



Foreclosure Recovery

Neighborhood Stabilization Strategies

Solutions for Working Families
June 28, 2009



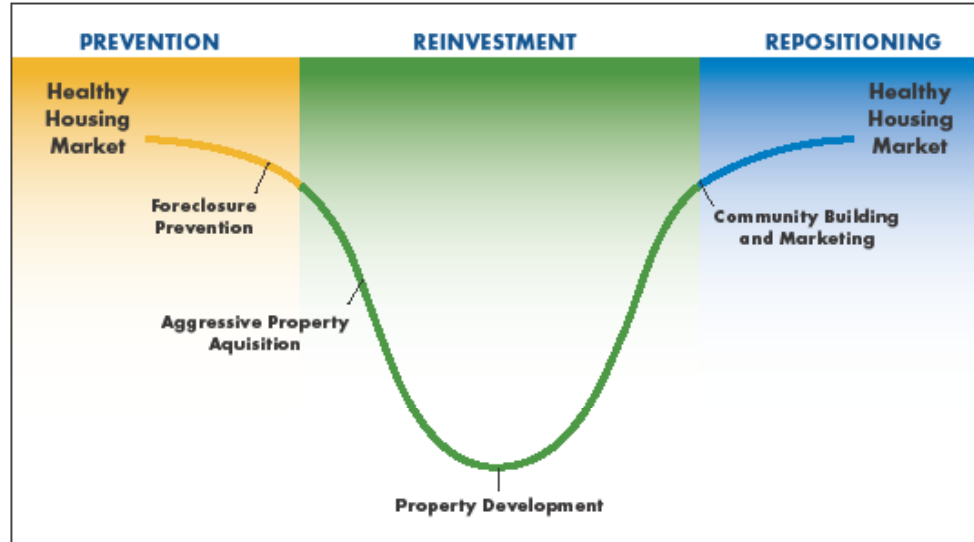
Department of Community Planning & Economic Development – CPED

June 2009

Foreclosure Recovery Plan

CITY OF MINNEAPOLIS DEPARTMENT OF COMMUNITY PLANNING AND ECONOMIC DEVELOPMENT (CPED)

In Minneapolis 3,077 properties were foreclosed in 2008 and another 3,000 are projected for foreclosure in 2009. About one-third of the foreclosed homes are condemned and boarded, or registered as vacant. The City of Minneapolis' focus on prevention, reinvestment and market repositioning in 2009, and beyond, will lead to market recovery in its communities.



PREVENTION

Strategies to Recover a Healthy Housing Market

Employ **foreclosure prevention** outreach and counseling as foreclosures rise and as the housing market begins to decline. Continue aggressive prevention strategies as long as foreclosure rates remain high.

REINVESTMENT

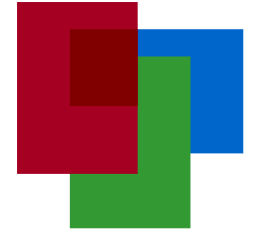
Pursue **aggressive property acquisition** when the housing market is low and properties are inexpensive. Develop multiple strategies to compete with investors in order to prevent the turnover of single-family homes to rental.

Promote **property development** when the market is poised for recovery to drive the market back towards a healthy housing market. Clearly envision a healthy housing market prior to the development stage to ensure that development helps to drive the market to rebound. Some factors to consider include income mix, rental and homeownership mix, design and amenities.

REPOSITIONING

Engage in **community building and marketing** efforts to prepare the market for a rebound. Expand homeownership incentives and engage in neighborhood-based initiatives to market neighborhoods and city living.

For more information on the City of Minneapolis' response to foreclosure, please visit our website www.ci.minneapolis.mn.us/foreclosure/



