

October 10, 2008

Tom Streitz
Director, Housing Policy & Development
City of Minneapolis CPED
105 Fifth Avenue South, Suite 200
Minneapolis, MN 55401

Dear Tom:

On behalf of the City of Lakes Community Land Trust Board (CLCLT) of Directors, we are writing to express our interest in supporting the City of Minneapolis planning efforts to respond to HUD's Neighborhood Stabilization Program. We understand that the City of Minneapolis is evaluating the potential uses and restrictions that are associated with the \$5.6 million allocation. We view our mission, complemented by the work of our Community Development Corporation (CDC) partners, as a critical strategy that the City should employ in response to these foreclosure remediation funds. We already see numerous CDC initiatives that are making small, but significant progress in bettering the impact of foreclosures in Minneapolis.

As you are aware, much of this momentum is due to years of positive community discussion and planning with the City, neighborhoods, and CDCs. It is important to build on the momentum already created in these Minneapolis communities. CDCs, in collaboration with neighborhoods and communities across the City, have been and will need to be a continued partner in addressing foreclosures and their resulting blight on our City.

We believe the CLCLT, along with other Minneapolis CDCs, can assist the City's Foreclosure Response through the following strategies:

- CLCLT Homebuyer Initiated Program (HIP). Over the last three years with support of the City, the CLCLT has assisted over 27 households purchase homes through the Homebuyer Initiated Program (HIP). To date, 6 of the 10 CLCLT HIP homeowners who have purchased homes in 2008 have purchased short-sale or previously foreclosed homes in Minneapolis. This program has proven to be an extremely effective tool in converting foreclosed properties to perpetually affordable, owner-occupied, rehabbed homes. The median income of households assisted through HIP has averaged 45% of Metro Median Income (MMI). The CLCLT is quite certain that Neighborhood Stabilization Funds could be used to complement this existing foreclosure remediation program in targeted neighborhoods. Households would most likely be below 50% MMI.
- Project: Reclaim with Urban Homeworks. Project: Reclaim is a pilot Contract for Deed program that is unique as it prioritizes the success of the buyer/owner and community over other goals. Homes brought into Project: Reclaim will have been previously foreclosed homes that Urban Homeworks has acquired and rehabbed. The program revolves around a 3% Contract for Deed held by Urban Homeworks and property that is committed to perpetual affordability through the CLCLT. Urban Homeworks and the CLCLT are contracting with Lutheran Social Services to establish a credit enhancement performance plan, which will be embedded in the contract and furthering the expectations of all for the homeowners to convert to a fixed-term, fixed-rate mortgage within a 2-4 year period of time. The first Project: Reclaim homebuyer should close within the next 30 days. Some households could be below 50% MMI.
- GMHC - CLCLT Marketing Initiative. GMHC and the CLCLT have already raised close to \$600,000 in affordability gap funding from the State of MN, Met Council, and Hennepin County to enhance the marketing of GMHC previously foreclosed, rehabbed homes to income-qualified (at levels below 50%, 60%, and 80% MMI

buyers). Program is in place and CLCLT is currently marketing 2 GMHC homes. Some households could be below 50% MMI.

- Landbanking and longer-term disposition of City properties. The City has identified acquisition and landbanking of properties as one potential Foreclosure Response strategy. Disposition directly to the CLCLT or CDCs with the intent of placing in CLCLT will provide assurance to the community of the long-term community control, owner-occupancy, and permanent affordability of the properties. Some households could be below 50% MMI.
- Scattered-Site Rental Properties. A few CDCs are recognizing the need in our neighborhoods to provide their expertise by facilitating scattered-site and small, multi-family unit rental ownership. Ownership of scattered site rental properties by CDCs is a far more responsible community proposition than allowing the majority of absentee investors from acquiring properties. To lessen the concern of some neighborhoods, single-family, scattered-site homes could be placed in the CLCLT with the long-term objective of converting them to owner-occupied CLCLT homes. We believe this could eliminate the financial challenges associated with long-term CDC management of scattered site rentals and concerns around the density of rental by some neighborhoods. Some households could be below 50% MMI.

While foreclosures have devastated many of our Minneapolis neighborhoods, there is great opportunity to grow the number of community-owned assets in the City. The City can ensure the funds invested (regardless of income requirements) in our communities remain as community-controlled assets (i.e. controls, declarations, mortgages, affordable rental).

As you are aware, the City has and will continue to invest significant resources to address the impact of foreclosures in Minneapolis. We look forward to assisting the City in its planning efforts and gaining an understanding of how the City of Lakes Community Land Trust can assist addressing the situation today with a commitment to ensuring greater community-control for the future. Thank you.

Sincerely,

Elena Gaarder
CLCLT Board Chair

Jeff Washburne
CLCLT Executive Director

cc: Council Member Lisa Goodman
Council Member Gary Schiff
Elfric Porte, II
Jim Roth, MCCD
Cherie Shoquist