

Grantee: Minnesota

Grant: B-11-DN-27-0001

October 1, 2020 thru September 30, 2021

Grant Number: B-11-DN-27-0001	Obligation Date: 03/10/2011	Award Date: 03/10/2011
Grantee Name: Minnesota	Contract End Date:	Review by HUD: Reviewed and Approved
Grant Award Amount: \$5,000,000.00	Grant Status: Closed with Ongoing Reporting	QPR Contact: No QPR Contact Found
LOCCS Authorized Amount: \$5,000,000.00	Estimated PI/RL Funds: \$665,883.54	
Total Budget: \$5,665,883.54		

Disasters:

Declaration Number

NSP

Narratives

Summary of Distribution and Uses of NSP Funds:

Introduction: The Housing and Urban Development's (HUD's) Neighborhood Stabilization Program (NSP3) is authorized under the Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Financial Reform Act of 2010), Notice 75 FR 64322 of October 19, 2010, and represents a third round of funding to provide targeted emergency assistance to stabilize neighborhoods whose viability has been, and continues to be, damaged by the economic effects of properties that have been foreclosed upon and abandoned. \$1 billion was announced to stabilize neighborhoods hard hit by foreclosure across the nation. Minnesota Housing is the grantee for the State of Minnesota NSP funds in the amount of \$5 million under this authority. The focus of this program is the purchase, rehabilitation, management and resale of foreclosed and abandoned properties for the purpose of stabilizing neighborhoods. Unless provided differently by the Act, grants must comply with Community Development Block Grant (CDBG) requirements. The plan describes Minnesota Housing's NSP3 goals for the program, high need targeting criteria, distribution plan, assignment decisions, application requirements, eligible uses and activities, and performance evaluation for NSP funds. To date, there have been two other rounds of NSP funding. Under the first round (NSP1 authorized under the Housing and Economic Recovery Act of 2008 (HERA)), Minnesota Housing was named a grantee and awarded \$38.8 million. Minnesota Housing will sub grant NSP funds to eligible local units of government with experience administering CDBG funds who have demonstrated capacity and success in the management of Minnesota Housing's NSP1 funds granted in their jurisdictions in March of 2009. Subrecipients are expected to be knowledgeable about and adhere to the laws and regulations governing the CDBG program as well as the Neighborhood Stabilization Program. Subrecipients must commit and expend funding in accordance with NSP3 funding guidelines and the targeting requirements described in the Action Plan. Timelines and Non-competitive Assignment Process: The \$5 million in NSP funds administered by Minnesota Housing was awarded in February 2011. The NSP3 Program Concept and preliminary assignment recommendations were approved by Minnesota Housing's Board at its December 2010 meeting, after a comprehensive analysis by Agency staff. The Action Plan is informed by subsequent input from each subrecipient local government preliminarily assigned NSP3 funds, including preliminary program descriptions which were due January 4, 2011 and final program descriptions delivered shortly thereafter. Each subrecipient's program description included information on final target areas proposed, corresponding strategies for achieving stabilization, and their implementation method including administrative funds needed. Other factors examined were leverage and/or area assets, public and or private investments, made or anticipated, consistency with NSP3 priorities, and capacity/degree of readiness. The draft NSP3 Action Plan was posted for public comment on January 14, 2011 with a 15 day public comment period that ended on January 30, 2011. The final Action Plan; and awards for these NSP3 funds was presented for approval at Minnesota Housing's February 2011 Board meeting. The final Action Plan was delivered to HUD by March 1, 2011, and po

Summary of Distribution and Uses of NSP Funds:

sted to Minnesota Housing's website at <http://www.mnhousing.gov>. HUD executed its agreement with Minnesota Housing on March 10, 2011. The plan has a term of three years, therefore, will expire on March 10, 2014. Distribution and Uses of Funds - State NSP Goals and Impact Minnesota Housing has three goals for the NSP funding: To maximize the revitalization and stabilization impact on neighborhoods; To preserve affordable housing opportunities in the targeted neighborhoods; To comp

How Fund Use Addresses Market Conditions:

