

**Grantee: Minneapolis, MN**

**Grant: B-11-MN-27-0001**

## January 1, 2019 thru March 31, 2019 Performance Report

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<b>Grant Number:</b> B-11-MN-27-0001	<b>Obligation Date:</b> 03/16/2011	<b>Award Date:</b>
<b>Grantee Name:</b> Minneapolis, MN	<b>Contract End Date:</b>	<b>Review by HUD:</b> Reviewed and Approved
<b>Grant Award Amount:</b> \$2,671,275.00	<b>Grant Status:</b> Active	<b>QPR Contact:</b> Kevin James Knase
<b>LOCCS Authorized Amount:</b> \$2,671,275.00	<b>Estimated PI/RL Funds:</b> \$117,414.61	
<b>Total Budget:</b> \$2,788,689.61		

### Disasters:

#### Declaration Number

NSP

### Narratives

#### Summary of Distribution and Uses of NSP Funds:

Eligible Uses C (Land Banking) and D (Demolition)- \$657,573. Due to the high foreclosure rates in the priority 1 and 2 areas an unusually large number of properties have been abandoned and left to deteriorate and become a problem due to lack of care and maintenance. This activity will treat 10 vacant or foreclosed blighted properties through acquisition and through demolition in Activity Number 2. These properties will be held for future redevelopment. The City has programs in place to ensure that neighborhood residents, women and minority owned businesses participate in the demolition and redevelopment of NSP properties, meeting vicinity hiring and Section 3 goals. Properties acquired and demolished will be held for a minimum of 12 months to be redeveloped at a time when the housing market is healthy and can absorb new construction homes in the area. Eligible Use E (Redevelopment) Single Family Homes-Ownership -- \$930,000 Development gap funding to be provided as a grant for the rehabilitation of 12 vacant or foreclosed single family homes for homeownership. Provide homeowner incentive (0%) of \$7,500. All households with income at or below 80% AMI will be eligible for an additional \$10,000. Households who acquire properties rehabilitated through the NSP 3 program will be required to remain as owner occupants in compliance with HOME regulations based on the amount of assistance provided to the project or direct assistance to the home buyer. Eligible Use E (Redevelopment) Rental (2+ units) -- \$188,000 Development gap funding provided as a grant for the rehabilitation of 10 rental units. As a result of the foreclosure crisis, small rental properties which have historically not been an issue have increasingly become vacant. Recognizing this problem we have made these properties a priority for development of affordable rental housing in our priority areas. This activity provides for the development of affordable rental housing and will assist in meeting the requirement that 25 % of the funds be set aside for households with incomes at or below 50% of Area Median Income. The affordability period for (5-10-15 years in compliance with HOME Regulations except in cases of new construction the affordability term will be 20 years) will be determined on the basis of the amount of NSP subsidy in each project. Standard HOME monitoring and enforcement standards apply to both single family and multifamily redevelopment. For rental development, the affordability requirements are included in the executed contract with the developers and supported by a zero interest Note and Mortgage. CPED will conduct onsite monitoring as required by HOME regulations and NSP developers will report on the continued affordability on an annual basis. Eligible Use B (Purchase Rehab) Rental (2+ units) -- \$682,000 Development gap funding provided as a grant for the rehabilitation of rental units. As a result of the foreclosure crisis, small rental properties which have historically not been an issue have increasingly become vacant. Recognizing this problem we have made these properties a priority for development of affordable rental housing in our priority areas. This activity provides for the development of affordable rental housing and will assist in meeting the requirement that 25 % of the funds be set aside for households with incomes at or below 50% of Area Median Income. The affordability pe

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#### How Fund Use Addresses Market Conditions:

As of October 5, 2012, the NSP3 priority areas were amended in the Action Plan. The change was made necessary by changing housing market conditions and original target area was expanded. A map of the new area can be found at [http://www.minneapolismn.gov/foreclosure/foreclosure\\_nsp\\_3](http://www.minneapolismn.gov/foreclosure/foreclosure_nsp_3)

Minneapolis submits a revised Minneapolis NSP3 Priority Area Map consisting of:

This activity will take place in the North Minneapolis Priority Area in the North Minneapolis Neighborhood. This area is



bounded by I-94 in the east, by 18th Avenue in the south, by Vincent Avenue in the west, and by Dowling Avenue in the north. If the market changes significantly by the time the NSP3 funds are available to implement the proposed activities, additional priority areas with the greatest need as established by the HUD mapping tool will be considered. Analysis of the data sources above with input from stakeholders including: neighborhood residents, non profit and for profit developers, philanthropic organizations, realtors, lenders, City Officials and staff.

