

Minneapolis approves \$15.4-Million Foreclosure Plan with Economic-Recovery Funds

Written by

Thursday, 18 March 2010 14:47

Minneapolis Mayor R.T. Rybak last week approved a spending plan passed by the City Council to use \$15,424,156 in federal Neighborhood Stabilization funds to continue work underway to stabilize and rebuild communities heavily affected by mortgage foreclosures. The funds come from the American Recovery and Reinvestment Act of 2009.

The City submitted an application for Neighborhood Stabilization Program funding as lead applicant in a consortium with Hennepin County and the City of Brooklyn Park, receiving \$19,455,156 in funds. Allocations include \$2,344,000 for the City of Brooklyn Park and \$1,687,000 for Hennepin County. The U.S. Department of Housing and Urban Development (HUD) approved the Minneapolis consortium's foreclosure-recovery plan earlier this month.

"Once again, the Obama administration has come through," Rybak said. "These much-needed funds will help us further stabilize neighborhoods that have been hit hard by the foreclosure crisis, both by reinvesting in property and infrastructure, and by assisting our ongoing efforts to rebuild a healthy housing market."

Rybak continued, "We're also very pleased that the administration recognized the importance of our collaboration with Hennepin County and Brooklyn Park. We look forward to continuing to work with them."

"We are seeing results of the first round of NSP funding in our neighborhoods throughout the City," said Council President Barbara A. Johnson (Ward 4). "New neighbors are moving into homes that were once shuttered and in poor condition and are now the gems on the block, all thanks to the economic-recovery funding and the City's great partnerships with nonprofit developers who have worked with us to restore these homes and a healthy housing market," she added.

The \$15.4 million plan adopted by Rybak and the City Council is focused around purchasing, redeveloping, and rehabilitating foreclosed properties. It is estimated that in the next three years, NSP funding will provide for the financing of 70 homes, rehabilitation of 54 units, acquisition and demolition of 56 blighted properties, and redevelopment of 80 properties.

"The Neighborhood Stabilization Program is a key component of the Minneapolis Foreclosure Recovery Plan," said Tom Streitz, Director of Housing Policy and Development, City of Minneapolis. "This funding is targeted to provide strategic and timely intervention to stimulate the marketplace and restore a healthy housing market as quickly as possible," he added.

The City received \$14 million in funding from the Housing and Economic Recovery Act of 2008 to help state and local governments respond to rising foreclosures and falling home values. Half of the funding is currently expended and the remaining balance will be spent by September 2010.

Spending plan

- \$1.5 million will establish downpayment and closing-cost assistance to meet the affordability gap in homeownership opportunities for homebuyers; expand homeownership incentives and promote Minneapolis neighborhoods in preparing the housing market for a rebound.

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- \$3.5 million will be used for development gap financing to non-profit developers to cover the difference between the cost of purchase and rehab of a foreclosed and/or abandoned single family home or rental property. These units will be primarily rental.
- \$2.6 million will be used to acquire foreclosed or abandoned properties that cannot be rehabbed due to cost or condition, demolish them and hold them as vacant parcels and land bank until the market is ready to absorb new development. The City will continue to pursue a partnership with the Twin Cities Community Land Bank to facilitate the acquisition and holding of blighted properties.
- \$1 million will be used for demolishing blighted foreclosed or abandoned properties that cannot be rehabbed due to cost or condition acquired in the land banking activity.
- \$5.2 million will support the redevelopment of demolished or vacant properties. These units will be primarily for homeownership.
- \$1.6 million will cover program administration costs for the City of Minneapolis Departments of Community Planning and Economic Development, Finance and Intergovernmental Relations.