DRAFT 11/05/08

City of Saint Paul
Neighborhood Stabilization Program (NSP) and Rebuilding Plan

(Housing and Economic Recovery Act of 2008 Funds)

A Component of the Invest Saint Paul Initiative

Prepared by:
City of Saint Paul
Department of Planning and Economic Development in collaboration with
Community Development Corporations, District Councils and Residents

Invest Saint Paul

A new way of thinking about neighborhood reinvestment

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City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan

About the Neighborhood Stabilization Plan (HERA – Housing and Economic Recovery Act 2008)

Congress passed and the President signed the Housing and Economic Recovery Act of 2008 that allowed the U.S. Department of Housing and Urban Development (HUD) to provide a one-time $3.92 billion source of CDBG funds for emergency assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. The City of Saint Paul was allocated $4.3 and $38.8 million was awarded to the State of Minnesota for further distribution.

Funds under HUD's program may be used for neighborhood stabilization grants to acquire land and property; to demolish or rehabilitate vacant properties; and/or to offer down-payment and closing costs assistance to low- to moderate-income homebuyers (household not to exceed 120% of area median income). In addition, grantees may create "land banks" to assemble, temporarily manage, and dispose of vacant land for the purpose of stabilizing neighborhoods and encouraging re-use or redevelopment of urban property.

The following Neighborhood Stabilization Program and Rebuilding Plan outlines how the City of Saint Paul will utilize NSP funds to further the goals outline in the Invest Saint Paul work plan approved by the Saint Paul Housing and Redevelopment Authority (HRA) board on August 8th 2007.

About Invest Saint Paul

In April of 2007, Mayor Chris Coleman launched Invest Saint Paul as a key initiative to bring all the necessary and needed stakeholders committed to promoting, supporting and helping people grow viable and sustainable communities. Invest Saint Paul is not just another program. It's a new comprehensive way of thinking about neighborhood reinvestment to make Saint Paul *"The Most Livable City in America."*

Invest Saint Paul is the City's version of a "full court press" in which local government teams up with a variety of public and private partners to direct existing resources and energy toward a set of neighborhood goals in a focused and strategic way.

Grassroots action is the hallmark of Invest Saint Paul. In each of the four neighborhoods, residents and business owners have assessed their community's strengths and weaknesses. The findings have resulted in a coordinated effort that focuses improvements in the following areas: 1. jobs, workforce and neighborhood economic development; 2. urban environment and transit; 3. education, children, youth, families health; and 4. improved housing, overall quality of life.

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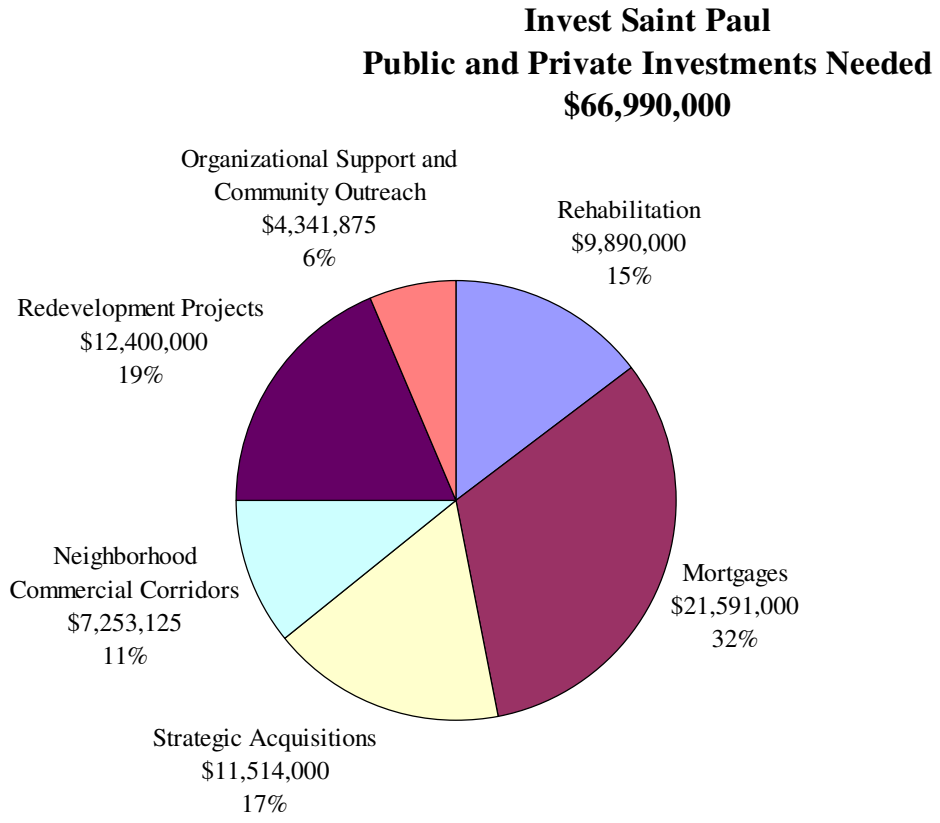
City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan

Overview of the Proposed Planning and Economic Development ISP Work Plan

On August 8th 2007, the Saint Paul Housing and Redevelopment Authority (HRA) board approved the Invest Saint Paul (ISP) Planning and Economic Development work plan and proposed budget of over $66 million. The HRA board approved $17 million of Sales Tax Revitalization (STAR) funds to "jumpstart" the work plan and rebuild neighborhoods hardest hit by the decline of the housing market and foreclosure crisis.

The $66 million dollar proposed budget and was broken up into six areas of focus. In order to meet the goals outlined in the work plan additional sources of funding are needed to supplement the original $17 million from STAR. The financial resources provided by the Housing and Economic Recovery Act Neighborhood Stabilization Program is one example of how strategic programs can help achieve the overall goals of Invest Saint Paul.



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City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan 2009

4000 Estimated 2009 Vacant & Foreclosed Properties in Saint Paul

Note: Per DSI as of September 2008 there were 1812 Foreclosed and 2226 vacant properties.

Mortgage Foreclosure Prevention Program

NSP Funds: $4.3M

Depart of Safety and Inspections Est. Demo
(90 Properties*)

NSP PLAN
City of Saint Paul/HRA
89 Properties Acquired**
(+/- $4.3M subsidy required)

Acquire, Demo, Hold
30 Properties
($1.05M required)

Acquire and Land Bank
29 Properties
($1.45M required)

Acquire and Pass Through for Development
30 Properties
($1.8M required)

National Community Stabilization Trust* Coordinated Developers**
(200 Properties)

For-Profit Non-Profit Developers
(100 Properties)

New Purchasers
(100 Properties)

St. Paul Home Loan Fund New Purchases**
(40 Properties)

Market
3621

NSP: 89 of 4000 = 2.2% of Market

Note: The number of vacant and foreclosed homes on the market is a ever changing. As some are reoccupied others are being added back into the market. Additional funds are needed to acquire additional homes. It is also imperative that we secure funds for mortgage loan products in order to reoccupy the homes we have acquired.

* There will be an additional 90 (7.5 per month) tear downs through the City Enforcement funds for 2009 (DSI estimate).

** Total properties acquired will be negotiated through the NCST.

*** Assumption is that NCST loans the City funds to acquire 200 properties, City markets them Developers who will pay the acquisition and holding costs which we pay back to NCST.

****Assumes market conditions improve and bonds are sold in 2009.

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City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan Overview

NSP Funds: $4.3M

Coordinated Plan	2008	2009	2010	2011	2012	2013	Combined
Properties Acquired Under Invest Saint Paul Acquire and Land Bank (some Demo) Acquire and Process for Rehab Acquire for Site Assembly Acquire for Commercial Corridor Development	60	0	0	0	0	0	60
Properties Addressed by City Enforcement Funds Demo **(January – September 2008)** Reoccupied – 602 New Vacant – 1019	94	90*					184
Properties Requiring HERA Funds Acquire, Demo and Hold Acquire and Land Bank Acquire and Pass Through for Development		30 29 30					89
Properties Not Requiring HERA Funds National Community Stabilization Trust		200					200
Total Properties through Coordinated Program	**150**	**379**					**533**

Assumptions:
- *City continues to fund DSI in normal budget process to demolish 90 vacant properties per year.
- HRA may assign other sources of funding for acquisition to continue.
- HERA funds are a one time infusion of funds.
- The City's Single Family Mortgage Program assists individuals in the purchase and rehabilitation of vacant/foreclosed properties.
- Secure funding through NCST to purchase vacant properties and convey to private parties working with outside lending agencies to rehab, demo.
- That the city can issue Single Family Mortgage bonds to provide financing for purchase and rehab.

