

# THE NSP SUBSTANTIAL AMENDMENT (FINAL)

Jurisdiction(s): Dakota County, Minnesota	NSP Contact Person: Dan Rogness
Jurisdiction Web Address:	Address: 1228 Town Centre Drive
• <a href="http://www.dakotacda.org">www.dakotacda.org</a>	Eagan, MN 55123
	Telephone: (651) 675-4400
	Fax: (651) 675-4444
	Email: drogness@dakotacda.state.mn.us

## ***A. AREAS OF GREATEST NEED***

Provide summary needs data identifying the geographic areas of greatest need in the grantee's jurisdiction.

### Response:

Dakota County is situated in the southeast corner of the Twin Cities Metropolitan area, it is the third most populous county in the state of Minnesota, at approximately 400,000 persons. Dakota County maintains a land use mixture of 1/3 urban, 1/3 suburban, and 1/3 rural. The median home price in Dakota County has increased 21.7% over a five year period from \$192,000 (2002) to \$233,650 (2006).

Dakota County has the second highest number of foreclosures among Minnesota counties. Foreclosure sales have alarmingly increased in the past five years, highlighting the increase in need for mortgage delinquency counseling. There were 222 foreclosure sales in 2002, and the number dramatically increased to 1,610 sales in 2007; a 725% increase in five years. Dakota County is projecting 2,200 foreclosure sales in 2008. Dakota County also has a high number of subprime mortgages. In addition, the FBI has identified the Twin Cities as one of the 10 worst areas of the United States for mortgage fraud and has a number of current investigations underway. In 2007 and 2008, the U.S. Attorney's office charged 23 defendants who have either pleaded guilty or have been sentenced for mortgage fraud and related crimes. Ten percent of homes currently listed for sale in Dakota County are bank owned.

While foreclosures have occurred throughout all parts of the county, there are areas with greater concentrations of foreclosed, bank-owned homes. Dakota County has delineated areas of greatest need of stabilization activities, also referred to as target areas, on the map in Exhibit A. This data is set across census tract block groups and zip code areas.

In determining the areas of greatest need, Dakota County CDA used data provided by HUD. The CDA mapped the census tract blocks where the foreclosure and abandonment risk score was 6 or greater. The CDA also mapped the census tract block groups where the underlying 18-month predicted foreclosure problem rate was higher than 4%. Since the predicted 18-month values were given by HUD as a percentage, the percentages were divided into ranges (1-10) based on Natural Breaks (Jenks Optimization) method. This

gave a single score for each percentage range for the risk score and the problem rate, allowing both data sets to match. The two fields were then added together to get the combined risk score, the 1-10 value from each field, for a total possible score of 20. Each map break represents a range of a 2 point value. For example, areas of red scored 19-20 with the combined data, and areas of the darkest green scored 1-2. Since these two data sets are the “high” subsets of the original HUD data sets, the CDA used a combined score of medium to high (green to red colors) rather than using a typical low to high range.

The third data set was the number of sub-prime mortgages by zip code, which was provided by the Federal Reserve. Since the data is established by a different geography than the other criteria or data sets, the CDA was unable to combine all three data sets. Zip codes with over 325 subprime first mortgages were mapped by overlaying the risk and predicted problem rate data with a cross-hatched pattern as shown in Exhibit A. The inclusion of this data in ranking the area needs is separated and further defined in the priority ranking system in Section B below.

The areas of highest priority include portions of South St. Paul, Eagan, Burnsville, and Hastings. Areas of medium high priority are portions of Farmington, Lakeville, Apple Valley, and West St. Paul. Portions of Inver Grove Heights, Rosemount, Northfield and small cities in the County have been identified as areas of medium priority. All census tracts which did not meet the criteria set by the Dakota County CDA will not be eligible for Neighborhood Stabilization Funding.

## ***B. DISTRIBUTION AND USES OF FUNDS***

Provide a narrative describing how the distribution and uses of the grantee’s NSP funds will meet the requirements of Section 2301(c)(2) of HERA that funds be distributed to the areas of greatest need, including those with the greatest percentage of home foreclosures, with the highest percentage of homes financed by a subprime mortgage related loan, and identified by the grantee as likely to face a significant rise in the rate of home foreclosures. **Note:** The grantee’s narrative must address these three stipulated need categories in the NSP statute, but the grantee may also consider other need categories.

### Response:

Dakota County will prioritize the use of the NSP funds by targeting foreclosed upon housing units and residential properties in cities with the highest need for stabilization as follows:

- Priority #1 – target first those areas that are identified as having either: (a) a combined score of “medium-high” to “high” or (b) a combined score of “medium” to “medium-high” with the cross-hatched overlay of high subprime loans (see map in Exhibit A).

- Priority #2 – target next those areas that are identified as having a combined score of “medium” to “medium-high” (see map in Exhibit A).
- Priority #3 – target last those areas that are identified as having a high number of subprime loans (cross-hatched) without any additional combined scoring color (see map in Exhibit A).

The funds will be used in five primary activities, plus administration:

1. Homeownership assistance for low-, moderate-, and middle-income (120% of area median income, or AMI) households purchasing foreclosed upon homes.
2. Acquisition of foreclosed and/or abandoned homes and residential properties resulting in the rental or resale to low-income (50% of AMI) households.
3. Rehabilitation of acquired foreclosed and/or abandoned homes and residential properties resulting in the rental or resale to low-income (50% of AMI) households
4. Acquisition of foreclosed and/or abandoned homes and residential properties for the purpose of establishing a land bank.
5. Demolition of blighted structures.
6. Administration of the program will not exceed 10% of the NSP grant and 10% of any program income.

