

Livable Communities Act
Local Housing Incentives Account (LHIA)

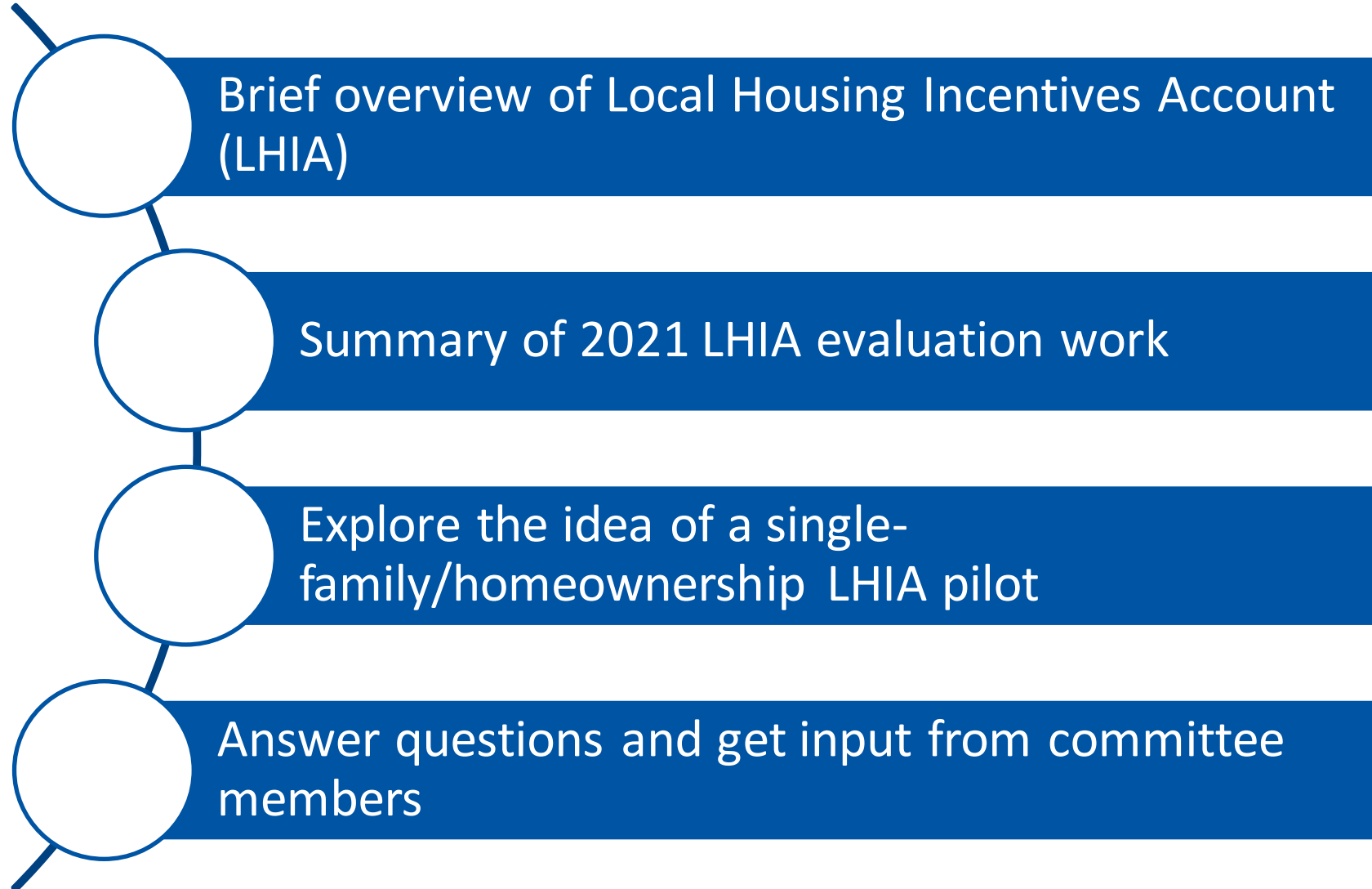
Affordable Homeownership Pilot

April 19, 2021

Community Development Committee



What will we cover today?