Neighborhood Stabilization Strategies

Reinvestment and Repositioning to Restore a Healthy Housing Market

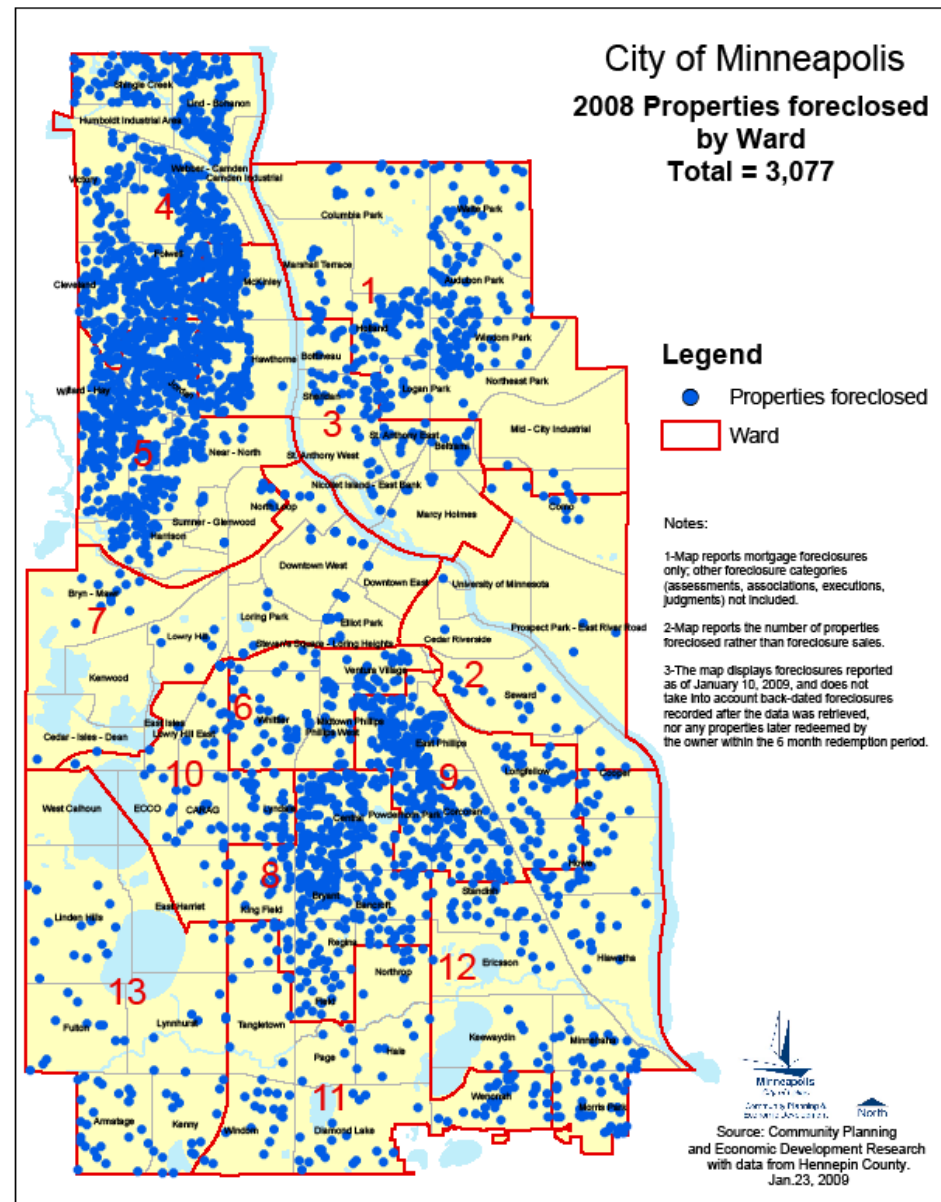
Examples:

- Neighborhood Stabilization Program
- Twin Cities Community Land Bank
- Twin Cities First Look Program
- Northside Cluster Developments
- Minneapolis Advantage Program