### ***Financing Mechanisms – Homeownership Assistance (NSP-1)***

Dakota County CDA will provide NSP-financing to assist buyers to purchase foreclosed upon homes located within the areas of greatest need. Homebuyers do not need to be buying for the first time, but they must have household incomes at or below 120% of the area median income (AMI), or the low-, moderate-, and middle-income category. Dakota County CDA will provide \$15,000 deferred loans at 0% interest to eligible buyers in order to help them pay one or more of the buyer’s closing costs, 50% of the required down payment, and affordability gap, soft second mortgage financing.

The foreclosed upon homes must be purchased for no more than 85% of appraised value, determined no more than 60 days prior to the date of the offer to purchase. The Dakota County CDA will be responsible for securing the appraisals that meet URA standards. NSP-funded loans will be secured by a lien to be repaid when the home is either sold or refinanced, or the home discontinues being the primary residence of the homebuyer. The recaptured NSP funding will become program income to be used again on a NSP-eligible housing activity.

In addition, when the home to be purchased fails the Housing Quality Standards (HQS) inspection, eligible homebuyers can access \$5,000 of NSP funding in the form of a grant to help pay necessary repair costs. If the homebuyer’s income is at or below 80% of the area median, the CDA also has up to \$25,000 available within its Home Improvement Loan Program. A combination of all funding resources would make available up to

\$45,000 of assistance for those households meeting the low- and moderate-income standard.

### ***Acquisition – Buyout of Residential Properties (NSP-2)***

Dakota County CDA will acquire vacant foreclosed and/or abandoned housing units. All housing units will be acquired for no more than 85% of appraised value, determined no more than 60 days prior to the date of the offer to purchase. The Dakota County CDA will make a determination of whether the home is best suited for a rental or owner-occupied property.

Where owner occupancy is the desired outcome, the Dakota County CDA will work with a non-profit partner to acquire property for a suitable buyer with income at or below 50 percent of the area median income (AMI), who will use the property as their sole residence. See Exhibit B for income limits. The final sales price will be no greater than the initial acquisition and rehabilitation costs. All prospective buyers will be required to attend pre-purchase education and counseling through the Home Stretch series (nine hour HUD approved course), offered through the Dakota County CDA, a certified HUD Housing Counseling Agency, on a monthly basis or by an alternate approved provider.

Where renter occupancy is the desired outcome, the Dakota County CDA will complete the rehabilitation. The Dakota County CDA, experienced in property management, will continue to own and maintain such rental properties in addition to its existing portfolio of nearly 2,100 affordable housing units as identified in Exhibit E. All potential renters will have incomes at or below 50 percent of area median income and be screened for occupancy suitability in accordance to existing Dakota County CDA standards.

### ***Rehabilitation/Reconstruction of Residential Structures (NSP-3)***

Rehabilitation of the vacant, foreclosed properties acquired with NSP funding. The rehabilitation of these properties will be done either directly through the Dakota County CDA or through a non-profit partner.

Where owner occupancy is the desired outcome, the Dakota County CDA will work with a non-profit partner to acquire and rehabilitate property for a suitable buyer with income at or below 50 percent of the area median income, who will use the property as their sole residence. See Exhibit B for income limits. The final sales price will be no greater than the initial acquisition and rehabilitation costs. All prospective buyers will be required to attend pre-purchase education and counseling through the Homestretch series (nine hour HUD approved course), offered through the Dakota County CDA, a certified HUD Housing Counseling Agency, on a monthly basis or by an alternate approved provider.

Where renter occupancy is the desired outcome, the Dakota County CDA will complete the rehabilitation. The Dakota County CDA, experienced in property management, will continue to own and maintain such rental properties in addition to its existing portfolio of nearly 2,100 affordable housing units as identified in Exhibit E. All potential renters will

have incomes at or below 50 percent of area median income and be screened for occupancy suitability in accordance to existing Dakota County CDA standards.

***Acquisition for the Establishment of a Land Bank (NSP-4)***

Dakota County CDA will acquire vacant foreclosed and/or abandoned housing units. All housing units will be acquired for no more than 85% of appraised value, determined no more than 60 days prior to the date of the offer to purchase. Properties will be assessed for physical condition. The Dakota County CDA will establish a land of acquired properties for a period no longer than ten years. The properties will then be sold to middle income households (incomes at or below 120% of AMI) for new housing construction (infill development) that meets or exceeds municipal zoning standards and that utilizes green building standards.

## ***Clearance and Demolition (NSP-5)***

Where the condition of a housing unit acquired by NSP is considered blighted, the Dakota County CDA will demolish that property. The Dakota County CDA will make a determination of whether such housing units meet the definition of a blighted property. The Dakota County CDA will facilitate the demolition of all blighted structures, including pre-demolition surveys for asbestos and hazardous materials. The Dakota County CDA will establish a land bank of foreclosed properties to hold and sell within 10 years at a time when the market can absorb these additional lots. Acquisition and demolition activities will not have to be limited to those census tract block groups determined by HUD to be low-, moderate-, and middle-income eligible areas as identified in Exhibit D since property will be sold to households at or below 120% of AMI.

### ***C. DEFINITIONS AND DESCRIPTIONS***

(1) Definition of “blighted structure” in context of state or local law.

Response: A structure is considered blighted when it is detrimental to the safety, health, morals or welfare of the community by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use or obsolete layout, or any combination of these factors (see Minnesota State Statutes 469.002, Subd. 11).

(2) Definition of “affordable rents.” **Note:** Grantees may use the definition they have adopted for their CDBG program but should review their existing definition to ensure compliance with NSP program –specific requirements such as continued affordability.

Response: Maximum rents under NSP shall be established as the current HUD Fair Market Rent adjusted for bedroom size of each rental unit. For rental housing units that are leased to households at or below 50% of AMI, the rent structure shall follow the Dakota County CDA rents for its Family Townhome Program that uses Low Income Housing Tax Credits (but also utilizes preferences for households at/below 50% AMI). As of March 1, 2008, monthly rents include: (a) 1-bedroom = \$550; (b) 2-bedroom = \$600; and (c) 3-bedroom = \$650. Units that have 4 or more bedrooms shall have rents at \$700 per month. All utilities are paid by tenants. For rental units that may be leased to households between 51%-120% of AMI, rents shall be established at the current HUD Fair Market Rent adjusted for bedroom size.

