

MICHIGAN NSP2 CONSORTIUM APPLICATION PROGRAM DESIGN

In 2009, the U.S. Department of Housing & Urban Development (HUD) will award \$1.93 billion in NSP2 funds by competition. The Michigan State Housing Development Authority (MSHDA) is submitting a *“Michigan NSP2 Consortium Application”* that includes MSHDA, the Michigan Land Bank Fast Track Authority, eight local land banks and twelve city governments. These consortium members share a vision for foreclosure recovery and neighborhood stabilization in targeted communities that meet HUD’s NSP2 high-risk and high-need foreclosure and vacancy criteria. The Michigan NSP2 Consortium will request \$263.5 million in NSP2 funds.

The consortium members have agreed to work in a collaborative manner and seek to leverage NSP2 funds to address two challenges:

1. Support for large-scale re-use planning and development that can attract the investment necessary to create sustainable neighborhoods of choice that are re-positioned to meet the opportunities of the new Michigan economy and
2. Assistance at a sufficient scale to help build the capacity of Land Banks so that they can reach their potential under Michigan’s unique state Land Bank law to implement local NSP programs and beyond.

MSHDA in collaboration with each local land bank and its partner city has identified neighborhoods that meet NSP2 criteria for targeted investment over the next three years. These neighborhoods are characterized by (a) high levels of foreclosure and abandonment, but (b) are strategically important to the larger community, and because of their urban design and proximity to redevelopment anchors, have high potential to become an asset to the larger community and become reconnected to the regional economy through the highly concentrated investment of NSP funds.

Because of Michigan’s extremely depressed economy and real estate market, a combination of innovative strategies is required, including:

- Development of new partnerships between county land banks and municipalities to leverage resources for the acquisition, maintenance and assembly of surplus land in the public interest;
- Land banking to facilitate both the short-term removal of excess property from market to support an increase in property values as well as the use of Michigan’s innovative land bank law to facilitate redevelopment over a 10-year period through the Land Banks’ ability to quiet title, access Brownfield tax credit, and leverage regional tax increment financing to maintain property and assemble land for redevelopment;
- Utilizing the housing development and rehabilitation expertise of MSHDA and member cities to structure acquisition, rehab, and financing for the redevelopment of abandoned and foreclosed upon homes;
- Use of lease-purchase strategies to maximize rapid absorption of redeveloped units under current and forecasted neighborhood market conditions;
- Re-conceptualization of housing stock and infrastructure by municipalities and the removal of blighting conditions, including housing units, as needed to create an asset from the green space to be developed from surplus property in target census tracts;

As lead applicant of the NSP2 Consortium, MSHDA will provide contract compliance, serving as funder and coordinator of capacity-building services to the land banks.

Local Consortium Partners—cities and land banks—will share responsibilities based on local capacity to collaboratively redevelop target neighborhoods, with Land Banks generally focusing on the acquisition, maintenance and assembly and structuring of real estate for redevelopment, and cities generally setting priorities for land use and overseeing physical redevelopment. In each locality local management agreements will be executed to assure alignment of NSP2 projects with local development priorities.

The Michigan State Land Bank Fast Track Authority and MSHDA's TA providers will deliver a range of capacity building services for land banks so that they have the staff, management systems, and document templates to successfully implement their NSP initiatives.

I. APPROACH

A. Strategy

Consortium members agree we must consider a new vision for target neighborhoods in the context of an emerging new Michigan economy. NSP2 funds, the Michigan Land Bank Fast Track Authority, and Brownfield laws represent opportunities to create a vision that forges a new Michigan urban neighborhood.

The Genesee County Land Bank is a national model. However, few other Michigan communities have had access to capital and capacity-building services to grow their local land bank's potential. NSP2 funds can serve as a sparkplug to ignite more robust production from local land banks as neighborhoods re-size to create and capitalize on new opportunities.

The vision that the Michigan NSP2 Consortium seeks to develop focuses on the concept that Michigan cities that have experienced economic decline need to clear the way for neighborhood economic development. If awarded, the Michigan NSP2 Consortium will have just three years to deploy 100 percent of its NSP2 funds. With that short time-frame, the consortium proposes that NSP2 funds be used to:

1. Make concentrated investments in the revitalization of neighborhoods where there are anchor institutions that employ, educate, and/or provide healthcare to residents. There needs to be a **“Sense of Place”** there to build upon;
2. Balance housing rehabilitation for new homebuyers and renters with the need to clear houses that have lost their value and functionality as population declined;
3. Re-size neighborhoods based on the value of sustainability rather than sprawl;
4. Through integrated planning, targeted demolition, and preservation where feasible, assemble a critical mass of properties to get neighborhoods ready for new market opportunities and;
5. Employ residents of Michigan at every phase of development. This can range from deconstruction that employs neighborhood-based labor, to construction workers, suppliers and professional service providers to the real estate development industries and, to new professional jobs with the Land Banks.