History of Foreclosures in Minneapolis

■ Foreclosures to date

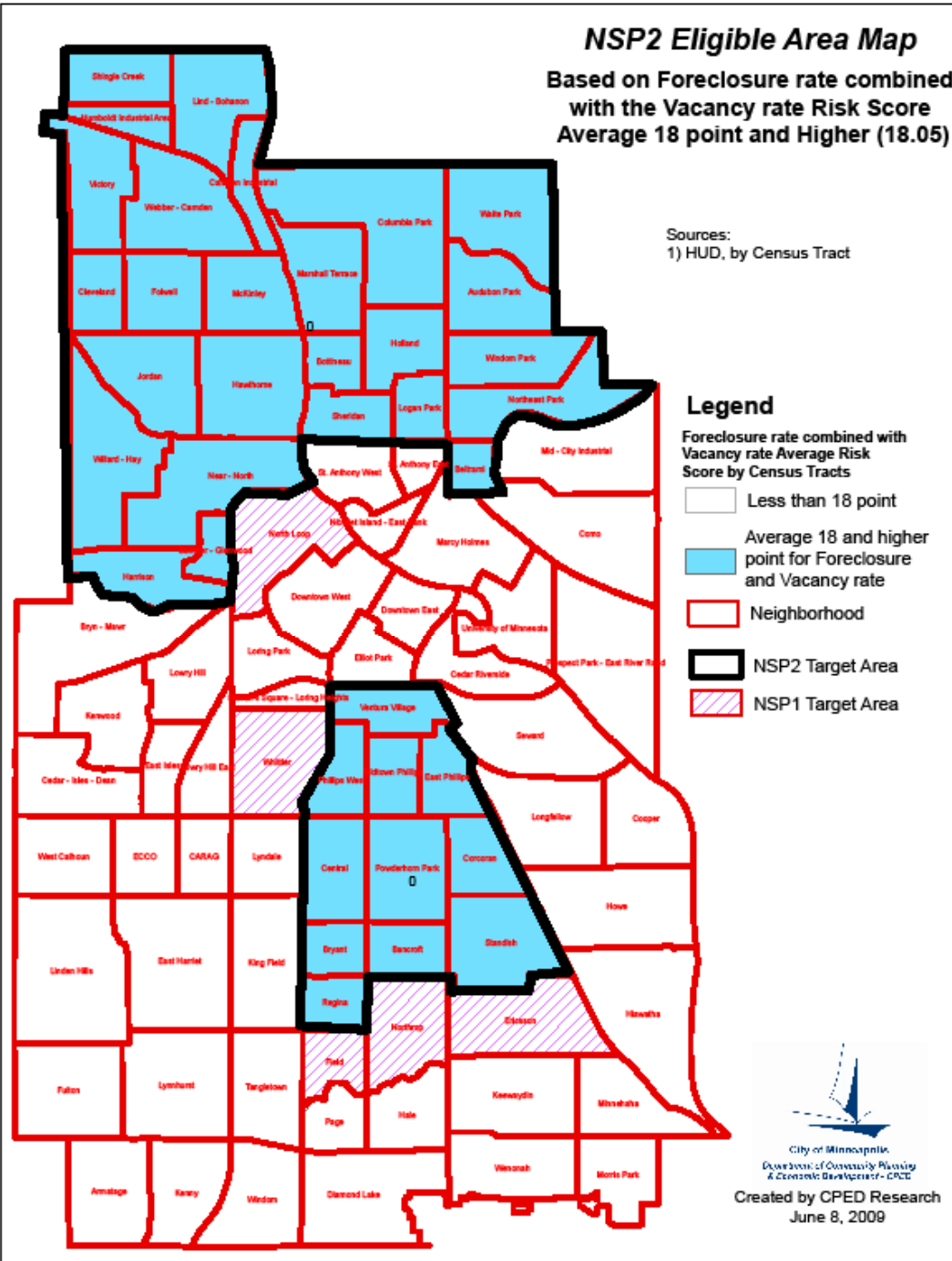
	2009	2008	2007
January	223	329	264
February	216	226	206
March	115	253	208
April	137	294	174
May		317	284
June		259	185
July		290	250
August		263	290
September		230	291
October		268	263
November		196	241
December		152	239
Year-to-date	691	3,077	2,895



NSP2 Eligible Area Map

Based on Foreclosure rate combined with the Vacancy rate Risk Score Average 18 point and Higher (18.05)

Sources:
1) HUD, by Census Tract



Neighborhood Stabilization Program Program Elements and Requirements



NSP1: \$57.8 M to Minnesota; \$14 M allocated to Minneapolis

NSP2: Request \$38 M

NSP:

- One time emergency funds to address foreclosures
- Funds must be “obligated” within 18 months
- Funds must be spent on foreclosed properties and related expenses only
- Funds can be spent on families up to 120% AMI
- 25% of funds must be spent to assist families at or below 50% AMI

NSP2:

- 10 % cap on demolition
- Capacity – address 75 properties in the past 24 months

Neighborhood Stabilization Program Eligible Activities



Eligible Uses*
A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties
B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop
C. Establish and operate land banks for homes and residential properties that have been foreclosed upon
D. Demolish blighted structures
E. Redevelop demolished or vacant properties as housing

* The Neighborhood Stabilization Program requires that 25% of the funds received must be targeted to households at or below 50% of the area median income.