(3) Describe how the grantee will ensure continued affordability for NSP assisted housing.

Response: The term of affordability for each NSP-assisted unit shall be based on HOME Program standards based on the amount of NSP funding per unit, including: (a) \$1,000 - \$14,999 = 5 years; (b) \$15,000 - \$39,999 = 10 years; (c) \$40,000 or more = 15 years; and (d) new construction rental = 20 years. For NSP-funded financing mechanism programs, the HOME Program recapture method shall be used to continue affordability.

(4) Describe housing rehabilitation standards that will apply to NSP assisted activities.

Response: The housing rehabilitation standards applicable to NSP assisted activities will ensure these activities will result in decent, safe, and sanitary living conditions for households. The specific housing rehabilitation standards are attached as Exhibit C.

#### ***D. LOW INCOME TARGETING***

Identify the estimated amount of funds appropriated or otherwise made available under the NSP to be used to purchase and redevelop abandoned or foreclosed upon homes or residential properties for housing individuals or families whose incomes do not exceed 50 percent of area median income: \$692,000.00.

**Note:** At least 25% of funds must be used for housing individuals and families whose incomes do not exceed 50 percent of area median income.

Response:

The Dakota County CDA will use at least \$692,000 (25% of its allocation, as required) toward housing households with incomes at or below 50 percent of area median income, adjusted for household size. This will be accomplished through the acquire, rehabilitate, and rent or sell foreclosed and abandoned properties activity, identified in Section B and further defined in Section G.

#### ***E. ACQUISITIONS & RELOCATION***

Indicate whether grantee intends to demolish or convert any low- and moderate-income dwelling units (i.e.,  $\leq 80\%$  of area median income).

If so, include:

- The number of low- and moderate-income dwelling units—i.e.,  $\leq 80\%$  of area median income—reasonably expected to be demolished or converted as a direct result of NSP-assisted activities.
- The number of NSP affordable housing units made available to low-, moderate-, and middle-income households—i.e.,  $\leq 120\%$  of area median income—reasonably expected to be produced by activity and income level as provided for in DRGR, by each NSP activity providing such housing (including a proposed time schedule for commencement and completion).
- The number of dwelling units reasonably expected to be made available for households whose income does not exceed 50 percent of area median income.

Response:

The Dakota County CDA does intend to demolish a certain amount of dwelling units. Of these, none are anticipated to have had an affordability covenant; however some may have been previously occupied and/or owned by low- and moderate-income households (anticipated 3 units). The land parcels resulting from clearance activities (12 units) will all be made available to low-, moderate-, or middle-income households. The land parcels will be banked for a period of up to ten years and then sold to income eligible households. The Dakota County CDA does not intend to convert any low- and moderate-income dwelling units.

## ***F. PUBLIC COMMENT***

Provide a summary of public comments received to the proposed NSP Substantial Amendment.

**Note:** proposed NSP Substantial Amendment must be published via the usual methods and posted on the jurisdiction's website for no less than 15 calendar days for public comment.

Response: Public Comments received between November 6, 2008 and November 21, 2008 are provided by reference in Exhibit F. Responses to those comments are as follows:

- (1) Comments from MICHA, Minneapolis MN, 11/20/08. In general, MICAH is requesting that the CDA consider using a higher percentage of NSP funds (60-70%) to benefit households at/below 50% of area median income. The CDA currently owns and manages nearly 2,100 affordable rental housing units, many being rented to households at that low income level. However, due to the expected availability of mostly single family homes being foreclosed upon, the CDA prefers to utilize the majority of NSP funds for homebuyer and land banking activities. The cost per unit to acquire and rehabilitate for renter occupied units at the low income level would be high, thereby limiting the use of NSP funds to a much smaller number of housing units and benefitting households.
- (2) Comments from Green Communities, St. Paul MN, 11/21/08. In general, Green Communities is requesting that the CDA consider incorporating modern, green building and energy efficiency improvements in all NSP activities. The CDA added green building standards to its NSP document for new construction activities, and it will continue to evaluate all aspects of "green communities" as it begins to work on all NSP-funded activities.

**G. NSP INFORMATION BY ACTIVITY (COMPLETE FOR EACH ACTIVITY)**

**(1) Activity Name: NSP-1, Financing Mechanisms – Homeownership Assistance**

(2) Activity Type: Financing mechanisms for the purchase and redevelopment of foreclosed upon homes and residential property, eligible under §2301 (c)(3)(A) of HERA and 24 CFR 570.201(n) for CDBG.

(3) National Objective: This activity will meet the low-, moderate-, and middle-income clientele national objective. All participants will be restricted to the income levels at or below 120% of AMI.

(4) Activity Description:

Dakota County CDA will provide NSP-financing to assist buyers purchase foreclosed upon homes located within the areas of greatest need. Homebuyers do not need to be buying for the first time, but they must have household incomes at or below 120% of the area median income (AMI), or the low-, moderate-, and middle-income category. Dakota County CDA will provide \$15,000 deferred loans at 0% interest to eligible buyers in order to help them pay one or more of the buyer's closing costs, 50% of the required down payment, and affordability gap, soft second mortgage financing.

The foreclosed upon homes must be purchased for no more than 85% of appraised value, determined no more than 60 days prior to the date of the offer to purchase. The Dakota County CDA will be responsible for securing the appraisals that meet URA standards. NSP-funded loans will be secured by a lien to be repaid when the home is either sold or refinanced, or the home discontinues being the primary residence of the homebuyer. The recaptured NSP funding will become program income to be used again on a NSP-eligible housing activity.

