

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

10-0200R

RESOLUTION AUTHORIZING THE ACCEPTANCE OF AN ADDITIONAL \$385,000 IN NEIGHBORHOOD STABILIZATION PROGRAM (NSP) FUNDING FROM MINNESOTA HOUSING FINANCE AGENCY AND AUTHORIZING A FIRST AMENDMENT TO THE NSP GRANT AGREEMENT WITH NORTHERN COMMUNITIES LAND TRUST.

CITY PROPOSAL:

RESOLVED, that the city council hereby accepts an additional \$385,000 in neighborhood stabilization program (NSP) funds from the Minnesota housing finance agency and authorizes proper city officials to enter into an amendment to the NSP grant agreement increasing the total grant award to \$1,985,000, and that proper city officials are authorized to enter into a first amendment to the Northern Communities Land Trust NSP grant agreement, Contract No. 20896, Resolution No. 09-0228, increasing the amount awarded to the Northern Communities Land Trust (NCLT) by \$385,000.

Approved:

Approved for presentation to council:

Department Director

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

CD KAH:KO:jle 4/15/2010

STATEMENT OF PURPOSE: This resolution authorizes the city to accept additional neighborhood stabilization program (NSP) grant funds from the state of Minnesota to be used to acquire and rehabilitate foreclosed homes, and to increase by that amount the city's existing NSP contract with the Northern Communities Land Trust (NCLT).

In 2008, Congress enacted the Housing and Economic Recovery Act (HERA), part of which authorized a special community development block grant allocation to be used to redevelop abandoned and foreclosed homes in neighborhoods hard hit by the foreclosure crisis. Minnesota received \$38.8 million of the federal NSP dollars to distribute throughout the state. The city of Duluth applied for, and was awarded, \$1.6 million of this allocation. The goal of Duluth's NSP program was to acquire and rehabilitate 16 properties in areas located in West Duluth, Lincoln Park, and the Central and East hillsides.

The city entered into contracts with NCLT and the Duluth housing and redevelopment authority (HRA) to carry out program activities. The HRA has a goal of acquiring, rehabilitating and reselling five units, and to date has acquired and is rehabilitating four houses. Of the NCLT's goal of 11 units, NCLT has acquired ten houses, is in the process of rehabilitating eight of these units, and has completed and sold two properties to income eligible home buyers. With the additional NSP allocation, NCLT will complete another four units, for a total goal of 15 NSP units.

One of the stipulations under HERA is to have all NSP funds obligated to units by September 20, 2010. The state of Minnesota awarded funds to 21 cities and counties, some of which have had difficulty implementing their projects. In March, the Minnesota housing finance agency evaluated NSP projects and determined some will be unable to obligate all of their funds by the September deadline. Therefore, the state is reallocating funds at this time. Because Duluth's obligation rate is high, and NCLT has demonstrated an ability to obligate funds to another four units this summer, the state is reallocating \$385,000 in additional NSP funds to the city.