Neighborhood Stabilization Program 2 (NSP2)

Minneapolis Foreclosure Recovery Plan Sources & Uses

NSP 2 Eligible Use	Minneapolis	
	Funds	Units
A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties	\$ 2,000,000	200
B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop	\$ 16,500,000	275
C. Establish and operate land banks for homes and residential properties that have been foreclosed upon ¹	\$ 15,600,000	300
D. Demolish blighted structures	\$ -	0
E. Redevelop demolished or vacant properties as housing	\$ 500,000	10
Subtotal	\$ 34,600,000	785
Administration ²	\$ 3,598,000	
TOTAL³	\$ 38,198,000	785



Neighborhood Stabilization Program 1 (NSP1)

Minneapolis Foreclosure Recovery Plan Sources & Uses

NSP Eligible Use	Minneapolis NSP Funds	Minnesota NSP Funds	Total 2008 NSP Funds to Minneapolis	Units
A. Establish financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties	\$500,000	\$0	\$500,000	50
B. Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent, or redevelop	\$1,464,800	\$5,030,836	\$6,495,636	236*
C. Establish land banks for homes that have been foreclosed upon	\$1,517,167	\$2,771,045	\$4,288,212	120
D. Demolish blighted structures	\$1,700,000	\$0	\$1,700,000	200
E. Redevelop demolished or vacant properties	\$0	\$0	\$0	0
Administration	\$420,000	\$599,391	\$1,019,391	0
TOTAL	\$5,601,967	\$8,401,272	\$14,003,239	606**

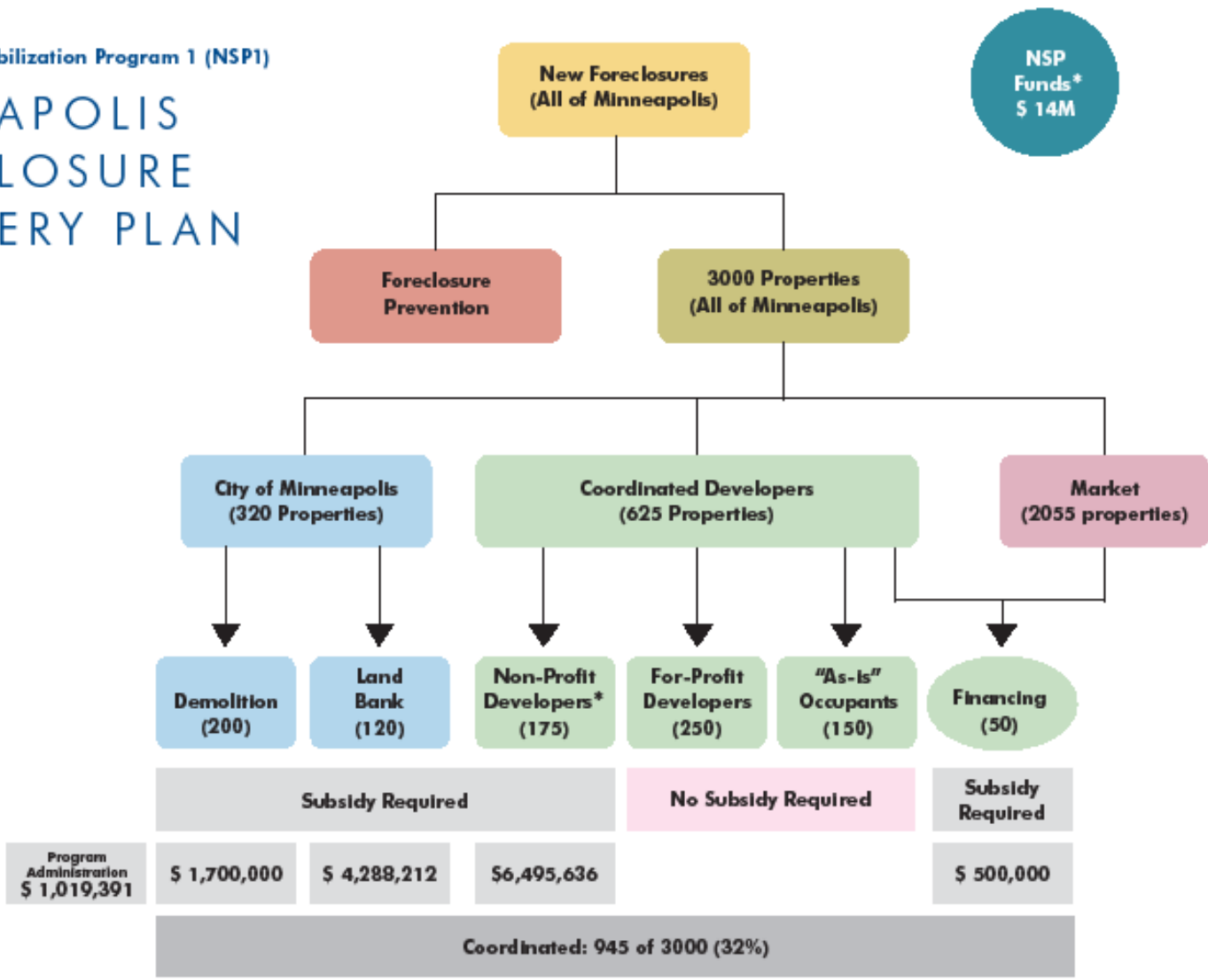
The Neighborhood Stabilization Program requires that 25% of the funds received (approximately \$3.5 m) must be targeted to households at or below 50% of the area median income (\$40,500).

