

Action Plan

Grantee: Hennepin County, MN

Grant: B-11-UN-27-0003

LOCCS Authorized Amount:	\$ 1,469,133.00
Grant Award Amount:	\$ 1,469,133.00
Status:	Reviewed and Approved
Estimated PI/RL Funds:	\$ 461,004.12
Total Budget:	\$ 1,930,137.12

Funding Sources

No Funding Sources Found

Narratives

Summary of Distribution and Uses of NSP Funds:

NSP3 funding will continue efforts started with approximately \$6 million in NSP1 and NSP2 funding awarded to the Hennepin County and the cities of Brooklyn Center and Brooklyn Park. NSP3 funds will be used in coordination with each city's foreclosure recovery plan: Brooklyn Center has a comprehensive 4-Step Foreclosure Strategy to stabilize neighborhoods and help ensure properties are brought back to a productive use. Foreclosed vacant properties are eligible for certain city Housing Programs (subject to funding availability). Brooklyn Park continues to implement the Brooklyn Park Foreclosure Initiatives plan. The plan is a part of a comprehensive foreclosure strategy to further address the need for foreclosure prevention, identify ways to manage foreclosed and secure vacant homes, and ultimately transition homes back to owner occupancy as quickly as possible.

Each city has allocated non-NSP funding towards home buyer assistance (Brooklyn Center ReNew Home Purchase Program; Brooklyn Park Homebuyer Initiative) and home improvement loans (Hennepin County CDBG Rehab Program in both cities; Brooklyn Park Loan Program and Brooklyn Park Home Energy Loan Program). The Brooklyn park EDA operates a Foreclosure Recovery Program that makes certain public assistance available to private developers for the acquisition and rehabilitation of foreclosed properties for resale to qualified buyers; in June 2010 the EDA allocated \$1.5 million in local funding to the program.

For NSP3, Hennepin County would provide the developer no interest financing for the acquisition, rehabilitation, and resale of the property to a homebuyer. For the units to be sold to 120% AMI households, we anticipate working with entities that have been successful creating homeownership opportunities under the previous program.

To assist in meeting occupant affordability requirements, some or all of the original NSP investment may remain in the property. Assistance will be provided to the buyer at closing and will be structured in the form of a deferred, forgivable loan using the recapture provision. The loan term will be based on the HOME required periods of affordability listed in the definitions.

Providing buyers with units that have been substantially improved with energy efficiency features and major system replacements greatly reduces the need for the acquiring household to make any large investments or incur additional debt to repair the property. In addition all prospective buyers will be required to attend a minimum of one eight-hour pre-acquisition HUD-certified homebuyer counseling session; where available, Hennepin County will also encourage post-acquisition homeownership training. Finally, eligible homebuyers must obtain a prime, fixed rate first mortgage. The homebuyer's principal, interest, taxes, insurance and (if applicable) homeowner association fees shall to the greatest extent feasible not exceed 30 percent of the family's adjusted gross income.

The County NSP3 plan does not include a rental housing preference. Census data indicates that target cities have ownership/rental rates consistent with greater suburban Hennepin County. While a rental preference has not been established, the County has identified two potential strategies should certain opportunities present themselves or this activity is not successful as an ownership program.



How Fund Use Addresses Market Conditions:

Hennepin County, located within the Minneapolis-St. Paul-Bloomington, MN-WI MSA, is the largest unit of local government in the State of Minnesota. There are 46 municipalities within the County, with an estimated population of over 1.1 million people. Approximately one-third of the County's population lives in Minneapolis with the remaining two-thirds residing in suburban Hennepin County. The County encompasses 611 square miles. According to the U.S. Census Bureau, 2005-2009 American Community Survey, there are an estimated 501,738 housing units in Hennepin County; approximately 6 percent of the housing units are vacant; approximately 66 percent of the occupied housing units are owner-occupied. Both in-court and out-of-court foreclosure proceedings are used in Minnesota; with both types of foreclosure proceedings, the borrower can stop the foreclosure any time before the foreclosure sale by paying the default amount, plus fees and allowable costs. The timeline for a Minnesota foreclosure is approximately four months, not including the redemption period (a borrower usually has a six-month redemption period, but some property types and mortgages allow for a 12-month redemption period). Consistent with national trends, Hennepin County has been significantly impacted by high rates of mortgage foreclosure. The number of mortgage foreclosure sales in Hennepin County (including suburban Hennepin County and the City of Minneapolis) increased from 920 in 2002 to 6,160 in 2010, peaking at 7,348 in 2008. The cities of Brooklyn Center, Brooklyn Park and Minneapolis have consistently experienced the greatest number of foreclosures. According to the Minneapolis Area Association of Realtors, 2010 was the worst year for home sales in the Twin Cities metropolitan area since the association began tracking sales nearly a decade ago (the number of homes sold fell 17 percent from 2009). The median sales price rose a modest 2.3 percent. According to RealtyTrac, the number of default notices sent in Minnesota during 2010 was approximately 1 percent below 2009 and 54 percent ahead of 2008. It is difficult to predict how long these foreclosures will remain in the pipeline, but experts expect foreclosures to remain at historically high levels for the next two to three years. Mortgages are difficult to come by and prospective buyers are worried about falling home prices and job security (unemployment in the state (7.1 percent), while better than the national average, is still high). While the overall Minnesota economy is projected to recover moderately in 2011, housing markets are expected to continue to struggle. Unlike most economic recoveries in which employment follows a recovery in housing, experts suggest that the current recovery will happen in reverse. Intuitively, one would expect it easy to acquire foreclosed homes during a time of high foreclosures and low home sales. It remains difficult however, to predict future market conditions on a micro- or neighborhood level. In recent months, the County and its partners have found it challenging to acquire foreclosed properties at price points that work within a broader neighborhood revitalization strategy (for example, during one month last fall one community submitted 29 purchase offers but successfully acquired only two properties). To best offset this imbalance, the County and its Community Stabilization Trust's First Look Program through the Twin Cities Community Land Bank. Additionally, the County has identified larger NSP3 target areas with the goal of focusing on those areas providing best access to foreclosed properties. To incorporate this flexibility within the County's NSP3 plan, the County has enhanced HUD Impact data with current municipal vacancy and foreclosure recovery data – providing a more accurate estimate of the number of recovered homes necessary to impact each target neighborhood; the

Ensuring Continued Affordability:

For the purposes of NSP, Minnesota Housing has modified the State of Minnesota's definition of "blighted area" to apply to structures. Consistent with NSP1 and NSP2, Hennepin County will adopt the State of Minnesota's definition of "blighted area," as modified to define a "blighted structure," as follows:

Blighted structure. A blighted structure is one which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, is detrimental to the safety, health, morals, or welfare of the community.

Program loan documents will include the affordability requirements of 24 CFR 92.252(a), (c), (e) and (f) for rental property and 92.254 for homeownership property. Affordability requirements for properties will be specified in the loan and/or mortgage documents, and a deed restriction or covenant similar to the HOME Program. Mortgages and deed restrictions or covenants will be recorded against the property and become part of the public record for the following minimum years.

NSP Affordability Period	
Under \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years
New Construction Rental	20 years

Definition of Blighted Structure:

For the purposes of NSP, Minnesota Housing has modified the State of Minnesota's definition of "blighted area" to apply to structures. Consistent with NSP1 and NSP2, Hennepin County will adopt the State of Minnesota's definition of "blighted area," as modified to define a "blighted structure," as follows:

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Definition of Affordable Rents:

Hennepin County will adopt the definition of affordable rents that is contained in 24 CFR 92.252(a) for rental properties. This definition is consistent with the continued affordability requirements of the same section that Hennepin County will adopt for the NSP Program. Below is the listing the current HOME rents per 92.252 (a) for Hennepin County.

