



TLG and LMC 2016 Case Study Application
Future Ready Communities



DUE: September 4, 2015

Email to: Ryan Spillers at rspillers@transformgov.org

COVER PAGE

- 1. Case Study Title: Private Development Partnerships in Foreclosure Recovery
2. Case Study Category (Select only one, selection identified by highlighting your choice):
Planning for Your Future
Reinventing Local Government
Blinders
Creating an Inclusive Community
Community Networks
3. Jurisdiction Name: Brooklyn Park, MN
4. Jurisdiction Population (US Census): 78,373
5. Would you like the application to be considered for our Rapid Fire Session? (Rapid Fire presentations are fast-paced, entertaining, interactive presentations. Each jurisdiction will have five minutes to make their presentations using 15 PPT slides set on auto-forward primarily containing photos/graphics. Participants will be seated at round tables to facilitate an energetic idea exchange. A cash bar will be available.)

YES

NO

6. Project Leader (Primary Contact for case study notification):
Name: Kim Berggren
Title: Director of Community of Development
Department: Community Developmen
Phone Number: 763-493-8050
eMail: kim.berggren @brooklynpark.org
US Mail Address, including zip code: 5200 85th Avenue North, Brooklyn Park, MN 55443
Twitter Account: https://twitter.com/BrooklynPark

Emily Carr, Development Project Coordinator
emily.carr@brooklynpark.org
763-493-8053

- 1. Presentation title and description of the innovation. 100 word maximum.

Private Developers Partnering with the City of Brooklyn Park to Rehabilitate Homes - The City of Brooklyn Park partners with development groups, including three private companies, who purchase, rehabilitate and resell distressed homes in the community. The collaborative partnerships with developers maximize the City's impact on the stability of its neighborhoods,

with over 185 homes purchased and rehabilitated since 2009. The program grew in response to the foreclosure crisis, but collaboration with the private development community and strong partnerships with Hennepin County, City of Minneapolis and the Minnesota Housing Finance Agency (MHFA) makes the program innovative and successful.

2. When and how was the program, policy or initiative originally conceived in your jurisdiction? *100 word maximum.*

The program began in 2009 after the number of vacant and foreclosed homes more than doubled in Brooklyn Park. The City's struggles to manage the increasing vacant properties inspired a critical conversation between the Community Development Director and an experienced, forward thinking developer. They agreed to collaborate in a pilot program using available housing funds provided by MHFA to purchase and rehabilitate vacant homes.

When HUD released Neighborhood Stabilization Program (NSP) funds in 2010, Brooklyn Park was prepared to accelerate the recovery of vacant and foreclosed homes in the city by taking on additional development partners.

3. How exactly is the program or policy innovative? How has your innovation changed previous processes, products or services? *100 word maximum.*

The City previously purchased and rehabilitated a few homes a year as a neighborhood preservation strategy. This new collaborative home recovery program:

- 1) Leverages the talent and capacity of private sector development groups.
- 2) Conserves public resources with a performance-based developer fee structure.
- 3) Uses revolving loans from the Brooklyn Park Economic Development Authority (EDA) to finance development costs.
- 4) Fills development gaps with multiple sources of funds (TIF, CDBG, NSP and Minnesota Housing) and funds a full time program coordinator. Some funds were secured through joint agency applications to HUD and City/developer partnership applications to Minnesota Housing.

4. Explain how the program or initiative substantially stretched or improved the boundaries of ordinary governmental operations. *200 word maximum.*

Cities typically partner with mission-based non-profit organizations when implementing housing programs. This program has engaged and leveraged the talents of three for-profit and two non-profit development groups, not to mention countless contractors and sub-contractors.

The fee-based partnership model incentivizes low development gaps and short construction timelines. Before a development group buys a home, it provides a pro-forma that estimates the development costs, the resale price and the development gap (difference between total costs and resale proceeds). Because the development gap is filled with grant funds, the City seeks small gaps to maximize the number of projects that can be accomplished with available grant resources. Once the pro-forma is approved, costs that exceed the approved gap must be covered by the developer. This performance-based approach is applied to the for-profit and non-profit partners and allows the City to manage costs, preserve resources and ultimately rehabilitate more homes in a shorter time frame.

The City's EDA provides the primary financing and does not ever own the homes, which allows the development partners flexibility without compromising program oversight. Collaboration with multiple partners at the same time gives City staff perspective to better evaluate each partner's performance and adapt to changes in the market.