*175 properties will yield 236 units.

**There may be duplications in the numbers of units between uses. The numbers of units may project the ability to recycle funds.

Neighborhood Stabilization Program 1 (NSP1)

MINNEAPOLIS FORECLOSURE RECOVERY PLAN

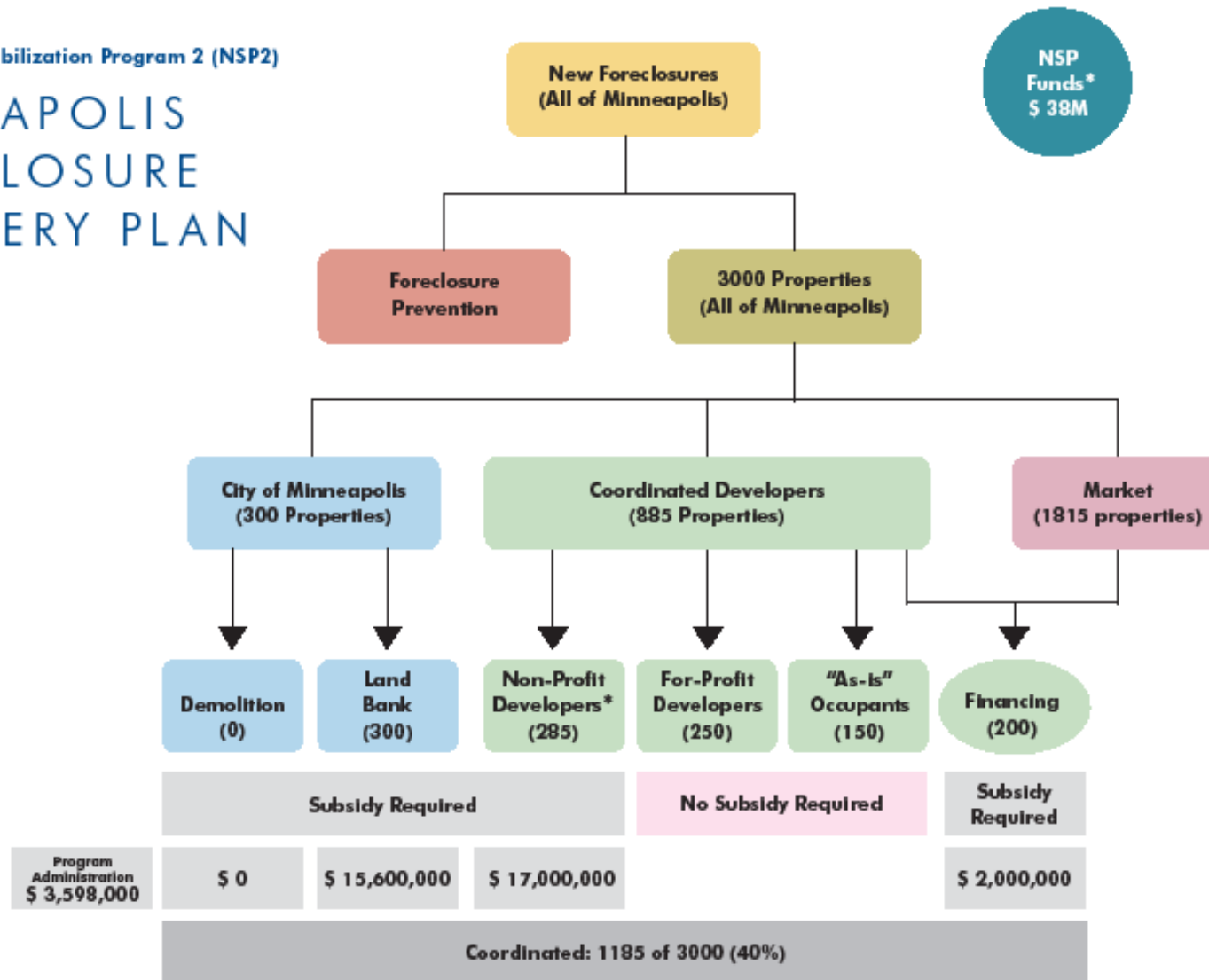


* HUD's Neighborhood Stabilization Program 1 requires that 25% of the funds received must be targeted to households at or below 50% of area median income (AMI), or \$40,450 in Minneapolis. 175 properties will yield 236 units.

