

Grantee: Minnesota

Grant: B-08-DN-27-0001

July 1, 2021 thru September 30, 2021 Performance

Grant Number: B-08-DN-27-0001	Obligation Date: 03/20/2009	Award Date: 03/20/2009
Grantee Name: Minnesota	Contract End Date:	Review by HUD: Reviewed and Approved
Grant Award Amount: \$38,849,929.00	Grant Status: Active	QPR Contact: No QPR Contact Found
LOCCS Authorized Amount: \$38,849,929.00	Estimated PI/RL Funds: \$16,446,910.31	
Total Budget: \$55,296,839.31		

Disasters:

Declaration Number

NSP

Narratives

Areas of Greatest Need:

Introduction Title III of Division B of the Housing and Economic Recovery Act of 2008 (hereinafter "HERA") provides emergency assistance to states and localities for the redevelopment of abandoned and foreclosed homes. The program is known as the Neighborhood Stabilization Program (NSP1). The focus of this program is the purchase, management and resale of foreclosed and abandoned properties for the purpose of stabilizing neighborhoods. Unless HERA provides otherwise, grants must comply with Community Development Block Grant (CDBG) requirements. Minnesota Housing was named the grantee for the State of Minnesota NSP1 funds in the amount of \$38.8 million on September 2008, and sub granted the \$ 38 million to 21 local units of government. Minnesota Housing will undertake an evaluation of the uses and outcomes achieved with NSP funding. The funding agreement requires subrecipients to provide progress updates to assist Minnesota Housing in its quarterly evaluation efforts. AREAS OF GREATEST NEED Overview: HERA requires that grantees that receive NSP funding give priority emphasis and consideration to those metropolitan areas, metropolitan cities, urban areas, rural areas, low-and moderate-income, and other areas with the 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 by the State or unit of general local government as likely to face a significant rise in the rate of home foreclosures Newly Established Areas of Greatest Need In March 2013, Minnesota Housing re-examined the areas of greatest need to determine the best use of NSP funds in years to come. The examination was based on the HERA requirements of the grant and included here is the added methodology: There are 54 zip codes that intersect the original NSP1 target areas that are current administrators and have not already completed NSP1 activities. These zip codes are evaluated and ranked in two steps. First, zip codes are evaluated based on foreclosure need. Second, the high need foreclosure zip codes are prioritized by lower incomes and older housing stock. Step 1. Evaluation of Foreclosure Need Areas are evaluated for foreclosure need using the following three criteria and ranked by the sum of points: Area is presently a high need foreclosure zip code 1 Point-The zip code's overall foreclosure index (based on each zip code's rate of loans in delinquency, foreclosure or REO status) is above 150 or 1½ times the average foreclosure rate in the state. Note: Greater Minnesota zip codes are benchmarked to an overall Greater Minnesota rate, rather than a statewide rate. The data was from December 2012, which was the most current. Area has an increasing foreclosure problem since peak of the foreclosure crisis in late 2007 1 Point-The zip code experienced at least a 30% increase in foreclosures during the five year period December 2007-December 2012. Area has experienced substantial home price declines since the housing market peak 2 Points-Areas in the top 10% of zip codes or cities for price declines are defined as significant price decline areas. Zip codes had at least a 56% decline in the foreclosure market (lender-owned sales); or zip codes or cities/townships had at least a 40% decline in the traditional market (excluding lender-owned and short sales). OR 1 Point-

Areas of Greatest Need:

Areas in the top 20% of zip codes or cities for price declines and not defined as "significant price decline" areas are defined as high price decline areas. Zip codes had at least a 52% decline in the foreclosure market; or zip codes or cities/townships had at least a 37.2% decline in the traditional market Step 2. Additional Prioritization Based on Household Income and Age of Housing The high need foreclosure zip codes (scoring 2 or 3 points) are further evaluated to prioritize areas most likely to need pub

Distribution and and Uses of Funds:

Minnesota Housing has three goals for the NSP funding:

- 1) To maximize the revitalization and stabilization impact on neighborhoods;
- 2) To complement and coordinate with other federal, state and local investment in the targeted neighborhoods;
- 3) To preserve affordable housing opportunities in the targeted neighborhoods.