NSP3 funds will give priority emphasis to areas of greatest need in Priority Area North Minneapolis. Based on our analysis we found that these neighborhoods have the highest percentage of home foreclosures, vacant and abandoned small rental properties (less than 8 units), the highest percentage of properties financed by subprime mortgage related loans, and have been identified as likely to face a significant rise in the rate of home foreclosures.

Low-income targeting will be met through redevelopment of affordable rental property. In Minneapolis, the program design calls for any rehabilitation of properties with two or more units to be rental. Additionally, all rental will be affordable to households with incomes at, or below 50% AMI. Minneapolis has experience addressing this, as three of the eight non-profit partners we plan to work with on NSP3 are developers that have assisted us in addressing affordable rental in NSP1 and are poised to do same in NSP2 and 3.

### **Ensuring Continued Affordability:**

The affordability period for both rental and ownership units (5-10-15 years in compliance with HOME Regulations except in cases of new construction the affordability term will be 20 years) will be determined on the basis of the amount of NSP subsidy in each project. Standard HOME monitoring and enforcement standards apply to both single family and multifamily redevelopment. For single family redevelopment, a declaration will be placed with the property. Resale will be used to preserve affordability. For rental development, the affordability requirements are included in the executed contract with the developers and supported by a zero interest Note and Mortgage. CPED will conduct onsite monitoring as required by HOME regulations and NSP developers will report on the continued affordability on an annual basis.

### **Definition of Blighted Structure:**

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 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 other 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 opinion of the director of inspections. (76-Or-102, § 1, 7-9-76; 77-Or-226, § 2, 11-10-77; 78-Or-233, § 2, 11-9-78; 79-Or-016, § 1, 1-26-79; 80-Or-181, § 1, 8-8-80; 84-Or-095, § 1, 6-15-84; 86-Or-236, § 1, 10-10-86; 91-Or-157, § 1, 8-9-91; 92-Or-110, § 2, 9-11-92; 93-Or-142, § 1, 10-1-93; 94-Or-123, § 2, 9-16-94; 2006-Or-059, § 1, 5-26-06)

### **Definition of Affordable Rents:**

Affordable rents are as defined by HOME. See the HUD established Fair Market Rents at: <http://www.huduser.org/portal/datasets/fmr.html>

### **Housing Rehabilitation/New Construction Standards:**

The rehabilitation standards meet Energy Star requirements and ASHRAE standards, will require Energy Star-46 and WaterSense labeled products as appropriate, and mitigate the impact of disasters. Rehabilitation Standards NSP HOUSING REHAB STANDARDS NOTE: All details and/or materials listed may be subject to change or deletion, as required by specific location or structure. All changes must be approved in writing by CPED Project Staff. The City of Minneapolis will adopt the following standards for all rehab projects associated with the Neighborhood Stabilization Program. These guidelines are to be used in conjunction with the minimum code associated with all permits pulled for the completion of the rehabilitation. Additionally, all developers are encouraged to perform sustainability techniques and use Energy Star products and standards. BASEMENT 1. Basement floors shall be concrete with no tripping hazards or exposed dirt. 2. Replace hazardous or unserviceable stairways 3. All structural concerns need to be addressed, including cracks and limestone foundations must be properly tuck-pointed. 4. Basement walls should be free of scaling or spalling material. Apply two coats of waterproofing. PLUMBING 1. Provide a minimum of a single laundry tub and washer bib-cocks. 2. Provide one exterior sill-cock centrally located to reach front and rear yards. 3. When the water heater needs to be replaced, install a new 40-gallon water heater in 2 bedroom homes and 50-gallon water heater in 3+ bedroom homes. 4. Sewer systems must be individual and separate from adjacent buildings / properties. If the existing sewer system is retained, it must be cleaned out to the city sewer main. Install a Clean Out, if there is no Main Clean Out. 5. Provide an exterior vent for clothes dryer through the rim joist area. If rim joist venting is not accessible, alternatives can be discussed. Window venting is not acceptable. Glass block venting may be acceptable as determined by CPED. 6. Replacement of bathtubs shall be restricted to either cast iron tubs or fiberglass tub enclosures. NO STEEL TUBS! HEATING & VENTILATION 1. If an existing heating plant will be retained, general contractor must provide written certification from a licensed heating contractor that the plant is at least 80% efficient, and the existing system meets code. All valves on radiators must be operational. 2. If replacement is required, replacement units shall be a minimum of 90% efficient and be placed on a 2" concrete pad or legs. 3. All kitchens must have a hood fan, which shall be vented to the outside where possible. Where not possible, please notify CPED at the time plans and specs are submitted for review. 4. Bathroom fans will be vented to the exterior. 5. Whole House Ventilation: Provide a low zone ceiling exhaust fan vented to the exterior, and a wall switch set for continuous half speed venting with full speed boost. ATTIC ACCESS 1. Install attic access with weather-stripping and insulate to code. Attic access must be open at final inspection for verification of insulation. ELECTRIC 1. Minimum of 100-amp service per unit. 2. Dwelling and garage must be wired to code (Note: all non-grounded to grounded type). 3. Dwelling to have a minimum of two exterior receptacles for the (1) front and (1) rear. 4. Each outside entry door to have lightg. INSULATION NOT



