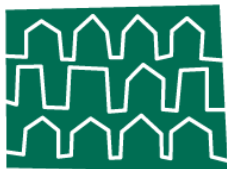
tingerthal@housingpartnership.net

Tom Fulton
President
Family Housing Fund

Family Housing Fund



The Family Housing Fund's mission is to provide *safe, affordable, sustainable* homes to families and children in the Twin Cities metropolitan area through ongoing partnerships with the public and private sector.

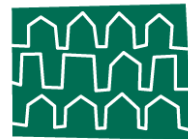


**FAMILY
HOUSING
FUND**



Family Housing Fund Program Areas

- **Linking Workforce Housing and Regional Growth**
- **Promoting Successful Homeownership**
- **Ending Homelessness**
- **Reimagining Affordable Housing**



FAMILY
HOUSING
FUND

Learn more at www.fhfund.org.



Family Housing Fund

Home Prosperity Fund

- **A new financing tool to help *revitalize neighborhoods* and *increase housing opportunities* throughout the metro area.**
- **Minnesota Housing, Wells Fargo, U.S. Bank, TCF Bank, and Thrivent Financial all made inaugural contributions totaling \$16 million.**



Home Prosperity Fund
Housing Opportunities for Twin Cities Families

Contact:

Carol Kelleher

Program Director

kelleherca@gmail.com

952-922-7538

Family Housing Fund Contact

Tom Fulton

President

Family Housing Fund

612.375.9644

tfulton@fhfund.org

Stephanie Vergin
Director, Special Projects
Greater Minnesota Housing Fund

GMHF Resources

- **Capacity Building Grants**
 - » **Goal: Increase scale of production & revitalization**
 - » **Eligible Uses: Planning, Packaging, Staff, Consultants**
- **Interim Revolving Loan Pools**
 - » **Acquisition, Rehabilitation, Demolition**
 - » **\$500,000 Loan Pool Max**
 - » **2%i – 4%i**
- **Gap Loan Pools**
 - » **Administered locally / regionally**
 - » **0% interest / deferred**
 - » **\$15,000 Max per HH**
 - » **Affordability Gap and/or Value Gap Grants**

Greater Minnesota Housing Fund Contact

Stephanie Vergin
Director, Special Projects
Greater Minnesota Housing Fund
651.221.1997, ext. 104
svergin@gmhf.com

Jeremy LaCroix

**Business and Community Development
Representative**

**Department of Employment and Economic
Development (DEED)**



Small Cities Development Program

- **Approx. \$18 Million annually**
- **HUD CDBG for non-entitlement areas**
- **Uses - Housing Rehab, Commercial Rehab, Rental Rehab, Public Utilities, Acquisition, Demolition, others**
- **Next Application Deadline Sept./Oct 2009**
- **Awarded in April/May**

Redevelopment Grant Program

- **Redevelop blighted industrial, residential or commercial properties**
- **50% local match requirement**
- **50/50 Metro/Greater MN split**
- **State Bond Funds – Only used on public land with public purpose**
- **\$3.79 million will be awarded in February 2009**

Contamination Cleanup and Investigation Grant Program

- **Grants to assist with contamination investigations, development of Response Action Plans (RAP)s and cleanups**
- **25% Local match requirement**
- **Application Deadlines Nov. 1 and May 1**
- **\$4 million available per cycle**

Department of Employment and Economic Development (DEED) Contacts

Jeremy LaCroix

**Business and Community Development
Representative**

651.653.7457

jeremy.lacroix@state.mn.us

Kristin Lukes

Brownfields and Redevelopment Director

651.657.3858

kristin.lukes@state.mn.us

Paul Burns
Manager, Livable Communities
Program
Metropolitan Council

Metropolitan Livable Communities Act (MS 473.25)

- **Three active accounts**
 - » **Tax Base Revitalization Account (TBRA)**
 - » **Livable Communities Demonstration Account (LCDA)**
 - » **Local Housing Incentive Account (LHIA)**
- **105 participating communities**

LCA Funding Amounts

Funding Sources:

- **TBRA: An annual levy of \$5,000,000**
- **LCDA: An annual levy**
- **LHIA: A \$500,000 annual transfer from the LCDA levy and \$1,000,000 annually from the Metropolitan Council's General Fund**
- **Plus unexpended balances from previously awarded grants and any interest earnings from each account**

Funds for 2008:

- **TBRA: \$7.93 million**
- **LCDA: \$11.0 million**
 - » **\$7 million – Demonstration Grants**
 - » **\$4 million – Land Acquisition Loan Initiative**
- **LHIA: \$1.63 million**

TBRA Legislative Purpose

- **MN Statutes 473.252**
- **Clean up polluted land in the metro area**
- **Provide the highest return in public benefits for the public costs incurred**
- **Preserve or create living-wage jobs and/or affordable housing**
- **Enhance the municipality's tax base**

LCDA Legislative Purpose

- **MN Statutes 473.253**
- **Connect development with transit**
- **Connect housing and employment**
- **Achieve compact development**
- **Mix housing types**
- **Provide infrastructure to connect communities and attract investment**

LHIA Legislative Purpose

- **MN Statutes 473.254**
- **Expand housing choices**
- **Increase affordable owner and rental housing**
- **Preserve existing affordable housing**

Metro Council LAAND

Goals

- **The Land Acquisition for Affordable New Development (LAAND) initiative of MN Housing, the Metro Council and the Family Housing Fund provides loan funds to help communities meet their affordable housing needs. Priorities include land close to job growth areas or significant numbers of lower wage jobs, allows for densities consistent with achieving affordability, minimizes vehicle miles traveled, and projects that implement Green Communities criteria, Minnesota Overlay or comparable programs.**

Eligible Applicants

- **Eligible applicants include local units of government, their housing or development agencies.**

Metro Council LAAND

Affordability Targets

- **Projects built on land acquired through the initiative shall have a minimum of 20 percent of housing units developed there for affordable units. Units shall be affordable to families earning 60 percent of area median income (AMI) in the Metro area.**

Land Acquisition and Development

- **Applicants shall use LAAND funds to acquire affordable housing sites consistent with their future affordable housing needs and growth goals. Land costs in the area must be an impediment to affordable housing development. Development of the land for affordable housing may not commence within one year of execution of the loan agreement, but must commence within 5 years.**

Metropolitan Council Contact

Paul Burns, AICP
Manager, Livable Communities Program
Metropolitan Council
651.602.1106
paul.burns@metc.state.mn.us

Feedback from Partner Organizations