Notes: There may be duplications in the numbers of coordinated properties. The number of properties may project the ability to recycle funds.

Neighborhood Stabilization Program 2 (NSP2)

MINNEAPOLIS FORECLOSURE RECOVERY PLAN



* HUD's Neighborhood Stabilization Program 2 requires that 25% of the funds received must be targeted to households at or below 50% of area median income (AMI), or \$41,950 in Minneapolis.

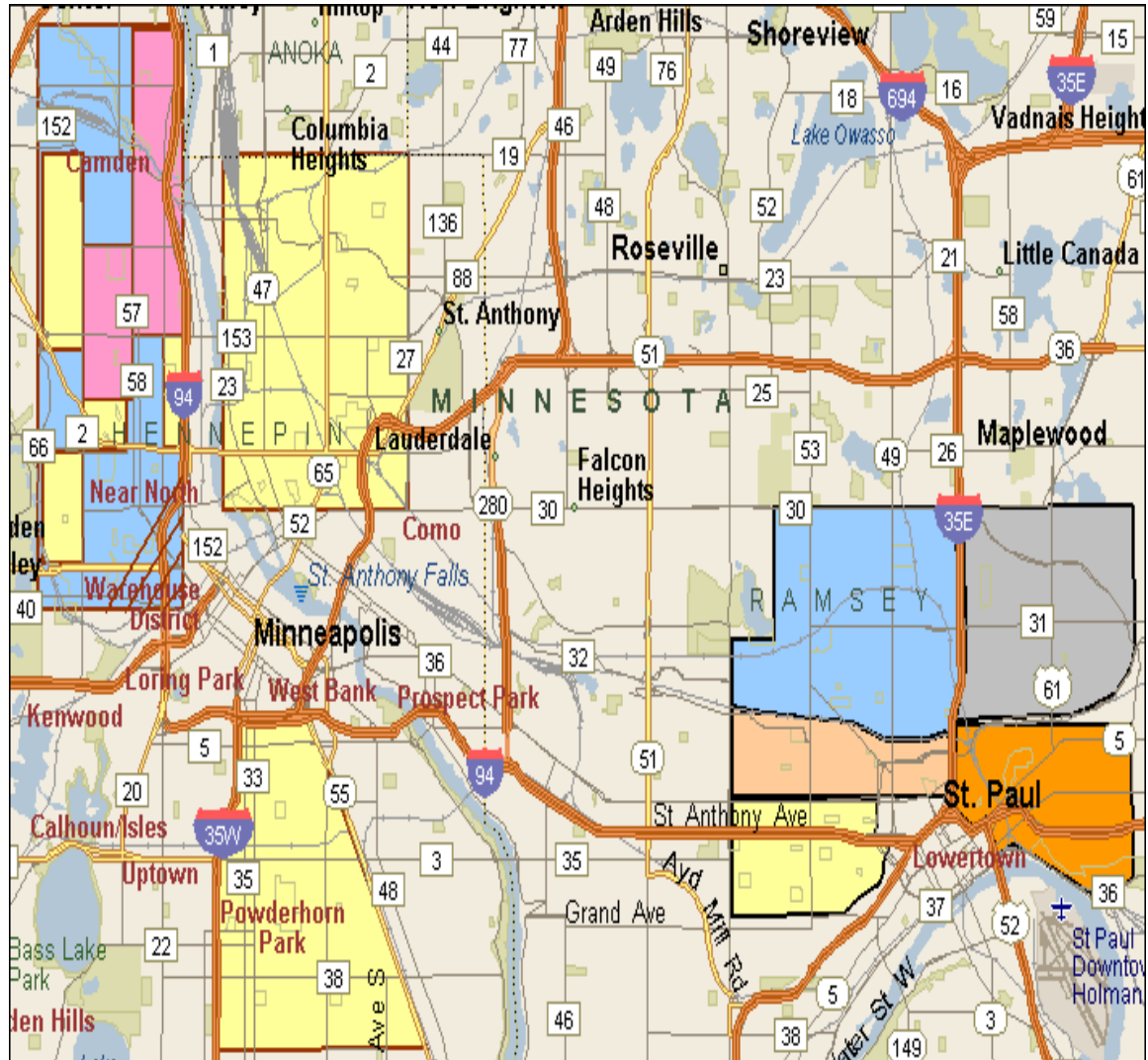
Notes: There may be duplications in the numbers of coordinated properties. The number of properties may project the ability to recycle funds.