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City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan 2009-2010

4000 Estimated 2009 Vacant & Foreclosed Properties in Saint Paul

Note: As of September 2008 there were 1812 Foreclosed and 2226 vacant properties.

Mortgage Foreclosure Prevention Program

State Proposal for additional NSP Funds: $15M

Depart of Safety and Inspections Est. Demo
(90 Properties*)

NSP PLAN
City of Saint Paul/HRA
258 Properties Acquired**
(+/- $15M subsidy required)

Acquire, Demo, Hold
69 Properties
($2.6M required)

Acquire and Land Bank
85 Properties
($5M required)

Acquire and Pass Through for Development
104 Properties
($7.3 required)

National Community Stabilization Trust* Coordinated Developers**
(200 Properties)

For-Profit Non-Profit Developers
(100 Properties)

New Purchasers
(100 Properties)

St. Paul Home Loan Fund New Purchases**
(40 Properties)

Market
3452

NSP: 258 of 4000 = 6.5% of Market

Note: The number of vacant and foreclosed homes on the market is a ever changing. As some are reoccupied others are being added back into the market. Additional funds are needed to acquire additional homes. It is also imperative that we secure funds for mortgage loan products in order to reoccupy the homes we have acquired

* There will be an additional 90 (7.5 per month) tear downs through the City Enforcement funds for 2009 (DSI estimate).

** Total properties acquired will be negotiated through the NCST.

*** Assumption is that NCST loans the City funds to acquire 200 properties, City markets them Developers who will pay the acquisition and holding costs which we pay back to NCST.

****Assumes market conditions improve and bonds are sold in 2009.

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City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan Overview

State Proposal for additional NSP Funds: $15M

Coordinated Plan	2008	2009	2010	2011	2012	2013	Combined
Properties Acquired Under Invest Saint Paul	60	0	0	0	0	0	60
Acquire and Land Bank (some Demo)							
Acquire and Process for Rehab							
Acquire for Site Assembly							
Acquire for Commercial Corridor Development							
Properties Addressed by City Enforcement Funds							
Demo	94	90*					184
(January – September 2008)							
Reoccupied – 602							
New Vacant – 1019							
Properties Requiring HERA Funds							
Acquire, Demo and Hold		39	30				258
Acquire and Land Bank		55	30				
Acquire and Pass Through for Development		54	50				
Properties Not Requiring HERA Funds							
National Community Stabilization Trust		200					200
Total Properties through Coordinated Program	**154**	**438**	**110**				**702**

Assumptions:

- *City continues to fund DSI in normal budget process to demolish 90 vacant properties per year.
- HRA may assign other sources of funding for acquisition to continue.
- HERA funds are a one time infusion of funds.
- The City's Single Family Mortgage Program assists individuals in the purchase and rehabilitation of vacant/foreclosed properties.
- Secure funding through NCST to purchase vacant properties and convey to private parties working with outside lending agencies to rehab, demo.
- That the city can issue Single Family Mortgage bonds to provide financing for purchase and rehab.

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City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan 2009 - 2010

4000 Estimated 2009 Vacant & Foreclosed Properties in Saint Paul

Note: As of September 2008 there were 1812 Foreclosed and 2226 vacant properties.