Funding Decisions for awarding the NSP1 grant funds in March of 2009

Funding was sub granted based on the extent to which an eligible applicant demonstrated that:

- The funding request was part of a comprehensive plan or strategy to stabilize a neighborhood(s) or blocks including efforts to improve living conditions, preserve affordable housing opportunities, stabilize home values, address public safety, school performance, job creation and other economic development need;
- It was feasible to use the requested funding within the required timeframe;
- The applicant was maximizing opportunities to leverage other resources, both private and public; and
- The identified outcomes were achievable.

Priority was given to applications that targeted areas within one-quarter mile of existing or planned transit routes and that promoted economic diversity within the targeted areas.

Eligible Applicants

Local units of government experienced in administering CDBG funding are eligible applicants. Local units of government include cities, HRAs, EDAs, CDAs, PHAs and counties. Only local units of government operating in the zip codes or counties identified as areas of greatest need may apply for funds. For cities within NSP entitlement counties, (Anoka, Dakota, and Hennepin, with the exception of the city of Minneapolis), the entitlement county is the eligible applicant. For local units of government within the NSP entitlement cities, (Minneapolis and St. Paul), the entitlement city is the eligible applicant. Local units of government who have contracted with other entities to administer CDBG funds and do not have direct experience administering CDBG funds must contract with an experienced CDBG administrator to administer the NSP funds. Minnesota Housing will sub grant NSP funds to eligible applicants. The subrecipients may accept applications to undertake eligible activities and/or may directly undertake eligible activities. Subrecipients are encouraged to work with experienced housing developers and property management companies and other local units of government in developing their application for state NSP funds.

Eligible Uses and Activities

HERA established five eligible uses of NSP funds:

- 1) Financing mechanisms for purchase and redevelopment of foreclosed upon homes and residential properties;
- 2) Purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon, in order to sell, rent or redevelop the homes and properties;
- 3) Land banking for homes that have been foreclosed upon;
- 4) Demolition of blighted structures;
- 5) Redevelopment of demolished or vacant properties.

Restrictions of Redevelopment of Commercial Properties

NSP funding through Minnesota Housing may only be used for redevelopment of commercial properties if the properties' new use will be as residential structures serving households at or below 120% AMI. Minnes

Distribution and and Uses of Funds:

ota Housing's NSP funds may not be used to pay for the installation of non-housing facilities.

Restrictions on Demolition

NSP funding through Minnesota Housing may be used for demolition of blighted residential structures only if the structures will be replaced with housing. Demolition must be part of a plan for redevelopment of the targeted neighborhoods.

Definitions and Descriptions:

Definition of "blighted structure" in context of state or local law.

Minnesota will allocate its funds to subrecipients in several local government jurisdictions. Though the State of Minnesota does not have a definition of "blighted structure," Minnesota Housing has modified the State's definition of "blighted area" to apply to structures. The State of Minnesota's definition of "blighted area," as modified to define a "blighted structure," follows:

Blighted Structure: 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.

Subrecipients may use either the local jurisdiction's definition of "blighted structure" or Minnesota Housing's definition, and will designate which definition they will use in their application for funding to Minnesota Housing.

2) Definition of "affordable rents."

Minnesota Housing will adopt the definition of affordable rents that is contained in 24 CFR §92.252(a), minus utility allowances where tenants pay utilities. This definition is consistent with the continued affordability requirements of the same section that Minnesota will adopt for the NSP program.

3) Continued affordability for NSP assisted housing.

Subrecipients will be required to include in their loan documents the affordability requirements of 24 CFR §92.252(a), (c), (e) and (f), and §92.254. Affordability requirements for rental 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.

Affordability of owner-occupied housing will be enforced by either recapture or resale restrictions. Each subrecipient will design its own recapture or resale provisions, which will be applied uniformly within their program. NSP may fund rehabilitation of units that are being purchased by individuals, or are being rehabilitated by a legal entity that will sell the property to a homebuyer. Although NSP may not always finance both the purchase and rehabilitation, Minnesota Housing will consider these activities to fall under the affordability requirements of §92.254(a) "Acquisition with or without rehabilitation." To meet the requirements of the NSP statute and Notice, rehabilitation funding must be provided simultaneously with the purchase financing.

Forms implementing continued affordability must be reviewed by Minnesota Housing before being implemented.