5. What individuals or groups are considered the primary initiators of your program? How does the innovation engage stakeholders or demonstrate high performance teaming? Were strategic partnerships and/or community networks developed as a result of the innovation? *200 word maximum.*

Brooklyn Park's former Community Development Director, Robert Schreier and a local developer, Robert Engstrom, conceived the partnership approach. The program was refined over the years through collaborative discussions among trusted partners.

Building trusted relationships with development partners has allowed the City to get other projects done with greater ease by contracting with developers in lieu of adding city staff for construction project management. For example, when the City needed help managing the development of a new youth homeless shelter, city staff called on development partner PRG, Incorporated to provide contracted project management services. Similarly, when the City needed help managing and overseeing improvements at under-maintained single-family rental properties, the City called on Rains Properties to provide the service on contract.

Support from other agencies was critical to the outcomes achieved in Brooklyn Park. Hennepin County, Minnesota Housing and the City of Minneapolis provided technical assistance and managed elements of the grant funding. The Twin Cities Land Bank and the National Stabilization Trust were also critical partners because they provided the "First Look" program, which allowed developers to more easily purchase vacant bank-owned homes.

6. If a private consultant was used please describe their involvement, identify the consultant and/or firm and provide contact information. *100 word maximum.*

Development groups are named in Question 13 below.

7. To what extent do you believe your program or policy initiative is potentially replicable within other jurisdictions and why? To your knowledge, have any other jurisdictions or organizations established programs or implemented policies modeled specifically on this project? Please provide verification of the replication. *200 word maximum.*

This program demonstrates how to reinvest in housing in challenged neighborhoods by leveraging the capacity of the for-profit and non-profit development community. Partnering with the private development community and using a performance-based program is a replicable model.

Minneapolis modified its program to be more similar to Brooklyn Park's program during phase II of HUD's NSP funding. While Hennepin County staff has encouraged other cities to established similar performance-based programs with development partners, we are unaware of other cities in Hennepin County using our same model. The City of Columbia Heights, in Anoka County, is working to set up a similar program with limited funding.

Over the years, our for-profit development partners have grown their capacity to include other geographies. For example, Robert Engstrom Companies sought additional funding from Minnesota Housing Finance Agency and now partners with Ramsey County HRA and the City of St. Paul. Similarly, MyHomeSource now partners with the cities of Brooklyn Center, Minneapolis, and Richfield and is trying to identify additional partners.

8. What were the costs? What were the savings? *100 word maximum.*

The use of the EDA revolving loan fund helped the City to leverage the grant dollars. Though the total grant allocation (including TIF funds) was approximately \$9.5 million, the revolving loan fund and program income allowed the City to invest approximately \$25 million into the Brooklyn Park neighborhoods hit hardest by the foreclosure crisis.

Grant amounts (2009-2015):

- NSP \$6,192,510
- CDBG \$800,000
- MHFA Pilot Program \$1,255,000
- TIF \$1,500,000
- Total \$9,747,510

Cost per home:

- Average Total Development Costs: \$198,564
- Average Resale Price : \$171,539
- Average development grant \$29,202

9. Please describe the most significant obstacle(s) encountered thus far by your program. How have they been dealt with? Which ones remain? *200 word maximum.*

The biggest challenge was establishing and evolving a program that operates efficiently while meeting the requirements of the grant sources, including HUD's NSP and CDBG programs. Partnerships with experienced agencies, including Hennepin County and Minneapolis enhance performance in this area. Also, collaboration with the national and local "First Look" programs helped partner developers overcome the challenges associated with purchasing bank-owned homes at reasonable prices.

Ensuring that the limited resources are used on the homes that need them the most continues to be a challenge that the full-time staff coordinator is responsible for managing. Like most programs, communication is a critical element both to promote the program and to help overcome obstacles that can occur from having several funding partners and requirements.

Building trust and strong relationships has been essential for managing several development partners at a time, especially when they are interested in the same properties and use the same funding streams.

Measuring neighborhood impact is an ongoing challenge. In 2016/17 the City will be partnering with the University of Minnesota on a project to quantify the impact of the program on neighborhood stability.

10. What outcomes did this program or policy have? What baseline data did you collect? How did you measure the change based on the intervention, and why do you believe in the credibility of this assessment? *200 word maximum.*

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From 2009-2015, the City has rehabilitated over 185 vacant and foreclosed homes in the community and these homes are now owner-occupied, helping to stabilize neighborhoods. The program staff tracks and analyzes a number of data points including the number of vacant and foreclosed properties, acquisition, rehab, resale and gap amounts, energy-efficiency gained, radon and lead levels in the homes and homebuyer demographic data. This data collection not only allows the program staff to track performance among developers and important public health measures but also gives staff a better understanding of changes in the market so that the program and staff can intervene, if needed. Though the federal grant dollars may not always be available, this data collection provides staff with the baseline data needed to measure changes and outcomes for years to come.