Mortgage Foreclosure Prevention Program

Combined State and City NSP Funds: $19.3M

Depart of Safety and Inspections Est. Demo
(90 Properties*)

NSP PLAN
City of Saint Paul/HRA
347 Properties Acquired**
(+/- $19.3M subsidy required)

Acquire, Demo, Hold
99 Properties
($3.7M required)

Acquire and Land Bank
114 Properties
($6.5M required)

Acquire and Pass Through for Development
134 Properties
($9.1M required)

National Community Stabilization Trust***
Coordinated Developers
(200 Properties)

For-Profit Non-Profit Developers
(100 Properties)

New Purchasers
(100 Properties)

St. Paul Home Loan Fund New Purchases****
(40 Properties)

Market 3363

NSP: 347 of 4000 = 8.7% of Market

Note: The number of vacant and foreclosed homes on the market is a ever changing. As some are reoccupied others are being added back into the market. Additional funds are needed to acquire additional homes. It is also imperative that we secure funds for mortgage loan products in order to reoccupy the homes we have acquired

* There will be an additional 90 (7.5 per month) tear downs through the City Enforcement funds for 2009 (DSI estimate).

** Total properties acquired will be negotiated through the NCST.

*** Assumption is that NCST loans the City funds to acquire 200 properties, City markets them Developers who will pay the acquisition and holding costs which we pay back to NCST.

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City of Saint Paul Neighborhood Stabilization Program and Rebuilding Plan Overview

Combined State and City NSP Funds: $19.3M

Coordinated Plan	2008	2009	2010	2011	2012	2013	Combined
Properties Acquired Under Invest Saint Paul	60	0	0	0	0	0	60
Acquire and Land Bank (some Demo)							
Acquire and Process for Rehab							
Acquire for Site Assembly							
Acquire for Commercial Corridor Development							
Properties Addressed by City Enforcement Funds							
Demo	94	90*					184
(January – September 2008)							
Reoccupied – 602							
New Vacant – 1019							
Properties Requiring HERA Funds							
Acquire, Demo and Hold		69	30				347
Acquire and Land Bank		84	30				
Acquire and Pass Through for Development		84	50				
Properties Not Requiring HERA Funds							
National Community Stabilization Trust		200					200
Total Properties through Coordinated Program	**154**	**527**	**110**				**791**

Assumptions:

- *City continues to fund DSI in normal budget process to demolish 90 vacant properties per year.
- HRA may assign other sources of funding for acquisition to continue.
- HERA funds are a one time infusion of funds.
- The City's Single Family Mortgage Program assists individuals in the purchase and rehabilitation of vacant/foreclosed properties.
- Secure funding through NCST to purchase vacant properties and convey to private parties working with outside lending agencies to rehab, demo.
- That the city can issue Single Family Mortgage bonds to provide financing for purchase and rehab.

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Other PED Programs Under Invest Saint Paul

Foreclosure Prevention and Mitigation

Mortgage Foreclosure Prevention Program
Foreclosures continue to rise across the country and the City of Saint Paul has responded by increasing its resources available to residents through the *Mortgage Foreclosure Prevention Program*. In Saint Paul, our primary concern is preventing foreclosure and keeping residents in their homes. The City of Saint Paul's Mortgage Foreclosure Prevention program has served over 1223 households since April of 2007.

Preventing future foreclosures is the single most cost effective measure the city can take to address the housing crisis and endure the stability of our neighborhoods. Funding and partnerships outside of the budgeted work plan have been able to provide residents easier access to foreclosure assistance, educational opportunities, and counseling services. Foreclosure prevention and mitigation activities have become a key component in ensuring the success of the ISP Initiative and its goal of improving the quality of life in our neighborhoods.

The City's staff work with homeowners to assess their immediate needs and look at options to prevent foreclosure. For Saint Paul homeowners facing foreclosure, housing counselors:

- Provide education about the foreclosure process and legal timelines
- Provide financial and budget counseling services
- Work with the homeowner's lender to evaluate possible foreclosure solutions
- Make referrals to community resources
- Provide one-time loans to cure default (available on a case-by-case basis)

Rebuilding Viable and Sustainable Neighborhoods

National Community Stabilization Trust
Four national organizations (Enterprise Community Partners, the Housing Partnership Network, the Local Initiatives Support Corporation, and NeighborWorks America) are working together and propose to establish a National Community Stabilization Trust (NCST).

The Trust selected Minneapolis Saint Paul as a pilot area to do a case study due to their efforts to coordinate the acquisition or transfer of real estate owned (REO) properties from lenders, loan servicers, investors and GSEs nationwide and work through local organizations, in collaboration with state and local governments, to return the properties to the stock of rental and ownership housing available primarily for low- and moderate-income families.