In addition, when the home to be purchased fails the Housing Quality Standards (HQS) inspection, eligible homebuyers can access \$5,000 of NSP funding in the form of a grant to help pay necessary repair costs. If the homebuyer's income is at or below 80% of the area median, the CDA also has up to \$25,000 available within its Home Improvement Loan Program. A combination of all funding resources would make available up to \$45,000 of assistance for those households meeting the low- and moderate-income standard.

(5) Location Description: Specific addresses unknown at this time. Locations will be limited to the target areas of greatest need, identified in Exhibit A.

(6) Performance Measures: Twenty-seven (27) units of housing to be purchased for the income levels of households that are 120% of area median income and below.

(7) Total Budget: \$525,000

(8) Responsible Organization: The Dakota County CDA will be lead entity, 1228 Town Centre Drive, Eagan, MN 55123. Administrator: Dan Rogness, (651) 675-4400, drogness@dakotacda.state.mn.us. Additional partners may be utilized for a variety of functions to facilitate this activity.

(9) Projected Start Date: January 1, 2009

(10) Projected End Date: June 30, 2011

(11) Specific Activity Requirements:

- Loans will be provided at a maximum value of \$15,000 in the form of 0% deferred loan until the home is sold, refinanced, or ceases to be a primary residence.
- Grants will be provided at a maximum value of \$5,000 to be used for house repairs when HQS standards are not met.
- The term of affordability will be based on HOME Program standards.
- Loans will be secured by a lien on the property with all loans recaptured and repayments to become NSP program income used again for NSP-eligible housing activities.

**(1) Activity Name: NSP-2, Acquisition – Buyout of Residential Properties**

(2) Activity Type: Purchase foreclosed and/or abandoned homes, eligible under §2301 (c)(3)(B) of HERA and 24 CFR 570.201(a) and (b) for CDBG.

(3) National Objective: This activity will meet the low income clientele national objective. All participants will be restricted to the income levels at or below 50% of AMI.

(4) Activity Description:

Dakota County CDA will acquire foreclosed and/or abandoned housing units. All acquisitions will be for no more than 85% of appraised value, determined no more than 60 days prior to the date of the offer to purchase. The Dakota County CDA will make a determination of whether the home is best suited for a rental or owner-occupied property. The properties will be rehabilitated prior to rental or resale. This activity will meet the low-income benefit requirement.

Where owner occupancy is the desired outcome, the Dakota County CDA will work with a non-profit partner to acquire property for a suitable buyer with income at or below 50 percent of the area median income, who will use the property as their sole residence. See Exhibit B for income limits. The final sales price will be no greater than the initial acquisition and rehabilitation costs. All prospective buyers will be required to attend pre-purchase education and counseling through the Homestretch series (nine hour HUD approved course), offered through the Dakota County CDA, a HUD approved Housing Counseling Agency, on a monthly basis or by an alternate approved provider.

Where renter occupancy is the desired outcome, the Dakota County CDA will complete the rehabilitation and advertise the availability of the unit to the rental community. The Dakota County CDA, experienced in property management, will continue to own and maintain such rental properties in addition to its existing portfolio of nearly 2,100 affordable housing units as identified in Exhibit E. All potential renters will have incomes at or below 50 percent of area median income and be screened for occupancy suitability in accordance to existing Dakota County CDA standards. Rents will be set at the current HUD Fair Market Rents for the jurisdiction and adjusted for unit size.

(5) Location Description: Specific addresses unknown at this time. Locations will be limited to the target areas of greatest need, identified in Exhibit A.

(6) Performance Measures: Five (5) units of housing to be acquired for the income levels of households that are 50% of area median income and below.

(7) Total Budget: \$462,000

(8) Responsible Organization: The Dakota County CDA will be lead entity, 1228 Town Centre Drive, Eagan, MN 55123. Administrator: Dan Rogness, (651) 675-4400, drogness@dakotacda.state.mn.us. Additional partners may be utilized for a variety of functions to facilitate this activity.

(9) Projected Start Date: January 1, 2009

(10) Projected End Date: June 30, 2011

(11) Specific Activity Requirements:

- The discount rate of all acquisitions will be a minimum of 15% appraised value. No properties will be purchased that cannot be purchased with the minimum discount rate.
- This activity will benefit renter and/or owner tenancies.
- Ownership activities will have a provision the owner must resell to the Dakota County CDA or designated non-profit partner who will resell the property to another income qualifying household with affordability provisions.
- Rental activities will be managed by the Dakota County CDA ensuring long term affordability of all rent levels.
- The term of affordability will be based on HOME Program standards.

(1) **Activity Name:** NSP-3, Rehabilitation/Reconstruction of Residential Properties

(2) Activity Type: Rehabilitate foreclosed and/or abandoned homes acquired with NSP funds, eligible under §2301 (c)(3)(B) of HERA and 24 CFR 570.202 for CDBG.

(3) National Objective: This activity will meet the low income clientele national objective. All participants will be restricted to the income levels at or below 50% of AMI.

(4) Activity Description:

The rehabilitation of properties acquired with NSP funds will be done either directly through the Dakota County CDA or through a non-profit partner. This activity will meet the low income benefit requirement.

Where owner occupancy is the desired outcome, the Dakota County CDA will work with a non-profit partner to acquire and rehabilitate property for a suitable buyer with income at or below 50 percent of the area median income, who will use the property as their sole residence. See Exhibit B for income limits. The final sales price will be no greater than the initial acquisition and rehabilitation costs. All prospective buyers will be required to attend pre-purchase education and counseling through the Homestretch series (nine hour HUD approved course), offered through the Dakota County CDA, a HUD approved Housing Counseling Agency, on a monthly basis or by an alternate approved provider.