Areas of Greatest Need Overview: Under NSP3 HUD has provided Minnesota Housing \$5,000,000 for allocation across the state. Outlined below is the methodology that Minnesota Housing used to identify areas of greatest need and to assign initial funding distributions around the state. For further details and to view the target area maps please visit our website at <http://www.mnhousing.gov>. Target Area Selection Criteria to stabilize a neighborhood, HUD recommended that grantees select target areas small enough so that at least 20 percent of the foreclosures in the target area receive assistance. HUD has estimated, by block group, the number of REO properties and foreclosures starts between July 2009 through June 2010,



and the number of properties that need assistance to have a stabilizing impact. Together, Minnesota Housing and entitlement communities have been allocated \$12 million total for NSP3. Minnesota Housing based initial analysis on the assumption that each property will receive \$50,000 in assistance that will stay in the property after the sale to a homeowner. With that assumption, Minnesota Housing and entitlement communities determined they will be able to assist approximately 224 foreclosed properties (90 properties with funding from Minnesota Housing). If these 224 properties are to account for 20 percent of the foreclosed properties in target areas, Minnesota Housing needed to narrow the target areas so that they include no more than 1,120 foreclosed properties. Given that Minnesota Housing only received \$5 million of funding, Minnesota Housing first identified seven local communities that met the agency's selection criteria and then worked with the potential awardees to identify very narrow target areas, encompassing one to five block groups. After further guidance from HUD that impact must be achieved with initial investment dollars and not with program income recycling, the target areas and estimated total number of units Minnesota Housing will be able to assist, will be less than 90, and are currently estimated with this action plan at 74. This estimate accommodates the differences of value gap needs by neighborhoods. See below in the order stated here the NSP Need Score, the Total Estimated Units to Achieve Impact, and the Proposed Unit Count by subrecipient: City of Big Lake: 17, 15, 18 City of Minneapolis: 20, 8, 12 City of Saint Paul: 20, 6, 9 Dakota County: 18, 3, 4 Hennepin County: 19.8, 16, 19 Ramsey County: 17, 8, 12 For All Areas the NSP Need Score Average is 18.3; the total number of units to achieve impact equaled 60; the proposed unit count for the plan is 74. Minnesota Housing used five criteria to select areas for potential funding. To be targeted for funding, census tracts had to meet each of the following criteria: Primary Requirements: Previous recipient of NSP-1 funds (City or County). Significant foreclosure impact. HUD provides a foreclosure need score for each census tract in the state and the census tract is ranked on a score from 1 to 20, with 20 being the highest. All target areas foreclosure score of 17 or higher. In addition to considering the HUD score, Minnesota Housing narrowed the foreclosure impact areas to those that either have a high foreclosure score based on internal analysis of LPS Applied Analytics foreclosure data (one of the country's primary sources of loan performance data) OR areas that were previously targeted areas in NSP1. Local Market Priorities Access to trans

How Fund Use Addresses Market Conditions:

it OR Access to jobs. Census tracts within close proximity to jobs or transit were selected. Moderate to high rates of rental. HUD noted a preference towards rental housing in NSP3. Census tracts with rental rates at the 25th percentile or above for their region, were targeted. The regions for analysis include: the core cities of Minneapolis and Saint Paul, suburban seven

Ensuring Continued Affordability:

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. Subrecipients were required to describe any continuing affordability restrictions that they may impose beyond the minimum required by Minnesota Housing. Forms implementing continued affordability must be reviewed by Minnesota Housing before being used.

Housing Rehabilitation/New Construction Standards:

ot include changes to structural elements such as flooring systems, columns, or load bearing interior or exterior walls) or new construction of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes. Multifamily Housing: 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

Definition of 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. Listed below is the definition they will use: 1) Ramsey will use Minnesota Housing's definition 2) St. Paul will use their definition: A structure is blighted when it exhibits signs of deterioration sufficient to constitute a threat to human health, safety, and public welfare, or has serious structural deficiencies and the cost to rehabilitate to property standards will exceed 50% of the appraised value after rehabilitation. "Blighted Structure" is not defined in local codes, but this definition is consistent with the definition of a "dangerous structure" found in local code. 3) Hennepin will use Minnesota Housing's definition 4) Dakota will use Minnesota Housing's definition 5) Big Lake will use Minnesota Housing's definition 6) Minneapolis will use their definition- Blighted structure is defined by the City of Minneapolis code or Ordinances Chapter 249 standards for nuisance. 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 the department of Community Planning and Economic Development (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 othe

Definition of Blighted Structure:

r 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 non-dwelling structures or when such accessory buildings are structurally unsound in the opin



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. Rents are the cost of occupancy and utilities. If rent includes the cost of utilities then the owner may charge the maximum rent. If the tenant pays the utilities, the owner may only charge rent that does not exceed the maximum minus the amount of the "utility allowance."

This definition is consistent with the continued affordability requirements of the same section that Minnesota Housing will adopt for the NSP program.