Twin Cities Community Land Bank

- NSP2 funds will be used by the TCC Land Bank to:
 - establish and operate TCC Land Bank;
 - acquire homes and residential property that have been foreclosed upon;
 - pay for holding costs; and
 - to dispose of these homes and residential property within 10 years.
- The TCC Land Bank is a newly organized nonprofit limited liability company established by the Family Housing Fund to assemble, manage, and dispose of property and vacant land for the purpose of stabilizing neighborhoods and encourage re-use or redevelopment of urban property when the market is ready to absorb new development.
- These approaches will assist with the over-abundance of properties in the market and alleviate costs associated with long-term holding of property by the city.

Minneapolis and St. Paul First Look Pilot Program

- Provides the opportunity to purchase foreclosed properties premarket and at an adjusted price





National Community Stabilization Trust

- The trust 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.
- Formed by Enterprise Community Partners, the Housing Partnership Network, LISC, and NeighborWorks® America to assist communities dealing with the devastating impacts of the foreclosure crisis.

First Look Program

- Minneapolis and St. Paul are the national pilot in launching the First Look Program.
- Eight national lenders; Wells Fargo, Chase, Citigroup, Fannie Mae, Freddie Mac, U.S. Bank, & GMAC have signed on to date.
- Several hundred properties are slated to come through the program in the Twin Cities over the next year.
- In Minneapolis 552 properties have come through the trust. 123 offers have been made, 48 offers have been accepted. Of those 38 are First Look and 10 are bulk purchase.