Where renter occupancy is the desired outcome, the Dakota County CDA will complete the rehabilitation and advertise the availability of the unit to the rental community. The Dakota County CDA, experienced in property management, will continue to own and maintain such rental properties in addition to its existing portfolio of nearly 2,100 affordable housing units as identified in Exhibit E. All potential renters will have incomes at or below 50 percent of area median income and be screened for occupancy suitability in accordance to existing Dakota County CDA standards. Rents will be established using the corresponding HUD Fair Market Rents.

(5) Location Description: Specific addresses unknown at this time. Locations will be limited to areas of greatest need, identified in Exhibit A.

(6) Performance Measures: Five (5) units acquired with NSP funds to be rehabilitated for the income levels of households that are 50% of area median income and below.

(7) Total Budget: \$230,000

(8) Responsible Organization: The Dakota County CDA will be lead entity, 1228 Town Centre Drive, Eagan, MN 55123. Administrator: Dan Rogness, (651) 675-4400, drogness@dakotacda.state.mn.us. Additional partners may be utilized for a variety of functions to facilitate this activity.

(9) Projected Start Date: January 1, 2009

(10) Projected End Date: June 30, 2011

(11) Specific Activity Requirements:

- This activity will benefit both renter and owner tenancies.

- Ownership activities will have a provision the owner must resell to the Dakota County CDA or designated non-profit partner who will resell the property to another income qualifying household with the equity sharing provisions.
- Rental activities will be managed by the Dakota County CDA ensuring long term affordability of all rent levels.
- The term of affordability will be based on HOME Program standards.

**(1) Activity Name: NSP-4, Acquisition for the Establishment of a Land Bank**

(2) Activity Type: Acquire foreclosed and/or abandoned housing units and establish land banks, eligible under §2301 (c)(3)(C) of HERA and 24 CFR 570.201(a) Acquisition and (b) Disposition for CDBG.

(3) National Objective: This activity will meet the low, moderate, middle income area benefit will be the national objective. All activities will be restricted to low, moderate, middle income eligible areas as determined by HUD.

(4) Activity Description: The Dakota County CDA will acquire foreclosed and/or abandoned housing units within the target areas of greatest need. All acquisitions will be for no more than 85% of appraised value, determined no more than 60 days prior to the date of the offer to purchase. Properties acquired under this activity will be assessed for physical deterioration. The Dakota County CDA will attempt to purchase the most physically deteriorated properties with the intent of clearing the properties by utilizing the NSP-5 Activity. The Dakota County CDA will establish a land bank of foreclosed properties to hold and sell within 10 years at a time when the market can absorb these additional lots. Acquisition will not have to be limited to those census tract block groups determined by HUD to be low, moderate, middle income eligible areas as identified in Exhibit D since property will be sold to households at or below 120% of AMI. The land banked property will be sold within ten (10) years for new housing construction (infill development) that meets or exceeds municipal zoning standards and that utilizes green building standards.

(5) Location Description: Specific addresses are unknown at this time. All acquisitions and demolitions will be restricted to areas of greatest need as delineated in Exhibit A and to low-, moderate-, and middle-income eligible areas as identified in Exhibit D.

(6) Performance Measures: Ten (10) foreclosed upon residential properties will be acquired and land banked.

(7) Total Budget: \$1,051,250

(8) Responsible Organization: The Dakota County CDA will be lead entity, 1228 Town Centre Drive, Eagan, MN 55123. Administrator: Dan Rogness, (651) 675-4400, drogness@dakotacda.state.mn.us. Additional partners may be utilized for a variety of functions to facilitate this activity.

(9) Projected Start Date: January 1, 2009

(10) Projected End Date: June 30, 2011 (expenditure); December 31, 2018 (disposition)

(11) Specific Activity Requirements:

- The discount rate of all acquisitions will be a minimum of 15% appraised value. No properties will be purchased that cannot be purchased with the minimum discount rate.
- Land banked property will be maintained by the Dakota County CDA.
- Property to be disposed of by the Dakota County CDA will be sold to a household with an annual income at or below 120% of AMI; the sale price will be established at or below the fair market value as determined by an independent appraisal within 60 days prior to the sale.
- The term of affordability will be based on HOME Program standards beginning with the date upon which the land banked property is occupied by an eligible household (using a building permit Certificate of Occupancy).
- Resale of this property will have a provision that the owner must resell to the Dakota County CDA or designated non-profit partner who will resell the property to another income qualifying household with continued affordability provisions.

(1) **Activity Name: NSP-5, Demolition of blighted structures**

(2) Activity Type: Demolish blighted structures, eligible under §2301 (c)(3)(D) of HERA and 24 CFR 570.201(d) Clearance for CDBG.

(3) National Objective: This activity will meet the low, moderate, middle income area benefit will be the national objective. All activities will be restricted to low, moderate, middle income eligible areas as determined by HUD.

(4) Activity Description: The Dakota County CDA will assess the physical condition of housing units both purchased with NSP funds and other properties not purchased with NSP funds that are located in priority areas shown in Exhibit A. Those units meeting the definition of a blighted structure will be demolished. The Dakota County CDA will facilitate the demolition of all blighted structures including pre-demolition surveys for asbestos and hazardous materials. Demolition activities will not have to be limited to those census tract block groups determined by HUD to be low-, moderate-, and middle-income eligible areas (see map in Exhibit D) since property will be sold to households at or below 120% of AMI.

(5) Location Description: Specific addresses are unknown at this time. All acquisitions and demolitions will be restricted to areas of greatest need as delineated in Exhibit A and to low, moderate, middle income eligible areas.

(6) Performance Measures: Twelve (12) blighted structures will be demolished.

(7) Total Budget: \$226,750

(8) Responsible Organization: The Dakota County CDA will be lead entity, 1228 Town Centre Drive, Eagan, MN 55123. Administrator: Dan Rogness, (651) 675-4400, drogness@dakotacda.state.mn.us. Additional partners may be utilized for a variety of functions to facilitate this activity.