This vision does not assume that markets will fully re-emerge in the three-year life span of NSP2, nor does it assume that NSP funding will be increased or continued. However, it does assume that from these NSP2 investments these neighborhoods will become better positioned to compete for the increasing diversity of residents who will chose to live in Michigan cities as new market opportunities emerge.

B. Who Does What?

1. MSHDA, Lead Applicant

MSHDA will execute the NSP2 funding agreement with HUD and will take on all funds management and compliance reporting responsibilities.

Based on the NSP2 Funding Agreements and neighborhood revitalization plans, MSHDA proposes providing NSP2 funds directly to cities and Land Banks. MSHDA will explore opportunities to leverage NSP2 funds with other complementary state-managed funds.

In close coordination with the Michigan State Land Bank Fast Track Authority MSHDA will provide capacity-building initiatives for land banks to assist them to facilitate production of at least 100 NSP-assisted units per targeted area in three years. The Land Bank Capacity-Building Initiative will:

- a) Help land banks, city governments and resident stakeholders refine their neighborhood revitalization plans
- b) Identify and cultivate professional staff to manage land bank operations
- c) Train staff, government officials, and stakeholders in the tools and benefits created under the Michigan Land Bank Fast Track Act.
- d) Develop uniform management systems and document templates and provide up to 3 years of funding for professional staff from NSP Administration funds.
- e) Make mortgage foreclosed properties available to the local land banks from national stakeholders through the State Land Bank.

2. Land Banks and City Governments

MSHDA will develop the roles of local NSP Partners in collaboration with cities and land banks, including:

- Facilitation of local neighborhood revitalization planning processes to optimize NSP2 funds;
- Assurance that properties are acquired in compliance with NSP2 rules
- Assistance to cities and land banks to assess re-use strategies for each property in terms of rehabilitation, demolition by deconstruction and/or held in land bank for future re-use
- Support for land banks to assemble and aggregate properties for longer term re-use
- Development of a framework to prioritize projects based on plan for creating a “New Michigan Urban Neighborhood” in each Consortium City
- Support cities in conducting an RFP for disposition to qualified developers such as non-profit CDCs, private developers and/or general contractors
- Assistance with leveraging of resources and support from national partners, such as the National Community Stabilization Trust.

Land banks are essential partners in these redevelopment projects because of the authority afforded to them based on Michigan law. In addition to conveying properties to selected developers at nominal costs, the land banks can assist through authority conferred by Michigan law:

- Working with municipalities to facilitate redevelopment by quieting title (i.e., forgiving unpaid back taxes);
- Leveraging Brownfield tax credits on all land bank property;

- Prevent tax foreclosed properties from being conveyed to speculators with no interest in neighborhood revitalization
- Holding other foreclosed upon property acquired with NSP funds off the market for up to 10 years to (a) reduce the amount of surplus property depressing housing values and (b) permit strategic land assembly over time to support redevelopment in the public interest.

MSHDA with Michigan State Land Bank Fast Track Authority will develop a model for baseline staffing for each partner local Land Bank for up to three years. Funds for land bank staff can be paid from a portion of NSP2 administrative funds, which will be specified in the Consortium Member Funding Agreement. Land Banks may also derive additional operating funds from NSP2 Program Income and other locally generated sources.

II. PROPOSED NSP2 ALLOCATIONS BY ELIGIBLE USE

Target Market	NSP2 Funds	% of Requested NSP2 Funds
Administration	\$26,350,000	10%
Use A - Financing Mechanisms	\$13,175,000	5%
Use B - Purchase and rehab of abandoned or foreclosed upon homes and residential properties to sell, rent or redevelop	\$105,400,000	40%
Use C - Land Bank Acquisitions & Management of Foreclosed Residential Properties	\$26,350,000	10%
Use D - Demolition Blighted Structures	\$65,875,000	25%
Use E - Redevelop demolished or vacant properties	\$26,350,000	10%
Total:	\$263,500,000	100%

III. MICHIGAN NSP2 CONSORTIUM PARTNERS

CITY and Census Tracts	LAND BANK AUTHORITY
Battle Creek Census Tracts: 2,3,4,5,6,7,8,9,10,11,12,13,14,17	Calhoun County
Benton Harbor Census Tracts: 3,4,5, 6	Berrien County
Detroit Census Tracts: 5454,5453,5247,5248,5020,5019	Land Bank TBD
Flint Census Tracts: 1,3,14,15,16,17,27,28,29,32	Genesee County
Grand Rapids Census Tracts: 22,25,28,29,30,31,32,35,36,37,38	Land Bank TBD
Hamtramck Census Tracts: 5520,5521,5522,5523,5526,5527	Wayne County
Highland Park Census Tracts: 5530,5531,5532,5533	Wayne County
Kalamazoo Census Tracts: 1, 2.02, 3,5,6,9,10	Kalamazoo County
Lansing Census Tracts: 1-9, 12,13,14,15,16,20,21,65	Ingham County
Pontiac Census Tracts: 1416,1422,1423,1424	Michigan State Land Bank Fast Track Authority
Saginaw Census Tracts:4,7,6,8,18	Saginaw County
Wyandotte Census Tracts: 5806,5807	Wayne County