**Housing Rehabilitation/New Construction Standards:**

E: Order energy audit and insulate according to energy audit recommendations. In the event of any inconsistencies between the Energy Audit and these Rehab Standards, the Energy Audit shall prevail. Minimally the following standards shall apply: 1. If rim joist is accessible, insulate to R-19. 2. Insulate sidewalls, if sidewalls are enclosed insulate to R-14 with the "blow-in-blanket" system or R-13 batts to code on all exposed framing areas. 3. Insulate attic to R-44. 4. &

**Procedures for Preferences for Affordable Rental Dev.:**

Low-income targeting will be met through redevelopment of affordable rental property. In Minneapolis, the program design calls for any rehabilitation of properties with two or more units to be rental. Additionally, all rental will be affordable to households with incomes at, or below 50% AMI. Minneapolis has experience addressing this, as three of the eight non-profit partners we plan to work with on NSP3 are developers that have assisted us in addressing affordable rental in NSP1 and are poised to do same in NSP2 and 3.

**Vicinity Hiring:**

Minneapolis has great success with NSP1 with Section 3 goals and we plan to employ similar strategies to achieve vicinity hiring requirements in NSP3. Vicinity hiring requirements will be met by connecting with neighborhood organizations to get the word out in NSP3 target areas, identifying contractors that are currently on the City's Section 3 list that are located in the project area and agree to hire from the NSP3 target areas, advertising in local newspapers that cater to the target area and continue to encouraging contractors that work on NSP1 and NSP2 projects to hire from the target area. Our vicinity hiring goals are employ residents of 1) first priority NSP3 target area, 2) second priority NSP3 target areas, 3) NSP target areas, 4) City of Minneapolis Section 3 residents.

**Grantee Contact Information:**

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Overall	This Report Period	To Date
<b>Total Projected Budget from All Sources</b>	N/A	\$2,788,689.61
<b>Total Budget</b>	\$0.00	\$2,788,689.61
<b>Total Obligated</b>	\$0.00	\$2,788,689.61
<b>Total Funds Drawdown</b>	\$0.00	\$2,788,689.61
<b>Program Funds Drawdown</b>	\$0.00	\$2,671,275.00
<b>Program Income Drawdown</b>	\$0.00	\$117,414.61
<b>Program Income Received</b>	\$0.00	\$117,414.61
<b>Total Funds Expended</b>	\$0.00	\$2,788,689.61
<b>Most Impacted and Distressed Expended</b>	\$0.00	\$0.00
<b>Match Contributed</b>	\$0.00	\$0.00

**Progress Toward Required Numeric Targets**

Requirement	Target	Actual
<b>Overall Benefit Percentage (Projected)</b>		0.00%
<b>Overall Benefit Percentage (Actual)</b>		0.00%
<b>Minimum Non-Federal Match</b>	\$0.00	\$0.00
<b>Limit on Public Services</b>	\$400,691.25	\$0.00
<b>Limit on Admin/Planning</b>	\$267,127.50	\$222,804.78
<b>Limit on Admin</b>	\$0.00	\$222,804.78
<b>Most Impacted and Distressed Threshold (Projected)</b>	\$0.00	\$0.00
<b>Progress towards LH25 Requirement</b>	\$697,172.40	\$1,347,184.20

**Overall Progress Narrative:**



City of Minneapolis staff are preparing the final reconciliation between NSP1/2/3 and our State NSP funds. NSP3 in particular is nearly complete and staff hopes to closeout the grant next quarter. Staff intends to request the closeout package within the next month.

## Project Summary

Project #, Project Title	This Report	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
1, Demolition and Landing Banking for Future	\$0.00	\$788,405.35	\$769,018.36
2, Redevelopment-Single+Family+Homes-Ownership	\$0.00	\$907,479.48	\$809,451.86
3, Redevelopment Rental (2+ units)	\$0.00	\$188,000.00	\$188,000.00
4, NSP3 Administration	\$0.00	\$222,804.78	\$222,804.78
5, PurchaseRehabRental<50%AMI	\$0.00	\$682,000.00	\$682,000.00