(9) Projected Start Date: January 1, 2009

(10) Projected End Date: June 30, 2011

(11) Specific Activity Requirements:

- Only vacant structures will be demolished with NSP funding.
- The Dakota County CDA will make the determination whether structures are deemed to be blighted per the definition in Section C.
- The term of affordability will be based on HOME Program standards beginning with the date upon which the vacant property after demolition is occupied by an eligible household (using a building permit Certificate of Occupancy).
- Resale of this property will have a provision that the owner must resell to the Dakota County CDA or designated non-profit partner who will resell the property to another income qualifying household with continued affordability provisions.

**(1) Activity Name: NSP-6, Planning and Administration**

(2) Activity Type: Demolish blighted structures, eligible under §2301 of HERA and 24 CFR 570.206 Program Administrative Costs for CDBG.

(3) National Objective: No national objective is necessary for Planning and Administration.

(4) Activity Description: The Dakota County CDA will continue its subgrantee relationship with Dakota County and administer all NSP funds and NSP-funded activities. Program administrative costs include staff and related costs required for overall program management, coordination, monitoring, reporting and evaluation.

(5) Location Description: Planning and administration will take place for programs that are implemented within all eligible NSP areas of greatest need.

(6) Performance Measures: No performance measures are necessary for Planning and Administration.

(7) Total Budget: \$270,991

## CERTIFICATIONS

(1) **Affirmatively furthering fair housing.** The jurisdiction will affirmatively further fair housing, which means that it will conduct an analysis to identify impediments to fair housing choice within the jurisdiction, take appropriate actions to overcome the effects of any impediments identified through that analysis, and maintain records reflecting the analysis and actions in this regard.

(2) **Anti-lobbying.** The jurisdiction will comply with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.

(3) **Authority of Jurisdiction.** The jurisdiction possesses the legal authority to carry out the programs for which it is seeking funding, in accordance with applicable HUD regulations and other program requirements.

(4) **Consistency with Plan.** The housing activities to be undertaken with NSP funds are consistent with its consolidated plan, which means that NSP funds will be used to meet the congressionally identified needs of abandoned and foreclosed homes in the targeted area set forth in the grantee's substantial amendment.

(5) **Acquisition and relocation.** The jurisdiction will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (42 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the Notice for the NSP program published by HUD.

(6) **Section 3.** The jurisdiction will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.

(7) **Citizen Participation.** The jurisdiction is in full compliance and following a detailed citizen participation plan that satisfies the requirements of Sections 24 CFR 91.105 or 91.115, as modified by NSP requirements.

(8) **Following Plan.** The jurisdiction is following a current consolidated plan (or Comprehensive Housing Affordability Strategy) that has been approved by HUD.

(9) **Use of funds in 18 months.** The jurisdiction will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008 by using, as defined in the NSP Notice, all of its grant funds within 18 months of receipt of the grant.

(10) **Use NSP funds  $\leq$  120 of AMI.** The jurisdiction will comply with the requirement that all of the NSP funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income.

(11) **Assessments.** The jurisdiction will not attempt to recover any capital costs of public improvements assisted with CDBG funds, including Section 108 loan guaranteed funds, by

assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, an assessment or charge may be made against the property with respect to the public improvements financed by a source other than NSP funds if the jurisdiction certifies that it lacks NSP or CDBG funds to cover the assessment.

(12) **Excessive Force.** The jurisdiction certifies that it has adopted and is enforcing: (1) a policy prohibiting the use of excessive force by law enforcement agencies within its jurisdiction against any individuals engaged in non-violent civil rights demonstrations; and (2) a policy of enforcing applicable State and local laws against physically barring entrance to or exit from, a facility or location that is the subject of such non-violent civil rights demonstrations within its jurisdiction.

(13) **Compliance with anti-discrimination laws.** The NSP grant will be conducted and administered in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.

(14) **Compliance with lead-based paint procedures.** The activities concerning lead-based paint will comply with the requirements of part 35, subparts A, B, J, K, and R of this title.

(15) **Compliance with laws.** The jurisdiction will comply with applicable laws.

\_\_\_\_\_  
Signature/Authorized Official

\_\_\_\_\_  
Date

\_\_\_\_\_  
Title

**FY2008 INCOME LIMITS**  
**Dakota County Neighborhood Stabilization Program**

Household Size	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
50% AMI	28,300	32,350	36,400	40,450	43,700	46,900	50,150	53,400
120% AMI	67,950	77,650	87,350	97,100	104,850	112,600	120,400	128,150

**HOUSING REHABILITATION STANDARDS**  
**Dakota County Neighborhood Stabilization Program**

**Purpose:** The Dakota County CDA administers a housing rehabilitation program using federal Neighborhood Stabilization Program (NSP) funds. These standards provide a basis for assuring that a rehabilitated house meets minimum health, safety and quality conditions. The following minimum housing standards are hereby accepted for implementation in the Program throughout Dakota County.

**A. SITE.** The home site shall be reasonably free from hazards to the health, safety and general welfare of the occupants.

ACCEPTABILITY CRITERIA - The site shall not be subject to serious adverse environmental conditions, natural or manmade, such as:

1. Dangerous walks, steps, or instability; all steps and walks should be level, free from dangerous cracks, crumbling or breaks, tripping hazards, broken & missing materials, etc., and be provided with sufficient pitch to prevent water accumulation.
2. Flooding, poor drainage, septic tank back-ups, sewer hazards, or mudslides; the lot should have positive drainage away from the dwelling to prevent standing water at the foundation.
3. Excessive accumulations of trash; any materials which accumulate on a property in the neighborhood should be removed, or screened and arranged in a manner which does not detract from the general appearance of the neighborhood.
4. Fire hazards; the site should be free from fire hazards, such as the storage of highly flammable materials, etc.

**B. ACCESS.** The dwelling shall have adequate access for the occupants.

ACCEPTABILITY CRITERIA

1. The dwelling shall be usable and capable of being maintained without unauthorized use of other private properties. The property should be adjacent to an access street or road. Each unit shall have a separate entrance without passing through other units.
2. The building shall provide an alternative means of egress in case of fire (e.g., fire stairs or egress through windows).