The Minnesota Foreclosure Partners Council and several of its members including the cities of Minneapolis and Saint Paul, the Family Housing Fund (FHF), Greater Metropolitan Housing Corporation (GMHC), Dayton's Bluff Neighborhood Housing Service (DBNHS) and LISC will take responsibility for partnering with the National Community Stabilization Trust to advance this work.

The organizations will fulfill three roles
- Coordination with the national lenders and servicers.
- Coordination with the developers, neighborhoods and government agencies.
- Providing financing to support the acquisition and rehabilitation of properties.

Other PED Programs Under Invest Saint Paul

Rebuilding Viable and Sustainable Neighborhoods Continued

The City of Saint Paul's work with National Lenders
Mayor Chris Coleman and the City Council retained the services of Mark Ireland of Housing Preservation Project, Inc. (HPP) as special counsel to explore and recommend various legal strategies for dealing with the foreclosure crisis. Cities not only lose significant money in property taxes on foreclosed and vacant homes, but the properties drain budget reserves because of the costs to board the homes, to increase police and fire-fighting intervention, and, in some cases, to demolish the houses. None of these costs are likely to be recovered through tax assessments in a depressed housing market.

Not unlike other cities, Saint Paul has found that a there is a small percentage of owners, mainly lenders, who control a majority of the vacant properties. The City Attorney's Office issued a letter to all property owners in violation of City ordinance outlining legal options the City is prepared to take to ensure that these foreclosed properties are safe, secure, and remain assets to the neighborhoods. The letter resulted in face to face meetings with each of the lenders to discuss options for joint solutions to the foreclosure epidemic.

Minnesota Foreclosure Partners Council
The Minnesota Foreclosure Partners Council (MFPC) convened in 2007 and co-chaired by Saint Paul PED Director Cecile Bedor and Greater Minnesota Housing Fund's Executive Warren Hanson, is leading Minnesota's effort in addressing the foreclosed vacant housing issues. The MFPC has led a coordinated response to the mortgage foreclosure crisis that emphasizes foreclosure prevention as the most cost-effective strategy, shaped a 2008 legislative agenda giving homeowners, renters and local governments additional tools to respond effectively to the risk of foreclosure, and is spear-heading essential neighborhood recovery efforts.

Multi-city Working Group
The Saint Paul City Attorney's office is participating with counterparts in other cities to address the pressing issues created by the tsunami of foreclosures affecting our country. So, far 20 cities have expressed interest in participating in a working group on mortgage foreclosures to help coordinate municipal interests, provide a forum for communication and strategic action and increase leverage capacity for all participants.

Promoting and Supporting Growth

Mortgage Incentive Programs
This past July, the HRA approved $625,000 in funding for Reserve Accounts that will be used to leverage private dollars for two new mortgage incentive programs, the Bridge to Success and the Sustainable Home Ownership Program "SHOP". Both programs were designed to help stabilize targeted ISP neighborhoods by providing current home owners with the option to refinance out of adjustable rate mortgages and an incentive for people to purchase vacant or foreclosed properties.

An additional $1 million was awarded to Saint Paul Home Loan Fund to be dispersed through the CityLiving Special Assistance Program as an incentive to those people purchasing vacant or foreclosed homes with down payments and closing costs.

Other PED Programs Under Invest Saint Paul

Promoting and Supporting Growth Continued

Strategic Acquisition and Healthly/Green/Marketability Improvement Program

The City of Saint Paul was recently awarded an additional $800,000 from MHFA for Strategic Acquisition for targeted Invest Saint Paul and to provide grants to homeowners purchasing vacant/foreclosed properties up to $30,000 to remove asbestos and mold and invest in green energy improvements. The Healthy and Green grants will impact the marketability of properties and assist families in lowering their utility costs. They will also provide additional opportunities for growth in green industry.