SRO	0BR	1BR	2BR	3BR	4BR	5BR	6BR
471	628	741	899	1,177	1,322	1,520	1,719

- High HOME rents are the lesser of the Fair Market Rent or the 65% rent limit.
 - Limit for Single Room Occupancy (SRO) units -- most will be 75% of Efficiency/0 BR)
- \$628 x 75% = \$471



Housing Rehabilitation/New Construction Standards:

The Construction and Rehabilitation Standards adopted by the Hennepin Housing Consortium (HHC) for the HOME Program (posted on the Hennepin County website at www.hennepin.us) shall apply to all housing projects assisted with NSP funding. The Construction and Rehabilitation Standards define a standard and code compliance level for the construction and rehabilitation necessary to correct health, safety and building code violations to achieve decent, sanitary, safe and affordable housing. The Construction and Rehabilitation Standards include the Lead Based Paint requirements.

Standards also include the following NSP requirements:

- All gut rehabilitation or new construction (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.
- All gut rehabilitation or new construction of mid -or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).
- Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products.
- Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed.
- Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, fires)

Hennepin County will also encourage inclusion of the following design features in all activities to help reduce energy expenditures, enhance the health, well-being and productivity of the building occupants in NSP assisted projects:

- MINNESOTA HOUSING OVERLAY TO THE MN GREEN COMMUNITIES CRITERIA. WWW.MNHOUSING.GOV
- SUSTAINABLE DESIGN. WWW.SUSTAINABLEDESIGNGUIDE.UMN.EDU
- ENERGY STAR PRODUCTS, STANDARDS AND BUILDING CERTIFICATION. WWW.ENERGYSTAR.GOV
- The Principals of Universal Design; "The design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design." more information can be found at the Center for Universal Design. www.design.ncsu.edu/cud/

Vicinity Hiring:

With respect to vicinity hiring, to the greatest extent possible, the County and its subrecipients will do its best to:

- Provide community outreach via city newsletters, etc;
- Advertise, identify and select qualified developers from inside the target area, when possible;
- Require developers to identify and solicit bids from qualified contractors from the target area, when possible;
- Require contractors to hire qualified job applicants from inside the target area, when available.

Procedures for Preferences for Affordable Rental Dev.:

The County NSP3 plan does not include a rental housing preference. Census data indicates that target cities have ownership/rental rates consistent with greater suburban Hennepin County. While a rental preference has not been established, the County has identified two potential strategies should certain opportunities present themselves or this activity is not successful as an ownership program. They are:

Strategy 1: Development Financing Single-Family Rental. Hennepin County staff has contacted several Special Needs housing providers (CIP, Task Unlimited, Minnesota Assistance Council for Veterans (MACV)). Hennepin County would fully-fund the acquisition and rehabilitation of 2 or 3 properties (rehab work may be done by the County's Sentence To Serve (STS) Homes program) and turn over the completed property to the nonprofit service provider debt-free. Note: Single-family rental requires additional city council approvals.

Strategy 2: Development Financing Multifamily Rental. Hennepin County has identified a potential delinquent 13-story high-rise apartment building that provides 122 units of affordable housing (Shingle Creek Towers, 6221 Shingle Creek Parkway, Brooklyn Center). The property is located in the Brookdale area of Brooklyn Center and within three blocks of supermarkets, drug stores, a regional library and county social service agencies. The city of Brooklyn Center's community center is less than one block away. Public transportation is available within one block. As a result of the project's financial performance, the County understands that the current owners are delinquent on their HUD first mortgage. The estimated market value established by the assessor January 2, 2009 (for taxes payable 2010) was \$6,023,000. Several developers have expressed an interest. HUD plans and timing are unknown at this time. If realistic development plans are identified and prepared before NSP3 funding is exhausted, Hennepin County may consider an NSP3 acquisition/rehabilitation loan. Any such activities would require an additional substantial amendment.