**C. STRUCTURE AND MATERIALS.** The dwelling shall be structurally sound, free from threats to the health and safety of the occupants, and shall protect the occupants from the environment.

#### ACCEPTABILITY CRITERIA

1. Ceilings, walls (interior and exterior), floors, roofs, porches, etc., shall not have any serious defects such as severe bulging or leaning, large holes, loose surface materials, severe buckling or noticeable movement under walking stress, missing parts, or other serious damage. Where crawl spaces or basements exist, all first floor structural wood members, including floor joists, plates, piers and pilings, should be inspected for cracked, broken, rotten or otherwise damaged conditions. Damaged members should be repaired or replaced as required. The exterior and interior walls should be weather tight in a manner that prevents, as much as possible, heat loss in the winter and cooling loss in the summer. This includes the repainting or installation of siding to protect the exterior surface from the elements. The interior walls should be repaired or replaced as required to facilitate this criterion.
2. The roof structure shall be firm and the roof shall be weather-tight. All roof framing members should be free from cracks and rot. The roof sheathing should be solid and free from sagging, buckling and heaving. If the roof appears to be well worn, it should be replaced. If possible, the roof should be stripped all the way down to the sheathing and replaced. If costs dictate, a second layer of roofing can be installed over the first layer. If there are already two or more layers of roofing materials, the roof should be stripped down to the sheathing, the sheathing replaced if necessary, and a new roof covering installed.
3. The exterior wall structure and the exterior and interior wall surfaces shall not have any serious defects such as serious leaning, buckling, sagging, cracks or holes, loose materials, loose siding, or other serious damage. Concrete block or brick foundations, piers and pilings should be inspected for loose mortar joints. All empty or cracked mortar joints should be tuck pointed in an acceptable manner to match, as closely as possible, the rest of the structure. The joints should be recessed. The chimney should be inspected for loose mortar joints and proper height. All empty or cracked mortar joints should be tuckpointed in an acceptable manner to match, as closely as possible, the rest of the chimney. The joints should be recessed.
4. The condition and equipment of interior and exterior stairways, halls, porches, walkways, etc., shall not present a danger of tripping or falling. All exterior steps, walkways, and porches should be free of tripping hazards. Crumbling, cracked, broken, missing or uneven conditions should be repaired or replaced as necessary. The condition of all interior stairways should not present a danger of tripping or falling. Handrails should be properly installed on all stairways.

5. In the case of a mobile home, the home shall be securely anchored by a tie-down device which distributes and transfers loads imposed by the unit to appropriate ground anchors so as to resist wind, overturning, and sliding.
6. All detached garages should be repaired to a usable condition or removed from the property; other out-buildings may be removed and/or demolished based on hazardous conditions.
7. The general appearance of the outside of the structure and the lot, after rehabilitation, should make a positive contribution to the general appearance of the neighborhood.
8. Installation of gutters and downspouts is strongly recommended in order to divert water away from foundations.

**D. LEAD-BASED PAINT.** The dwelling shall be in compliance with the HUD lead-based paint regulations.

#### ACCEPTABILITY CRITERIA

1. The dwelling shall comply with HUD lead based paint regulations (24 CFR Part 35), issued pursuant to the Lead-Based Paint Poisoning Prevention Act, 42 USC 4801, including the following actions:
  - a. Notification to all occupants that the property may contain lead-based paint if constructed prior to 1978, and the hazards, symptoms, and treatment of such poisoning, including information on testing for elevated blood levels (EBL) for children.
  - b. Inclusion of contract language prohibiting the use of lead-based paint.
  - c. Inspection for and elimination of "immediate hazards," which are defined as chipping, peeling, flaking, cracking, or other defects in previously painted surfaces.
2. If the property was constructed prior to 1978, any tenant or family shall be furnished a notice as required by the lead-based paint regulations. Such notice shall inform them of the procedures regarding the hazards of lead-based paint poisoning, the symptoms and treatment of lead poisoning, and the precautions to be taken against lead poisoning.
3. If the property was constructed prior to 1978 the property must have a Lead-Paint Risk Assessment if the rehab cost is to exceed \$5,000.00.

**E. WATER SUPPLY.** The water supply shall be free from contamination.

ACCEPTABLE CRITERIA

1. The dwelling shall be served by an approved public or private sanitary water supply. The dwelling shall have a water heater of sufficient capacity to serve present and anticipated future residents. Water heaters should not be allowed in bathrooms, bedrooms, sleeping rooms or closets unless contained in an enclosed area, with at least one hour rated fire walls and adequate fresh air intake.
2. Hot and cold water shall be supplied to all kitchens, baths and laundry facilities.
3. All water lines should be protected from freezing.

**F. INTERIOR AIR QUALITY.** The dwelling should be free of pollutants in the air at levels which threaten the health of the occupants.

ACCEPTABILITY CRITERIA

1. The dwelling shall be free from dangerous levels of air pollution from carbon monoxide, sewer gas, fuel gas, dust and other harmful air pollutants. All gas or oil fired appliances should have proper venting to the outside of the dwelling for combustion gases.
2. Air circulation shall be adequate throughout the dwelling. All windows designed to open shall open easily, be provided with the proper window hardware and with storm windows and screens properly installed and maintained. All windows with easy access from the outside shall have locks.
3. Bathroom areas shall have at least one openable window or other adequate exhaust ventilation, vented to the outside. Kitchen areas should also have proper ventilation.

**G. ILLUMINATION AND ELECTRICITY.** Each room shall have adequate natural or artificial illumination to permit normal indoor activities and to support the health and safety of the occupants. Sufficient electrical sources shall be provided to permit use of essential electrical appliances while assuring safety from fire.