Housing Rehabilitation/New Construction Standards:

Assessment: In addition to property assessment standards already required by local, state, and federal regulations, properties shall also be assessed for the following: (Results of all assessment activities shall be disclosed to the purchaser prior to sale.) 1) Any visible mold or water infiltration issues, 2) Compliance with smoke detectors, carbon monoxide detection, and GFCI receptacle protection as noted below in Required Rehabilitation Activities, 3) Remaining life expectancy of major building components such as roof, siding, windows, mechanical systems and electrical systems, as well as any immediate cosmetic improvements necessary in order to sell or rent the residential property. Building Codes and Local Housing Standards: NSP-assisted housing that is rehabilitated must be rehabilitated in accordance with the State Building, Electrical, and Plumbing Codes. Upon completion, the housing must be in compliance with local housing standards. If local housing standards do not exist, the housing must meet the minimum housing quality standards (HQS) of 24 CFR 982.401. Where local housing standards exist, subrecipients must identify the standards that will apply to their projects and provide a copy to Minnesota Housing. As projects are rehabilitated, the subrecipients must document how each project meets the local standard, or HQS if there is no local standard, for Minnesota Housing's monitoring review. Subrecipients must identify in their program descriptions whether they will permit individuals purchasing homes for their own occupancy to conduct or contract for rehabilitation, the date by which such homebuyer rehabilitation must be completed, how the subrecipient will monitor progress of the rehabilitation, and the remedies the subrecipient will take if rehabilitation is not completed by the deadline. Required Rehabilitation Activities: In addition to remediation of any deficiencies resulting from property assessment required by local, state, and federal regulations, rehabilitation activities shall include the following: 1) Mold and/or water infiltration mitigation, if mold or water infiltration is observed during the assessment. Any moldy materials that cannot be properly cleaned must be removed. 2) Installation of U.L. approved smoke detection in all locations as required for new construction. At least one smoke detector must be hardwired (preferably located near sleeping rooms). 3) Installation of GFCI receptacle protection in locations as required for new construction. 4) Installation of carbon monoxide detection equipment in accordance with the 2006 state legislation. 5) Application of relevant Green Communities Criteria with the Minnesota Overlay to any building component that is modified or altered during a financed activity; including selecting EnergyStar qualified products. 6) Water efficient toilets, showers, and faucets, such as those with the Water Sense label, must be installed. 7) Where relevant, the housing should be improved to mitigate the impact of disasters (e.g., earthquake, hurricane, flooding, and fires). 8) Rehabilitation or stabilization of hazardous materials such as lead-based paint and asbestos must be in accordance with applicable Federal, State, and Local laws, regulations, and ordinances. Gut Rehabilitation and New Construction: All gut rehabilitation (i.e. general replacement of the interior of a building that may or may not

Grantee Contact Information:

Minnesota Housing Finance Agency is the state's responsible organization.

Address: 400 Wabasha Street North, Suite 400; St. Paul, MN 55102

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Work phone (651) 296-8276;

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Vicinity Hiring:

Subrecipients shall, to the maximum extent feasible, provide for the hiring of employees who reside in the vicinity or contract with small businesses that are owned and operated by persons residing in the vicinity of projects funded with NSP3. Vicinity is defined as each NSP3 target area. The following are suggested procedures. 1) Outreach to workforce services, commercial associations, local churches, civic clubs, and other agencies/organizations; 2) Identify business phone numbers, search zip code lists; 2) Develop email distributions or mailers; 3) Utilize employment agencies; 4) Develop documents such as flyers, program sheets, and other general materials that provide additional information to community members; 5) Citizen participation process.

If subrecipients are unable to develop hiring or business opportunities to residents in the vicinity of the project, they must encourage employment of Section 3 residents and Section 3 businesses.

Big Lake Vicinity Hiring Plan; procedures include: The City will work with its Partners to create a local vicinity hiring plan and outreach process. Information will be made available to the MN Workforce Center office(s) indicating the NSP3 objectives and skill sets required. Local businesses, church leaders and public officials at schools etc., will be notified and involved in the efforts to utilize local residents in the NSP3 target area.

Below you may view the procedures to be incorporated by each subrecipient.

Minneapolis Vicinity Hiring Plan; procedures include: City of Minneapolis' outreach, engagement, and guide to assist residents in completing necessary State and local qualification requirements for construction work; developer outreach and engagement to hire residents in the neighborhoods and blocks they are working in; collaboration with Summit Academy OIC, Dunwoody and Minneapolis Community College construction training programs serving residents in impacted areas; collaboration with neighborhood groups to connect with neighborhood residents, including block parties.

St. Paul Vicinity Hiring; procedures include: The City of Saint Paul vicinity hiring can be coordinated in conjunction with Saint Paul's Section 3 Action Plan. Specific actions may include: advertising contracting opportunities via the City's website that will provide general information about the project and where to obtain additional information; contacting business assistance agencies and community organizations to inform them of contracting opportunities and requesting assistance in identifying vicinity businesses which may solicit bids or proposals for contracts for work; create and maintain a list of vicinity businesses; coordinate pre-bid meetings at which vicinity businesses may be informed of upcoming contracting and subcontracting opportunities; and advertising contracting opportunities through local (neighborhood level) media.

