

City of Saint Paul, Minnesota
Application for Neighborhood Stabilization Program 3 funding

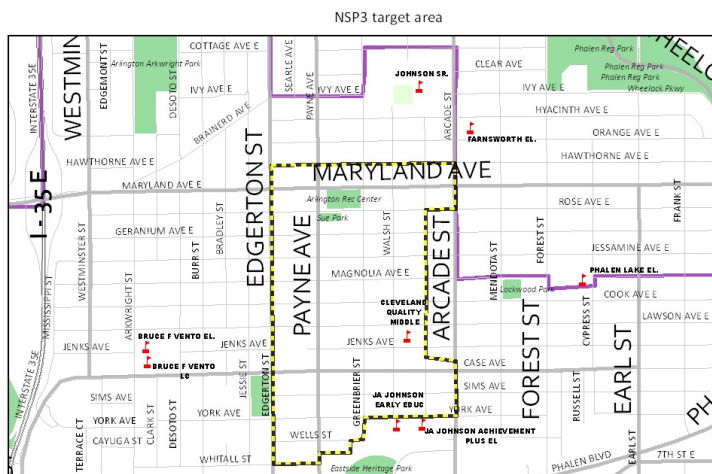
PROGRAM SUMMARY

The City of Saint Paul has received notification of an allocation of Neighborhood Stabilization Program 3 (NSP3) funding in the amount of \$2,059,877 from the Department of Housing and Urban Development under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The City is proposing an ambitious but achievable work plan, which will result in real, measurable, positive outcomes within a concentrated area.

The NSP3 Target Geography has been selected in a manner that will allow NSP3 activities to holistically build upon and leverage the successes of recent and current neighborhood stabilization efforts undertaken by the City: the Invest Saint Paul Initiative, NSP1 and NSP2. These are significant, comprehensive endeavors for which efficient staff and process infrastructure are already in place. The city has the capacity to carry out the proposed volume of stabilization activities.

Though relatively small (roughly 52 blocks), the selected Saint Paul NSP3 Target Geography has one of the higher rates of foreclosures as compared to other target areas considered. It was estimated that 1 out of every 5.4 residential units were vacant or foreclosed during 2009 and 2010. The selected geography encompasses two target geographies identified during an analysis completed for the City's NSP2 application that analyzed need based on the rate of vacancies and foreclosures and identified stabilizing assets within the community. This neighborhood was one of the first to be hit by the housing collapse starting in 2006. Investor foreclosures started initially, and have been more recently followed by many single family homeowner foreclosures. There are several blighted properties in the area that either will require substantial rehabilitation or should be demolished.



The NSP3 Target Geography is bounded by Hawthorne, Edgerton, Whitall, Arcade, the alley north of Case, Weide, Rose and Arcade. It is located in Ward 6 and Planning District 5.

Within the selected target geography, the city proposes to use NSP3 funds to rapidly arrest the decline, then stabilize this neighborhood and position it for a sustainable role in a revitalized community. Measureable short term outcomes will include, but not be limited to: arresting decline in home values based on average sales prices in the target area; reducing or eliminating vacant and abandoned residential property within the target area; and controlling the future outcomes of key properties. The long term outcomes may include, but are not limited to: increased sales of residential property in the target area; and increased median market values of real estate within the target area.

Saint Paul's proposed NSP3 activities complement and build upon ongoing, successful neighborhood stabilization activities currently underway.

The city will undertake the following activities in the following approximate quantities over the life of the funds. These quantities of activities take into account the generation of and re-use of program income.

- Acquisition and rehabilitation: 19 homes
- Acquisition and demolition of blighted structures: 3 homes
- Land-bank vacant lots for future reuse: 3 parcels
- Redevelopment (new construction on land-banked lots): 3 homes

A summary of each activity follows:

(A) Financing Mechanisms. The city will establish financial incentives for buyers of NSP-funded properties. This may include such mechanisms as soft-second, contracts-for-deed and/or shared-equity loans for low- and moderate/middle-income buyers. This may be in the form of down-payment or closing cost assistance.

(B) Acquisition and Rehabilitation. The city will acquire and rehabilitate approximately 19 abandoned or foreclosed upon homes during the first three years of NSP3. The city will acquire properties either via bulk purchases (through continued participation in the National Community Stabilization Trust's "First Look" process) or other direct negotiations with property owners. Rehabilitation activity may be carried out by Community Development Corporations or other non- and for-profit development partners in the community. The city will minimize the risk and capital requirements of our development partners in order to expedite the activity. Rehabilitation activities will comply with all NSP and city requirements including the Saint Paul PED/HRA Sustainability Initiative.

(B, D) Acquisition and Demolition. The city will acquire approximately 3 blighted homes and will remove these destabilizing influences via demolition. Acquisition will be via bulk purchase (through continued participation in the National Community Stabilization Trust's "First Look" process) or other direct negotiations with property owners.

(C) Land-Banking Activities. The 3 vacant parcels that are cleared by NSP3 demolition activity will be held in land-bank status for future reuse. NSP3 funds will be used to

cover the ongoing carrying costs and maintenance of land-banked property. Land bank activity will be managed by the city through its Housing and Redevelopment Authority.

(E) Redevelopment to be funded with program income in future years.

NSP3 program income will be generated by the future sales of rehabilitated homes and vacant lots available for redevelopment. These proceeds will fund redevelopment of vacant lots. Those lots cleared by NSP3 demolition activity will eventually be used as sites for new replacement housing.

In addition for the activities summarized above, the city will also use NSP3 funds for administrative costs.

Expected outcomes for these rehabilitated and newly constructed homes will be a combination of rental and homeownership. NSP regulations require 25% of the funds be spent on the production of housing for the benefit of households at or below 50% area median income (AMI), and the remainder to benefit households at or below 120% AMI. It is also the intent of the City to create and retain jobs as a result of this construction activity. Vendor Outreach Program goals will be monitored as well as HUD's Section 3 and Vicinity Hiring requirements.

In addition to these NSP3 funds from HUD, the City of Saint Paul also anticipates receipt of additional NSP3 funds through the State of Minnesota. An application to the Minnesota Housing Finance Agency has been submitted. The city intends to use both the HUD funds and the State funds in a complementary manner in this same geography.