Grantee Contact Information:

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Project Summary

Project #	Project Title	Grantee Activity #	Activity Title
9999	Restricted Balance	<i>No activities in this project</i>	
NSP32011-01	9.0 Neighborhood Revitalization-	NSP32011-01-01	9.0 Nbhd Revitalization - BP & BC -- 120% HH
		NSP32011-01-02	9.0 Nbhd Revitalization - BP & BC -- 50% HH
NSP32011-02	13.0 Administration	NSP32011-02-01	13.0 Administration



Activities

Project # / Title: NSP32011-01 / 9.0 Neighborhood Revitalization- NSP 3

Grantee Activity Number: NSP32011-01-01
Activity Title: 9.0 Nbhd Revitalization - BP & BC -- 120% HH

Activity Type:

Rehabilitation/reconstruction of residential structures

Project Number:

NSP32011-01

Projected Start Date:

05/01/2011

Project Draw Block by HUD:

Not Blocked

Activity Draw Block by HUD:

Not Blocked

Block Drawdown By Grantee:

Not Blocked

National Objective:

LMMI: Low, Moderate and Middle Income National Objective for NSP Only

Activity Status:

Under Way

Project Title:

9.0 Neighborhood Revitalization- NSP 3

Projected End Date:

03/09/2014

Project Draw Block Date by HUD:

Activity Draw Block Date by HUD:

Total Budget: \$ 1,151,788.67

Most Impacted and Distressed Budget: \$ 0.00

Other Funds: \$ 0.00

Total Funds: \$ 1,151,788.67

Benefit Report Type:

Direct (Households)

Proposed Beneficiaries

	Total	Low	Mod	Low/Mod%
# Owner Households	20		20	100.00
# of Households	20		20	100.00

Proposed Accomplishments

	Total
# of Singlefamily Units	20
# of Housing Units	20
#Units with bus/rail access	20
#Low flow showerheads	39
#Low flow toilets	40
#Dishwashers replaced	20
#Clothes washers replaced	5
#Refrigerators replaced	20
#Light Fixtures (indoors) replaced	333
#Replaced hot water heaters	20
#Efficient AC added/replaced	20



#High efficiency heating plants	20
#Additional Attic/Roof Insulation	20
#Energy Star Replacement Windows	193
# of Properties	20

Activity is being carried out by Grantee:

No

Activity is being carried out through:

Organization carrying out Activity:

Hennepin County

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
Hennepin County	Unknown	\$ 1,151,788.67

Location Description:

Census Tract 203.04 Block Groups 1 and 3; Census Tract 205.00 Block Groups 2 and 3; Census Tract 268.14 Block Groups 1, 4 and 5; Census Tract 268.15 Block Groups 2 and 3; and Census Tract 268.16 Block Group 5

Activity Description:

9.0 Neighborhood Revitalization - BP & BC - 120% HH: Eligible Use E: Redevelopment - Provide zero interest financing for the acquisition, rehabilitation, and resale of property to an income eligible (120% of AML) household. Assistance provided to homebuyer at closing and structured as a deferred, forgivable loan.

Environmental Assessment: UNDERWAY

Environmental Reviews: None

Grantee Activity Number:	NSP32011-01-02
Activity Title:	9.0 Nbhd Revitalization - BP & BC -- 50% HH

Activity Type:

Rehabilitation/reconstruction of residential structures

Project Number:

NSP32011-01

Projected Start Date:

05/01/2011

Project Draw Block by HUD:

Not Blocked

Activity Draw Block by HUD:

Not Blocked

Block Drawdown By Grantee:

Not Blocked

National Objective:

LH25: Funds targeted for housing for households whose incomes are at or under 50% Area Median Income.

Activity Status:

Under Way

Project Title:

9.0 Neighborhood Revitalization- NSP 3

Projected End Date:

03/09/2014

Project Draw Block Date by HUD:
Activity Draw Block Date by HUD:
Total Budget: \$ 633,710.18

Most Impacted and Distressed Budget: \$ 0.00

Other Funds: \$ 0.00

Total Funds: \$ 633,710.18

Benefit Report Type:

Direct (Households)

Proposed Beneficiaries

	Total	Low	Mod	Low/Mod%
# Owner Households	5	5		100.00
# of Households	5	5		100.00

Proposed Accomplishments

	Total
# of Singlefamily Units	5
# of Housing Units	5
#Units w/ other green	5
#Units with bus/rail access	5
#Low flow showerheads	9
#Low flow toilets	8
#Dishwashers replaced	4
#Clothes washers replaced	
#Refrigerators replaced	5
#Light Fixtures (indoors) replaced	58
#Replaced hot water heaters	5
#Efficient AC added/replaced	4
#High efficiency heating plants	5
#Additional Attic/Roof Insulation	5
#Energy Star Replacement Windows	50
# of Properties	5