Dakota Vicinity Hiring Plan; procedures include: Provide project information in the county's newsletter; contact local business associations or other similar groups about the program; provide hiring information into rehab bidding documents; distribute contact information directly to households within the target area.

Hennepin Vi

Vicinity Hiring:

vicinity Hiring Plan; procedures include: 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



Procedures for Preferences for Affordable Rental Dev.:

Census tracts with rental rates at the 25th percentile or above were targeted to ensure Minnesota Housing incorporated in order to give a preference to the development of affordable rental housing. In addition, target areas were limited to areas whose market is neither too “hot” nor too “cold”, but rather are moderate to slow, in order to concentrate on areas where intervention is likely to have an impact. The final target areas were examined for alignment with subrecipients corresponding stabilization plan.

Overall	This Report Period	To Date
Total Projected Budget from All Sources	\$0.00	\$5,665,883.54
Total Budget	\$0.00	\$5,665,883.54
Total Obligated	\$0.00	\$5,665,883.54
Total Funds Drawdown	\$0.00	\$5,665,883.54
Program Funds Drawdown	\$0.00	\$5,000,000.00
Program Income Drawdown	\$0.00	\$665,883.54
Program Income Received	\$0.00	\$669,945.98
Total Funds Expended	\$0.00	\$5,665,883.54
HUD Identified Most Impacted and Distressed	\$0.00	\$0.00
Other Funds	\$ 0.00	\$ 0.00
Match Funds	\$ 0.00	\$ 0.00
Non-Match Funds	\$ 0.00	\$ 0.00

Funds Expended

Overall	This Period	To Date
City of Big Lake ²	\$ 0.00	\$ 55,885.53
City of Minneapolis	\$ 0.00	\$ 1,301,538.25
City of St. Paul ²	\$ 0.00	\$ 744,640.00
Dakota County ²	\$ 0.00	\$ 768,509.89
Hennepin County ²	\$ 0.00	\$ 1,823,353.83
Minnesota Housing Finance Agency	\$ 0.00	\$ 235,000.00
Ramsey County ²	\$ 0.00	\$ 736,956.04

Progress Toward Required Numeric Targets

Requirement	Target	Projected	Actual
Overall Benefit Percentage	99.99%	.00%	.00%
Minimum Non Federal Match	\$.00	\$.00	\$.00
Overall Benefit Amount	\$5,131,482.96	\$.00	\$.00
Limit on Public Services	\$750,000.00	\$.00	\$.00
Limit on Admin/Planning	\$500,000.00	\$533,887.38	\$533,887.38
Limit on Admin	\$.00	\$533,887.38	\$533,887.38
Most Impacted and Distressed	\$.00	\$.00	\$.00
Progress towards LH25 Requirement	\$1,416,470.89		\$2,080,273.94

Overall Progress Narrative:

This report represents the submission of Minnesota Housing's NSP3 post-closeout annual report. There was little NSP3 activity that occurred during the past year. No new housing was funded through the grant and no NSP3 properties are in land bank status. All NSP3 assisted units have the appropriate mechanisms in place to ensure compliance with continued affordability period requirements. During the year, the Dakota County CDA had one NSP3 property owner sell their property during the affordability period. As required in the recapture provisions recorded against the property, a nominal amount (\$9,600) was recaptured by the Dakota County CDA and sent back to Minnesota Housing. Minnesota Housing continues to have open communication with NSP3 Subrecipients and is working to ensure that continued affordability requirements and program requirements are met. This concludes Minnesota Housing's NSP3 post-closeout annual report for the year ending 12/31/2021.



Please note: Errors related to the DRGR system prevented Minnesota Housing from submitting this report in January.

Project Summary

Project #, Project Title	This Report	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
DELETED-ACTIVITIES, DELETED-ACTIVITIES (Temporary)	\$0.00	\$0.00	\$0.00
NSP3 Big Lake, City of Big Lake	\$0.00	\$55,885.53	\$55,885.53
NSP3 Dakota, Dakota County	\$0.00	\$768,509.89	\$638,242.00
NSP3 Hennepin, Hennepin County	\$0.00	\$1,823,353.83	\$1,669,942.00
NSP3 MH, Minnesota Housing	\$0.00	\$235,000.00	\$235,000.00
NSP3 Minneapolis, City of Minneapolis	\$0.00	\$1,301,538.25	\$1,046,918.47
NSP3 Ramsey, Ramsey County	\$0.00	\$736,956.04	\$609,372.00
NSP3 St. Paul, City of St. Paul	\$0.00	\$744,640.00	\$744,640.00