Public Comment:

On May 20, 2013, Minnesota Housing mailed its draft substantial amendment to the 2008 Action Plan to depositories to be made available for public comment, and posted it and a notice of the draft's availability on its website. The notice of the draft's availability was sent to 2,500 stakeholders by "E-News Alert," a Minnesota Housing email publication of items of interest. Official legal notices were published in the Thursday, May 30, 2013 statewide edition of the Minneapolis Star Tribune. Minnesota Housing did not receive public comments on its draft substantial amendment.



Low Income Targeting:

At least \$9,712,483 of the grant funds administered by Minnesota Housing and 25% of program income will be used to house individuals and families with incomes not exceeding 50% of area median income (AMI). Activities funded with NSP funds must benefit households with incomes at or below 120% AMI (low, moderate and middle income households). Each subrecipient must use at least 25.4% of its funding award to house individuals and families with incomes at or below 50% AMI.

Acquisition and Relocation:

In accordance with HUD’s Closeout Notice issued November 27, 2012, activities under the plan are authorized to continue beyond the original end date of the grant until all grantees have completed all units with NSP program fund investments, and these units have met the National Objective requirement of the plan. To accomplish a timely and successful closeout of the plan Minnesota Housing developed the following administrative strategies:

- 1) Minnesota Housing may reallocate uncommitted/unused program income and program fund balances, first: To provide more funds to subrecipients in need, and second to be revolved in the newly established areas of greatest need. The uncommitted/unused dollars will be recaptured from subrecipients who expended program funds and program income equal to at least 100% of their grant amount.
- 2) New acquisitions made after July 1, 2013 will be located in the newly established areas of greatest need, except for those acquisitions where due diligence was already in progress by the subrecipients within their current target area, prior to July 1.
- 3) Subrecipients receiving reallocated program income may retain 10% of this total for administrative expenditures.
- 4) Minnesota Housing may exchange uncommitted/unused balances of program funds and program income among subrecipients as needed for the success of the grant and to achieve an earlier closeout date.
- 5) Other Subrecipients may return their future program income to Minnesota Housing, including recaptured dollars for the purpose of revolving it back to subrecipients in need or subrecipients located in areas of greatest need.
- 6) All other flexibilities provided by HUD may apply.

Overall	This Report Period	To Date
Total Projected Budget from All Sources	\$0.00	\$55,331,369.31
Total Budget	\$0.00	\$55,296,369.31
Total Obligated	\$0.00	\$54,844,614.59
Total Funds Drawdown	\$0.00	\$53,321,033.02
Program Funds Drawdown	\$0.00	\$37,950,890.82
Program Income Drawdown	\$0.00	\$15,370,142.20
Program Income Received	\$63,537.00	\$16,211,938.15
Total Funds Expended	\$0.00	\$52,567,109.28
HUD Identified Most Impacted and Distressed	\$0.00	\$0.00
Other Funds	\$ 0.00	\$ 35,000.00
Match Funds	\$ 0.00	\$ 35,000.00
Non-Match Funds	\$ 0.00	\$ 0.00

Funds Expended

Overall	This Period	To Date
Anoka County	\$ 0.00	\$ 5,571,443.30
City of Minneapolis	\$ 0.00	\$ 9,286,049.07
City of Montgomery	\$ 0.00	\$ 398,184.23
City of Monticello/Otsego	\$ 0.00	\$ 404,840.50
City of Princeton	\$ 0.00	\$ 1,096,242.07
City of Rochester	\$ 0.00	\$ 4,499,564.50
City of St. Paul1	\$ 0.00	\$ 8,219,357.25
City of Zimmerman	\$ 0.00	\$ 373,060.00
Dakota County1	\$ 0.00	\$ 1,069,677.94
Hennepin County1	\$ 0.00	\$ 7,705,124.82
Minnesota Housing	\$ 0.00	\$ 500,000.00
Carver County	\$ 0.00	\$ 1,011,612.14
Ramsey County1	\$ 0.00	\$ 2,810,420.25



Scott County	\$ 0.00	\$ 1,079,084.83
St. Cloud HRA	\$ 0.00	\$ 2,240,621.15
Washington County	\$ 0.00	\$ 290,434.03
City of Big Lake ¹	\$ 0.00	\$ 1,838,989.91
City of Buffalo	\$ 0.00	\$ 403,818.38
City of Duluth	\$ 0.00	\$ 1,985,000.00
City of Elk River	\$ 0.00	\$ 266,134.99
City of Fairbault	\$ 0.00	\$ 900,905.75
City of Faribault	\$ 0.00	\$ 63,689.17
City of Isanti	\$ 0.00	\$ 552,855.00