Activity is being carried out by Grantee:

No

Activity is being carried out through:**Organization carrying out Activity:**

Hennepin County

Proposed budgets for organizations carrying out Activity:

Responsible Organization	Organization Type	Proposed Budget
Hennepin County	Unknown	\$ 368,000.00

Location Description:

Census Tract 203.04 Block Groups 1 and 3; Census Tract 205.00 Block Groups 2 and 3; Census Tract 268.14 Block Groups 1, 4 and 5; Census Tract 268.15 Block Groups 2 and 3; and Census Tract 268.16 Block Group 5

Activity Description:

9.0 Neighborhood Revitalization BP & BC - 50% HH: Eligible Use E: Redevelopment - Provide zero interest financing for the acquisition, rehabilitation, and resale of property to an income eligible (50% of AMI) household. Assistance provided to homebuyer at closing and structured as a deferred, forgivable loan.

Environmental Assessment: COMPLETED

Environmental Reviews: None

Project # / Title: NSP32011-02 / 13.0 Administration

Grantee Activity Number:	NSP32011-02-01
Activity Title:	13.0 Administration

Activity Type:

Administration

Project Number:

NSP32011-02

Projected Start Date:

03/09/2011

Project Draw Block by HUD:

Not Blocked

Activity Draw Block by HUD:**Activity Status:**

Under Way

Project Title:

13.0 Administration

Projected End Date:

03/09/2014

Project Draw Block Date by HUD:**Activity Draw Block Date by HUD:**

Not Blocked

Block Drawdown By Grantee:

Not Blocked

National Objective:

Not Applicable - (for Planning/Administration or Unprogrammed Funds only)

Total Budget: \$ 144,638.27

Most Impacted and Distressed Budget: \$ 0.00

Other Funds: \$ 0.00

Total Funds: \$ 144,638.27

Benefit Report Type:

NA

Activity is being carried out by Grantee:

No

Activity is being carried out through:

Organization carrying out Activity:

Hennepin County

Proposed budgets for organizations carrying out Activity:

Responsible Organization

Hennepin County

Organization Type

Unknown

Proposed Budget

\$ 144,638.27

Location Description:

Hennepin County

Activity Description:

General Administration

Environmental Assessment: EXEMPT

Environmental Reviews: None

Action Plan Comments:

Reviewer - added \$200,000 in projected PI to overall program. Only increased activity budget by \$146,380

- Reviewer - Grantee added \$100K in PI
Revised all three activity budgets. LH25 is > that 25% of total
Proposed units was decreased by 3 (-4 for 120% and +1 for 50%)
\$65K is currently unbudgeted
- Reviewer - Program income was increased by \$110,121.83. Activity budgets adjusted and full amount of grant + PI is now budgeted. Total proposed units reduced by 5. The 50% activity is at 31.9% of overall budget.
- Reviewer - Over all program income is \$25,115.08 less than on the Nov 6, 2014 version submitted.
the Total budget including estimated program income is fully budgeted.
- Reviewer - Added via data correction. This row should have existed
- Per Dawn Horgan, CPD Representative for this grant: Review comments for approval:
Additional program income of \$45,998 reported in action plan
Updated units reported in the 120% activity from 21 to 20
Additional green feature measurements numbers added
- Reviewer - Grantee took advantage of NSP office hours, reconciled budget and is moving toward closeout of this grant.

Action Plan History

Version	Date
B-11-UN-27-0003 AP#1	04/08/2011
B-11-UN-27-0003 AP#2	02/12/2014
B-11-UN-27-0003 AP#3	04/02/2014
B-11-UN-27-0003 AP#4	11/06/2014
B-11-UN-27-0003 AP#5	04/14/2015
B-11-UN-27-0003 AP#6	10/04/2016
B-11-UN-27-0003 AP#7	07/13/2017
B-11-UN-27-0003 AP#8	12/05/2017
B-11-UN-27-0003 AP#9	04/13/2018