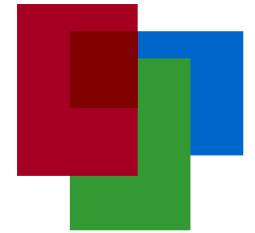


Northside Home Fund Cluster Locations



Minneapolis Cluster Development

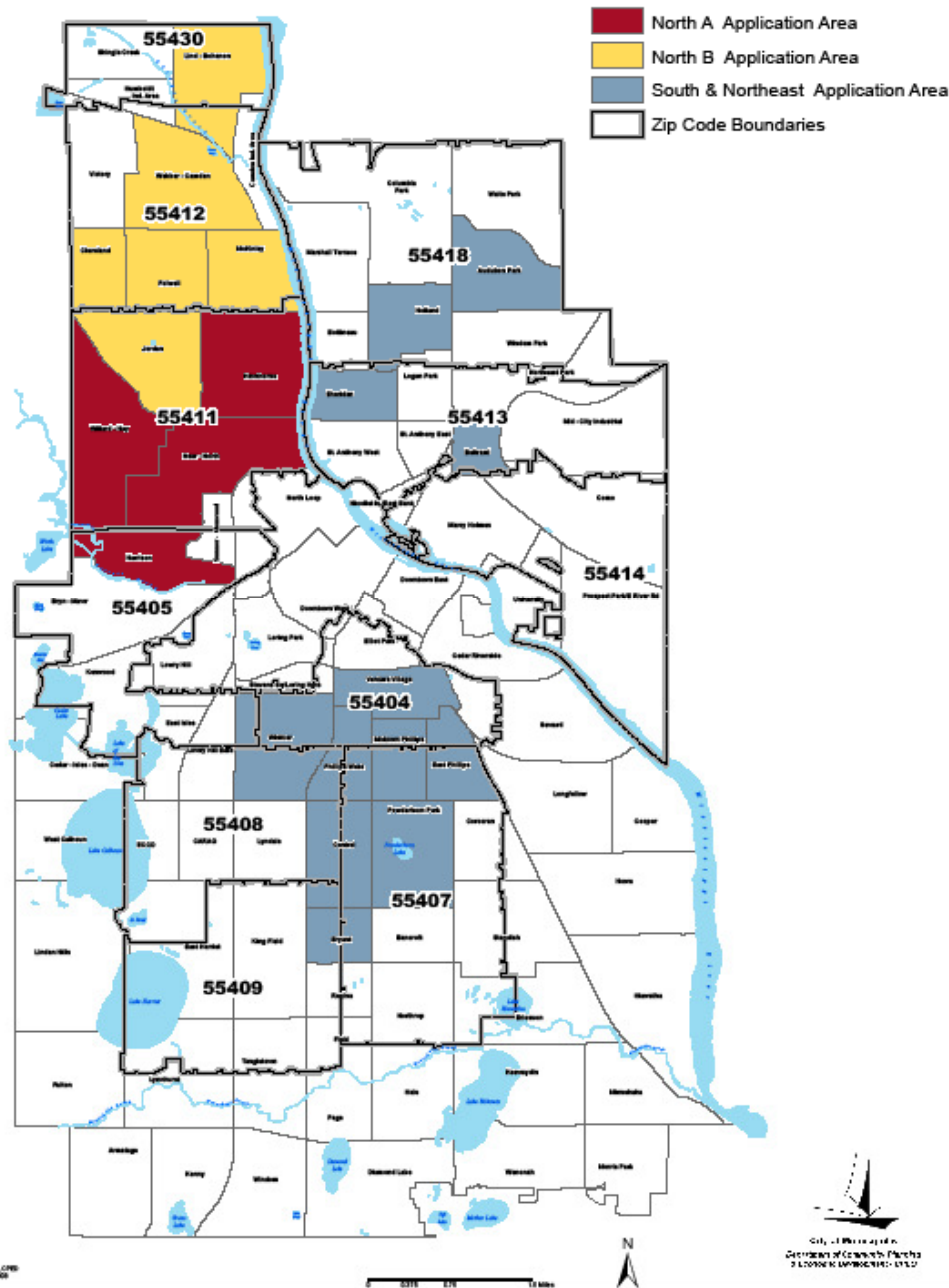
- The NHF partners have removed the blighting influence of more than 100 boarded and vacant properties in the clusters through property acquisition, demolition, and working with property owners to bring their buildings up to code.



Minneapolis Cluster Development

- Northside Home Fund is a partnership between north side neighborhood organizations, nonprofit housing and homeownership organizations, governmental and enforcement agencies, community development organizations, private housing developers, and financial institutions.
- The core focus of the NHF is the redevelopment of vacant and boarded homes (on the City's 249 list) for re-sale to stable owner-occupants.
- This focus on small geographic areas, or “clusters”, is intended to make a noticeable positive impact on the housing stock and to stabilize and strengthen the homeownership market of North Minneapolis neighborhoods.
- The City committed \$1 million in un-programmed funds to “seed” the NHF. These funds have been used to establish the NHF - Pilot Project Fund for acquisition of boarded and vacant blighted properties for redevelopment and sale to owner-occupants.

Minneapolis Advantage Program Eligible Areas



Minneapolis Advantage Program

- Down payment and closing cost assistance for home buyers purchasing a foreclosed home in a neighborhood impacted by foreclosures



Minneapolis Advantage Program

- Provided \$10,000 in deferred loans to buyers of houses in neighborhoods heavily impacted by foreclosures
- The program was funded with \$500,000 which allowed for 50 loans, forgiven over a five-year period
- 62% of the properties, registered as non-homestead prior to being purchased, now have a homestead status
- The program had a mix of purchase prices, but more than 50% of the buyers bought homes under \$100,000
- \$500K for Phase II and FHLB award for \$1.5 million approved – 200 new loans will be made in 2009.



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www.ci.minneapolis.mn.us/foreclosure