Progress Toward Required Numeric Targets

Requirement	Target	Projected	Actual
Overall Benefit Percentage	99.99%	.00%	.00%
Minimum Non Federal Match	\$.00	\$.00	\$ 35,000.00
Overall Benefit Amount	\$52,207,163.78	\$.00	\$.00
Limit on Public Services	\$5,827,489.35	\$.00	\$.00
Limit on Admin/Planning	\$3,884,992.90	\$3,084,454.29	\$3,063,492.20
Limit on Admin	\$.00	\$3,084,454.29	\$3,063,492.20
Most Impacted and Distressed	\$.00	\$.00	\$.00
Progress towards LH25 Requirement	\$13,824,209.83		\$20,177,982.03

Overall Progress Narrative:

The State of Minnesota's Subrecipients with active NSP1 programs continue to progress, and the State is encouraging each Subrecipient to work towards closeout. There were no funds drawn this quarter, but Subrecipients with active projects continue to progress. Below are some notable updates for the quarter ending 9/30/2021

The City of Duluth HRA has one active project remaining and completion is slated for the end of 2021 or early 2022. Upon construction completion of the final project, the home will be sold to a low income household. After the project is sold, the City will work on closing out its NSP grant with Minnesota Housing.

The City of Minneapolis has seven projects under construction in the redevelopment activity, and recently sold several newly completed single-family projects to income eligible households. Upon completion of all active projects, the City will work on closing out its NSP grant with Minnesota Housing.

The City of St. Cloud HRA has a total of two active acquisition rehabilitation projects that are being developed with Habitat for Humanity and will be sold to households at or below 50% area median income. The single family rental unit will be owned and managed within the HRAs rental portfolio. When all projects are completed, the HRA will work on closing out its NSP grant with Minnesota Housing.

The City of St. Paul has a total of five active projects remaining in its NSP portfolio. After all of the projects have been completed and sold, the City will work on closing out its NSP grant with Minnesota Housing.

Dakota County has one remaining project that is undeveloped and currently in land bank status. The CDA will work with Habitat for Humanity develop the housing. Project start will begin during the spring months of 2022. Upon project completion, Dakota County will work on closing out its NSP grant with Minnesota Housing.

This concludes the State of Minnesota's NSP1 report for the quarter ending 9/30/2021.

Project Summary

Project #, Project Title	This Report	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
9999, Restricted Balance	\$0.00	\$0.00	\$0.00
Anoka, Anoka County	\$0.00	\$5,571,913.30	\$2,838,449.64
Buffalo, City of Buffalo	\$0.00	\$450,207.66	\$374,822.00
Carver County, Carver County	\$0.00	\$1,021,612.14	\$735,000.00
City of Big Lake, City of Big Lake	\$0.00	\$1,839,339.91	\$1,214,170.86
City of Minneapolis, City of Minneapolis	\$0.00	\$10,591,088.54	\$8,183,727.35
City of Minneapolis - Revolving Fund, City of Minneapolis -	\$0.00	\$0.00	\$0.00