Background: Local Housing Incentives Account (LHIA)

The Livable Communities Act (LCA) includes the Local Housing Incentives Account (LHIA), which provides funds to **help participating communities achieve their affordable housing goals.**

- Pooled in Minnesota Housing's annual Consolidated Request for Proposals (RFP)
- Baseline from statute of \$1.5M available annually
- Requires a dollar-for-dollar local match



LHIA Project: PPL Greenbelt (2020)

LHIA Application Process

Developer



Minnesota Housing



Metropolitan Council Staff



Selection Committee



**MN Housing +
Met Council
Boards**



Submits single-family or multi-family app for a new development, preservation or rehabilitation project

Conducts initial review of apps & declines those that aren't feasible this round

Reviews proposals for LHIA criteria

Further reviews apps from a collective lens and for individual funder priorities

Approves final proposal awards



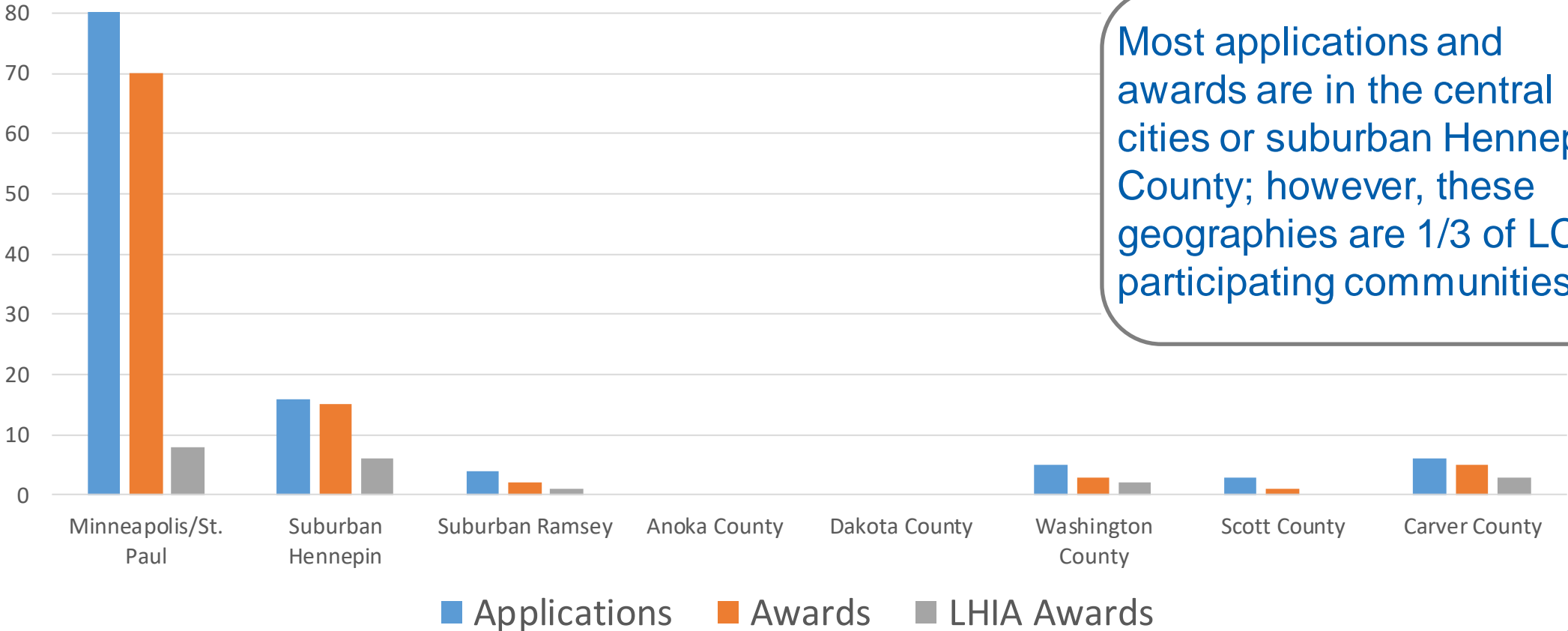
LHIA: 2020 Evaluation

Staff embarked upon a significant evaluation effort for LCA programs in 2020:

- Focus on single-family awards
- Analysis on geographic distribution of applications and awards
- Analysis of ability to use Council priorities in funding selections
- Consideration of an in-house single-family/homeownership LHIA grant process