Minneapolis Saint Paul Home Tour

Living in the city makes sense from economic and environmental perspectives. Through the Invest Saint Paul initiative the City has focused our neighborhood improvement efforts on enhancing livability and promoting sustainability. For the past 21 years, the Minneapolis Saint Paul Home Tour has been a valuable tool in showcasing the benefits of an urban lifestyle. From the tour's inception, homeowners have been the focus. For many they remodeled to suit their families' needs because they did not want to leave the neighborhood they love - the people, the diversity, the businesses within walking distance, the parks, lakes and rivers, schools, libraries, arts and entertainment. The enthusiasm, pride and commitment that these homeowners have for their neighborhoods is the most valuable kind of advertising there is. For more information on this years Minneapolis Saint Paul Home Tour visit www.msphometour.com.

Dayton's Bluff Vacant Home Tour

This past May the Dayton's Bluff Community Council (DBCC) sponsored their first Vacant Home Tour as a way to promote the housing opportunities that are available due to of the current foreclosure crisis. 300 people attended the tour and eight of the ten homes featured on the tour have since sold. Due to the success of the first tour and the large number of vacant home in the area, the DBCC held another tour this Fall on October, 26th.

LIVE Minneapolis Saint Paul

Live Minneapolis Saint Paul is an informational marketing program funded by the Family Housing Fund that focuses on recruiting new residents and retaining current residents, at every socio-economic level, in all of the neighborhoods of Minneapolis and Saint Paul. Components of the program include:

- **LiveMinneapolisSaintPaul.org:** A well-designed website will provide extensive, fresh, and local information about living in the neighborhoods of Minneapolis and Saint Paul.
- **Bi-monthly e-newsletter:** An e-newsletter will go out to subscribers 6 times/year and feature timely information about city living and other community events, recent press about the cities, and a featured neighborhood from each city.
- **I love Minneapolis-Saint Paul Ambassadors**: Are individuals who love living in city neighborhoods and who are willing to sign up to share their experiences with others considering a move to their neighborhood.
- **"Selling the City" course for Realtors:** Developed in partnership with city agencies and local housing non-profits, this course will focus on educating Realtors about relevant neighborhood mortgage assistance and home improvement programs as well as touch on the latest exciting city development projects (e.g. new libraries, new mixed use projects, new park facilities, etc.) Live MSP and its partners will pursue Continuing Education credits for the course to make it more valuable for participants.

Invest Saint Paul Funding Overview as of 10/22/08

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ISP Budget and other Sources of Funding									
Focus Area	**ISP STAR Approved Funding**	**ISP Actual**	**HOME**	**MHFA**	**CDBG**	**FHF**	**Private/ Non-Profit**	**Focus Area Total**	**Estimated Work Plan Budget**
Organizational Support/Community	$0				$100,000			$100,000	$4,341,875
Rehabilitation • Handcock •Greater Frogtown CDC • MHFA Match •TRA Pilot Program	$1,500,000	 $80,000 $75,000 $195,000 $1,100,000	 $300,000					$1,750,000	$9,890,000
Mortgage/Financing • SHOP and Make It Possible •Flexible Homebuyer Assist. Funds •Flexible Homeowner Rehab Funds	$3,000,000	 $625,000 $350,000 $500,000	 $350,000 $350,000			$3,250,000		$5,425,000	$21,591,000
Strategic Acquisition • Neighborhood Stabilization Program • National Community Stabilization • Acquisition • Match for MHFA Award • District 1 & 2 • Acquisition • Other Sources	$4,000,000	 $3,175,000 $500,000 $300,000 $25,000	 $250,000	 $500,000	$4,300,000 TBD			$9,050,000	$11,514,000
Neighborhood Comm. Corridors • Acquisition • DSI Funding for Demolition • Flexible Rental Rehab. Funds • Commercial Corridor Organization • Other Sources	$4,500,000	 $1,850,000 $640,000 $500,000 $16,500		 $770,000			 $200,000 $150,000	$4,126,500	$7,253,125
Redevelopment Projects • Smith Development Project • Pre-development Costs • Winnipeg Project	$2,000,000	 $50,000 $100,000	 $600,000		 $2,600,000			$3,350,000	$12,400,000
Supportive Housing • Project Assistance	$2,000,000	 $775,000					 $469,897	$1,244,897	
Totals	**$17,000,000**	**$10,712,500**	**$1,850,000**	**$1,270,000**	**$7,000,000**	**$3,250,000**	**$819,897**	**$25,046,397**	**$66,990,000**