City of Princeton, City of Princeton	\$0.00	\$1,096,242.07	\$796,254.00
Dakota, Dakota County	\$0.00	\$1,321,703.02	\$999,802.63
Duluth, City of Duluth	\$0.00	\$1,527,500.00	\$1,527,500.00
Duluth-Contract for Deed, Duluth-Contract for Deed (RLF)	\$0.00	\$599,153.54	\$457,500.00
Elk River, City of Elk River	\$0.00	\$266,134.99	\$168,370.52
Faribault, City of Faribault	\$0.00	\$964,594.92	\$770,862.78
Hennepin, Hennepin County	\$0.00	\$6,236,348.67	\$3,874,164.79
Hennepin - Richfield, Hennepin - Richfield	\$0.00	\$1,539,122.85	\$945,786.51
Isanti, City of Isanti	\$0.00	\$552,855.00	\$552,855.00
Minnesota Housing, Minnesota Housing	\$0.00	\$500,000.00	\$500,000.00
Montgomery, City of Montgomery	\$0.00	\$398,184.23	\$385,000.00
Monticello/Otsego, Monticello/Otsego	\$0.00	\$428,808.00	\$380,873.00
Ramsey, Ramsey County	\$0.00	\$2,810,420.25	\$1,378,753.00
Rochester, City of Rochester	\$0.00	\$4,499,564.50	\$1,984,999.00
Scott, Scott County	\$0.00	\$1,123,181.66	\$1,034,988.00
St. Cloud HRA, St. Cloud HRA	\$0.00	\$2,622,784.16	\$1,880,229.48
St. Paul, City of St. Paul	\$0.00	\$8,736,574.61	\$6,303,288.23
St. Paul - Revolving Fund, St. Paul - Revolving Fund (RLF)	\$0.00	\$0.00	\$0.00
Washington Cnty, Washington County	\$0.00	\$294,509.62	\$290,434.03
Zimmerman, City of Zimmerman	\$0.00	\$373,060.00	\$373,060.00

Activities

Project # / City of Big Lake / City of Big Lake



Grantee Activity Number: B1. Acq Rehab CD LH Zip - Big Lake

Activity Title: B1. Acq Rehab CD LH Zip - Big Lake

Activity Type:

Rehabilitation/reconstruction of residential structures

Project Number:

City of Big Lake

Projected Start Date:

09/29/2008

Benefit Type:

Direct (HouseHold)

National Objective:

NSP Only - LH - 25% Set-Aside

Program Income Account:

Big Lake

Activity Status:

Under Way

Project Title:

City of Big Lake

Projected End Date:

06/30/2020

Completed Activity Actual End Date:

Responsible Organization:

City of Big Lake1

Overall	Jul 1 thru Sep 30, 2021	To Date
Total Projected Budget from All Sources	\$0.00	\$617,686.37
Total Budget	\$0.00	\$617,686.37
Total Obligated	\$0.00	\$617,686.37
Total Funds Drawdown	\$0.00	\$617,686.37
Program Funds Drawdown	\$0.00	\$435,917.51
Program Income Drawdown	\$0.00	\$181,768.86
Program Income Received	\$63,537.00	\$470,138.14
Total Funds Expended	\$0.00	\$617,686.37
City of Big Lake1	\$0.00	\$617,686.37
Most Impacted and Distressed Expended	\$0.00	\$0.00

Activity Description:

Funds to be used for acquisition rehab activities city driven, to house individuals and families with incomes at 50% AMI or less. October amendment adjusted the count on units based on what is more realistic for this activity in their target market. March contract amendment increased this budget activity just slightly. The percentage benefiting low income households increased to \$26.05% for Big Lake's award. Unit count remained the same.

The Minnesota Housing Board approved a reallocation of NSP funds to be granted to the City of Big Lake, at the March 25th board meeting. Big Lake's funds were increased by \$273,844.86, resulting in a new budget totaling \$1,214,520.86. The budgets under each activity were revised to accommodate the subrecipient's program. Unit numbers were adjusted accordingly reflecting the increase. September amendment shifts funds to lh accounts.

June 15, 2012: Corrected projected property, unit, and household count. Original projections were entered in error. Feb 2013 amendment shifts funds to acq rehab. Aug amendment adds funds to admin and acq rehab activities. Dec amendment shifted funds to acq rehab lh activity.

Dec 2014 budget amendment shifts funds from LH activities to non-LH activities. Feb 2015 amendment shifts funds to Redevelopment activity.

Location Description:

High need zip code locations.

Activity Progress Narrative:

Accomplishments Performance Measures

	This Report Period Total	Cumulative Actual Total / Expected Total
# of Properties	0	4/4

	This Report Period Total	Cumulative Actual Total / Expected Total
# of Housing Units	0	4/4

Beneficiaries Performance Measures

	This Report Period			Cumulative Actual Total / Expected			
	Low	Mod	Total	Low	Mod	Total	Low/Mod%
# of Households	0	0	0	4/4	0/0	4/4	100.00
# Owner	0	0	0	4/4	0/0	4/4	100.00

Activity Locations

No Activity Locations found.

Other Funding Sources

No Other Funding Sources Found

Other Funding Sources Budgeted - Detail

No Other Match Funding Sources Found

Activity Supporting Documents: None