

Minneapolis Program Description - Strategies for Stabilization

Target Area

The Hawthorne Eco Village Cluster was selected because of existing strategic development such as the Northside Home Fund Cluster Developments that removed the blighting influence of more than 100 properties. The City acquired and demolished previously boarded and vacant properties in the clusters, and worked with property owners to bring their buildings up to code for re-sale to stable owner-occupants. Crime decreased in all of the active clusters. Overall conditions were right in the selection of this target which includes NSP1 and anticipated NSP2 investments. Minneapolis' NSP3 direct funds will likely also focus rehabilitation and redevelopment in and around the Northside Cluster Developments. Public transportation is within one or two blocks of the target area. There are numerous employment opportunities in the area, with 700 total businesses, 9,010 total employees, and an employee to residential population ratio of 43% within a one mile radius of the Eco Village.

The August 2012 Substantial amendment reallocates \$266,114.47 (remaining Big Lake funds) to the City of Minneapolis for the redevelopment of four properties, two rehabilitations and two new construction. Additional administrative funds are reallocated from the state's balance to maintain the six percent ratio originally designated in their grant. The additional administrative costs added to the grant equals \$15,000 resulting in a total administration fund of \$63,149.67. The City's new grant total under this amendment now equals \$1,046,918.47. Included also is the expansion of their target area to improve their selection options. The target area also known as the Hawthorne neighborhood, one of the hardest foreclosure-impacted areas, is characterized as a dense metro area with high concentration of foreclosures and multiple demolitions. This reallocation increases the city's NSP3 unit count from 12 to 16 (four rentals and 12 homeownership units), which will continue the stabilization work already in progress in this neighborhood. The estimated number of properties needed to make an impact is 13, already met with layered investments from NSP1, NSP2, CDBG, HOME, Met Council and other local sources. The City will contract these funds through their developer Project for Pride in Living (PPL). It is anticipated that at least two of the homes will be completed prior to the March 2013 expenditure deadline. The City is scheduled to reach their 70% expenditure level by January of 2013.

Additional Local Assets

- **Commercial development** - The market in the Eco Village will continue to prosper as new residents move in.
- **Improve safety** - The Hawthorne Eco Village public safety collaboration between residents, developers, and City housing development, regulatory services and police department staff is award winning. This partnership continues in the EcoVillage and surrounding neighborhoods. Removal of boarded and vacant properties (which harbor illegal activity such as prostitution and drug activity) combined with targeted redevelopment in high crime areas contributed to a decrease in crime on the north side. Total Part One Crime is down 39.5% year to date (compared to City Wide rate 17.11%), and total Property Crime is down 33.77% year to date (compared to City Wide rate 10.18%).
- **Schools/Parks** - Located within the Hawthorne Eco Village area is Fairview Park and Nellie Stone Johnson Elementary school with over 664 students.

- **Improve landscaping, sidewalks and medians** - NSP developers follow Minnesota Green Communities criteria for landscaping and sidewalks. The Hawthorne EcoVillage is the site of the Home Depot sponsored tree trust and benefits by the availability of the tree farm.
- **Engage citizens in neighborhood stabilization** - The Hawthorne Area Community Council is a strong organization with active participation from all residents in the EcoVillage in promoting neighborhood stabilization.

Partners

Minneapolis' non-profit community development partners include: Alliance Housing, City of Lakes Community Land Trust, Greater Metropolitan Housing Corporation, Northside Neighborhood Housing Services, Powderhorn Residents Group, Twin Cities Habitat for Humanity, Project for Pride in Living, and Urban HomeWorks. They are experienced and have the capacity needed to execute the rehabilitation and redevelopment activities of NSP. The Twin Cities Community Land Bank acts as an intermediary in acquiring properties through the First Look Program.

Secured Leverage

Minneapolis set aside \$50,000 for downpayment assistance and closing costs in the City of Minneapolis Advantage program. The City has access to funds for acquisition and interim construction financing from the Twin Cities Community Land Bank in the amount of \$1,000,000. The City of Minneapolis is also self funding with 0% interest on interim construction in the amount of \$360,000, up to \$40,000 per unit. The city anticipates additional redevelopment funding from Hennepin County's interim financing program in the amount of \$200,000 and further anticipates to self fund temporary financing for redevelopment in the amount of \$200,000.

Subsidy

The subsidy anticipated per unit is \$60,000.

Resale/Recapture

Either a declaration of restrictive covenants for rental properties or a promissory note and mortgage recapture model for homeownership will be placed with the property as the continuing affordability mechanism. Recapture is the preferred model, but resale may be used. It would depend on whether the City finds that a land trust model may be a better choice in the sale of a homeownership unit, or whether they want to ensure long term affordability in a rental unit. Otherwise, the City will most likely use the recapture option.

Low Income (Below 50% AMI)

Home buyers participate in Homestretch homebuyer education; many lower income households receive assistance from BuildWealth Minnesota in achieving long term financial stability. Contract for deed is available as one additional tool for low income buyers, currently offered through the Greater Metropolitan Housing Corporation and Urban HomeWorks.

NSP Financing: The CityLiving program and other financial incentives are available based on individual household need, as determined by housing finance experts at the Housing Resource Center.

Vicinity Hiring

Procedures for vicinity hiring 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.

Marketing Plan

The marketing of the properties are the responsibility of the developers. The City will play a supporting role to developers implementing their marketing strategies:

- Conduct monthly meetings with realtors familiar with the target market to assist/support the developers' marketing strategies.
- Engage Build Wealth, Inc. in identifying ready families for ownership.
- Launched LiveMSP.org, an online resource for residents and home buyers in Minneapolis and St. Paul, specifically to promote homeownership in urban neighborhoods hardest hit by foreclosure.
- Three of the six ownership housing developers have homebuyer workshops and each of them market their units through that medium. Two of the six (Habitat and City of Lakes Community Land Trust) have their own programs to identify buyers. The last, Urban Homeworks, has a successful contract for deed program that has buyers already identified.
- The developers doing rentals are not having problems with lease ups.