Include foreclosure and vacant home numbers.

- Number of homes recovered:186
- Total investment in homes (rehab costs):\$25,000,000
- Energy improvements: 31% in energy savings
- Total buyer assistance provided: \$776,739

Communicating the success stories of the program is a priority. The program staff provides a monthly update to the EDA and partners to share rehab stories and analysis of data collected.

11. Has the program received any press or other media coverage to date? If yes, please list the sources and briefly describe relevant coverage. *100 word maximum.*

There have been many media stories on Brooklyn Park's approach to recovering vacant and foreclosed homes since 2009. Examples include:

- o Minneapolis Star Tribune – From Eyesores to Eye Candy - <http://www.startribune.com/from-eyesores-to-eye-candy-in-brooklyn-park/263063731/>
- o Channel 12 – Brooklyn Park Foreclosures Dwindle <http://twelve.tv/news/newsitem.aspx?newsid=324&newsitemid=25391>
- o Channel 12 – Brooklyn Park continues Foreclosure Battle - <http://twelve.tv/news/newsitem.aspx?newsid=324&newsitemid=25391>
- Minnesota Public Radio – Foreclosures Hit Brooklyn Park Especially Hard - <http://www.mprnews.org/story/2010/08/26/foreclosure>

12. Please provide web links where the innovation can be seen/tested (in the case of something that is web-based) *100 word maximum.*

N/A

13. Please provide any key references and their contact information who can be interviewed/called to discuss the innovation and its impact. *100 word maximum.*

The below list includes contact information for the development groups as well as agency partners.

Private Development Groups

Robert Engstrom, Engstrom Companies @ 952-893-1001  
Bob Lux, My Home Source @ 612-455-0708  
Chris Rains, Rains Real Estate Services @ 763-315-0000  
Adeyika Badewa, eStoreMasters, LLC @ 763-205-7000

#### Non Profit Development Groups

Kathy Wetzel-Mastel, PRG, Inc. @ 612-721-7556  
Janet Lindbo, Homes Within Reach @ 952-401-7071  
David White, Habitat for Humanity @ 612-305-7122

#### Partner Agencies

Kevin Dockry, Hennepin County - Housing Community Works & Transit @ 612-348-2270  
Lucia Clausen Minneapolis HUD @ 612-370-3000 x2106  
Cherie Shoquist, City of Minneapolis @ 612-673-5078

14. You've been to a lot of conferences. TLG should be a unique experience for everyone. Describe how your case study presentation will be different than other conference presentations. *200 word maximum.*

- How will you make the session creative and unique?
- How do you plan to be both entertaining and educational?
- Include a description of how your session will facilitate group activities and/or interaction.

• We will use one or more sticky walls to make our session unique, interactive, and memorable. A sticky wall is a large piece of fabric that is sticky, so any paper can be secured and removed easily. This collaborative tool will allow us to use hand written items and pictures to tell our story in coordination with a standard powerpoint presentation. If we are awarded the opportunity to present, we will invite one or more of our partners to contribute to the session.

• We plan to provide an example project pro-forma to demonstrate the way we evaluate a project with a developer prior to approving the purchase of a home. We will ask the audience questions about the pro-forma as a way to get people thinking about what goes into managing partners in an acquisition/rehabilitation program.

• The introduction of a sticky wall as well as project pro-formas into the presentation will make the session interactive and collaborative. We will also be asking people to write a key take-away on a piece of paper and put it on the sticky wall as they exit the room. The results will be emailed to those who leave their contact information with the presenters.

15. Anything else you would like to add? *200 word maximum.*

While the foreclosure crisis is hopefully a once is a lifetime event for our nation and for the City of Brooklyn Park, the learnings from managing such a crisis in neighborhoods are critical to preparing for the future and ensuring community sustainability over the long term.

We hope that sharing the story of Brooklyn Park's home purchase and rehabilitation program, which relies on multiple for-profit and non-profit partners as well as other agencies, will inspire others to build trusting and productive relationships with local partners. If we are awarded the opportunity to present, we will invite one or more of our partners to contribute to the session to offer additional perspective.