ACCEPTABILITY CRITERIA

1. Living and sleeping rooms shall include at least one window; if the room is located in the basement, the window must meet egress requirements.
2. A ceiling or wall-type light fixture shall be present and working in the bathroom and kitchen areas. A ceiling or wall light fixture, operated by a wall switch, should be present in the kitchen, bath, bedrooms and hallways.

3. At least two electric outlets shall be present and operable in the living area, kitchen, and each bedroom area. Outlets installed in a kitchen or bathroom in the general location of water shall be protected by ground fault interrupter. All outlets installed as a result of the rehabilitation work should be grounded.
4. Each dwelling unit should be provided with at least 100-amp service and a sufficient number of circuits to service present/anticipated use of the dwelling.
  - a. There should be separate circuits for any air conditioners (window included), electric dryers, electric stoves and other special appliances.
  - b. There should be a separate minimum 20-amp circuit for the heavy workload area in the kitchen. The furnace shall have a separate 20-amp circuit.
  - c. With the exception of kitchens (see b. above), all other rooms should be assessed relative to their use of electricity and additional outlets and switches installed based on usage and safety factors.
5. Connection at the main service to the unit should be in an acceptable manner.
  - a. Placement of the connection should be out of the reach of children.
  - b. Proper anchoring should be used.
6. All exposed "knob & tube" wiring should be removed and replaced in conduit to prevent splicing and/or unsafe usage.
7. All hazardous conditions such as broken switches and outlets, missing covers, bare wiring, and fixtures not properly installed or anchored, shall be repaired or replaced in an acceptable manner. It is recommended that all "pendant" type fixtures be replaced with an appropriate ceiling or wall fixture.
8. Even though a room may meet acceptability criteria #3 above, if the inspection reveals the use of octopus plugs, adapters, extension/zip cords, or other unsafe practices, additional outlets should be installed.

**H. THERMAL ENVIRONMENT.** The dwelling unit shall have and be capable of maintaining a thermal environment healthy for the human body.

#### ACCEPTABILITY CRITERIA

1. The dwelling shall contain safe heating and cooling facilities which are in proper operating condition and provide adequate heat or cooling to each room in the dwelling appropriate for the climate to insure a healthy living environment. All

parts of the venting system for central heating and cooling units should be in proper working condition. For example:

- a. Vent pipes should be free of rust and be properly maintained by the homeowner.
  - b. Where vent pipes are connected to a masonry chimney, that chimney should be properly maintained by the homeowner so that all mortar joints are tightly sealed.
2. Unvented room heaters which burn gas, oil or kerosene are unacceptable.
  3. The attic should be insulated to a rating of R-30 (or R value specified in local code) with acceptable insulating material. When adding insulation to the attic, it must be brought up to a rating of R-44 minimum if possible. Cellulose bags should be labeled with acceptable ratings derived from flame-spread tests.
  4. Weather stripping should be applied as needed around all doors and windows.
  5. Storm windows and doors should be installed whenever possible.
  6. Any inside walls that are on an exterior wall, if opened down to the studs during the course of the rehabilitation, should be fully insulated with an acceptable insulating material.
  7. All joints in the building envelope should be caulked and sealed. All brittle or loose caulking should be replaced.
  8. Supply and return heating and air conditioning ducts should be insulated whenever they run through unheated spaces.
  9. It is strongly recommended that whenever space heaters or floor furnaces are used, they be replaced with a properly installed, more efficient central heating and cooling system.

**I. SANITARY FACILITIES.** The dwelling shall include its own sanitary facilities which are in proper operating condition, can be used in privacy, and are adequate for personal cleanliness and the disposal of human waste.

#### ACCEPTABILITY CRITERIA

1. A flush toilet in a separate, private room, a fixed basin with hot and cold running water, and a bathtub or shower with hot and cold running water shall be present in the dwelling and shall be fully operational. The toilet, basin, and tub or shower should all be located in the same room, if at all possible.

2. These facilities shall utilize an approved public or private sewage disposal system. Where a public sewage system is not available, a visual inspection is required by the rehabilitation specialist for any raw sewer seeping to the surface on the exterior and for any evidence of interior backup.

**J. SPACE AND SECURITY.** The dwelling shall afford the family adequate space and security.

#### ACCEPTABILITY CRITERIA

1. A living room, kitchen area, and bathroom shall all be present.
2. The dwelling shall contain at least one sleeping or living and sleeping room of appropriate size for each two persons.
3. Exterior doors and windows accessible from outside the dwelling shall be lockable.
4. Each dwelling must have smoke detectors in accordance with local codes. Smoke detectors should be installed on each floor and in each bedroom. It is recommended that all smoke detectors be U.L. approved and be hard wired. U.L. approved battery type or a combination electric/battery type may also be used.

**K. FOOD PREPARATION AND REFUSE DISPOSAL.** The dwelling shall contain suitable space and equipment to store, prepare, and serve food in a sanitary manner. There shall be adequate facilities and services for the sanitary disposal of food wastes and refuse, including facilities for temporary storage, where necessary.

#### ACCEPTABILITY CRITERIA

1. The unit shall contain the following equipment in operating condition: (1) cooking equipment, (2) refrigerator of appropriate size for the dwelling, and (3) a kitchen sink with hot and cold running water. Stove, range, microwave and or toaster ovens are acceptable.
2. The sink shall drain into an approved public or private sewer system.
3. Adequate space for the storage, preparation and serving of food shall be provided. Food storage space should be cabinets or pantry type storage. Food preparation space should be counters or other horizontal workspace.
4. There shall be adequate facilities and services for the sanitary disposal of food wastes and refuse, including facilities for temporary storage where necessary (e.g., garbage cans).

**L. SANITARY CONDITION.** The unit and its equipment shall be in sanitary condition.

ACCEPTABILITY CRITERIA

1. The dwelling unit and its equipment shall be free of vermin and rodent infestation.