LHIA: Geographic Distribution of Funds

Location of Consolidated RFP single-family applications and awards, 2016-2020*



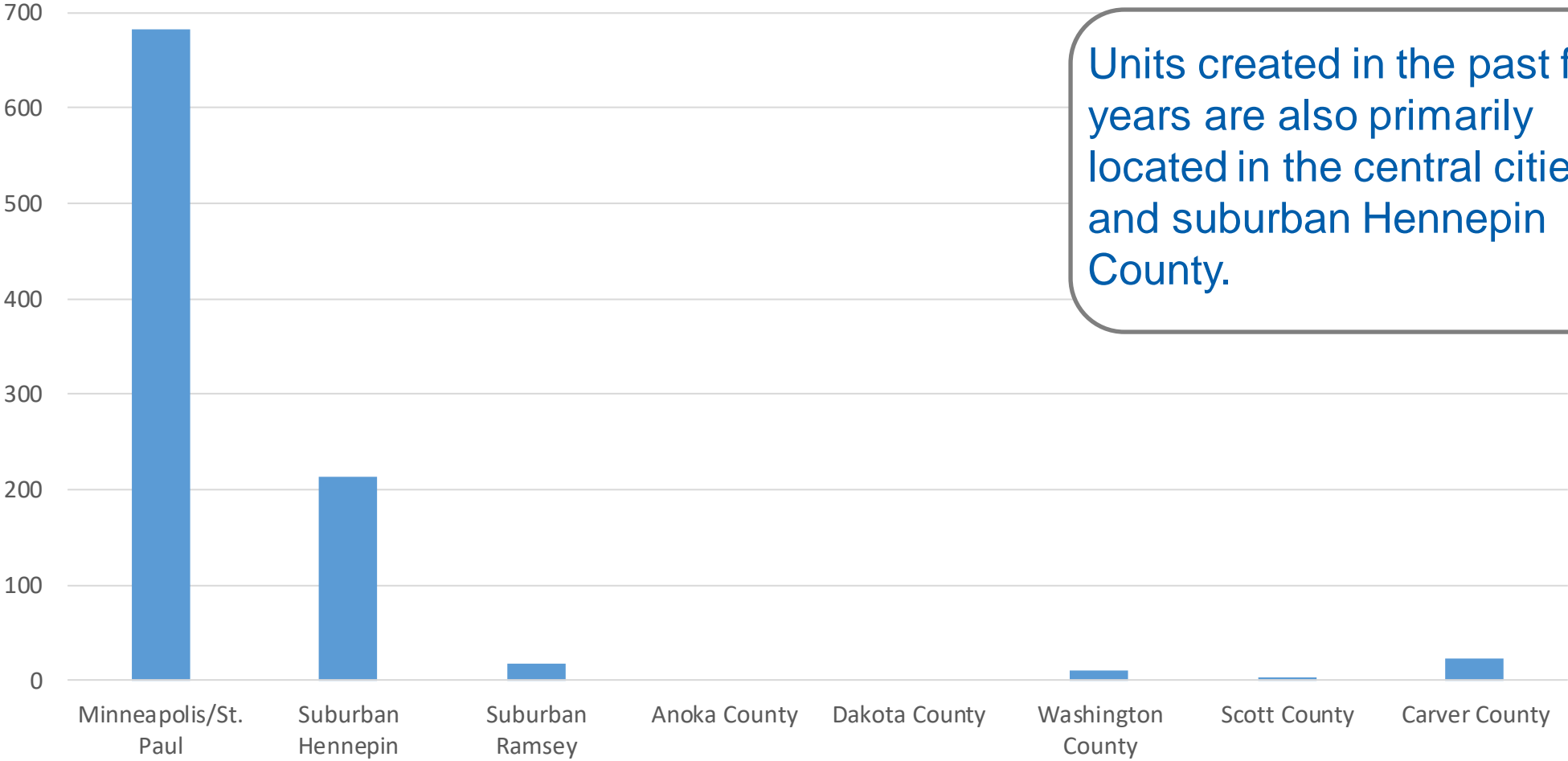
Most applications and awards are in the central cities or suburban Hennepin County; however, these geographies are 1/3 of LCA participating communities.

*Excludes multi-county scattered site units



LHIA: Geographic Distribution of Funds

Location of affordable single-family units created or preserved via the Consolidated RFP, 2016-2020*



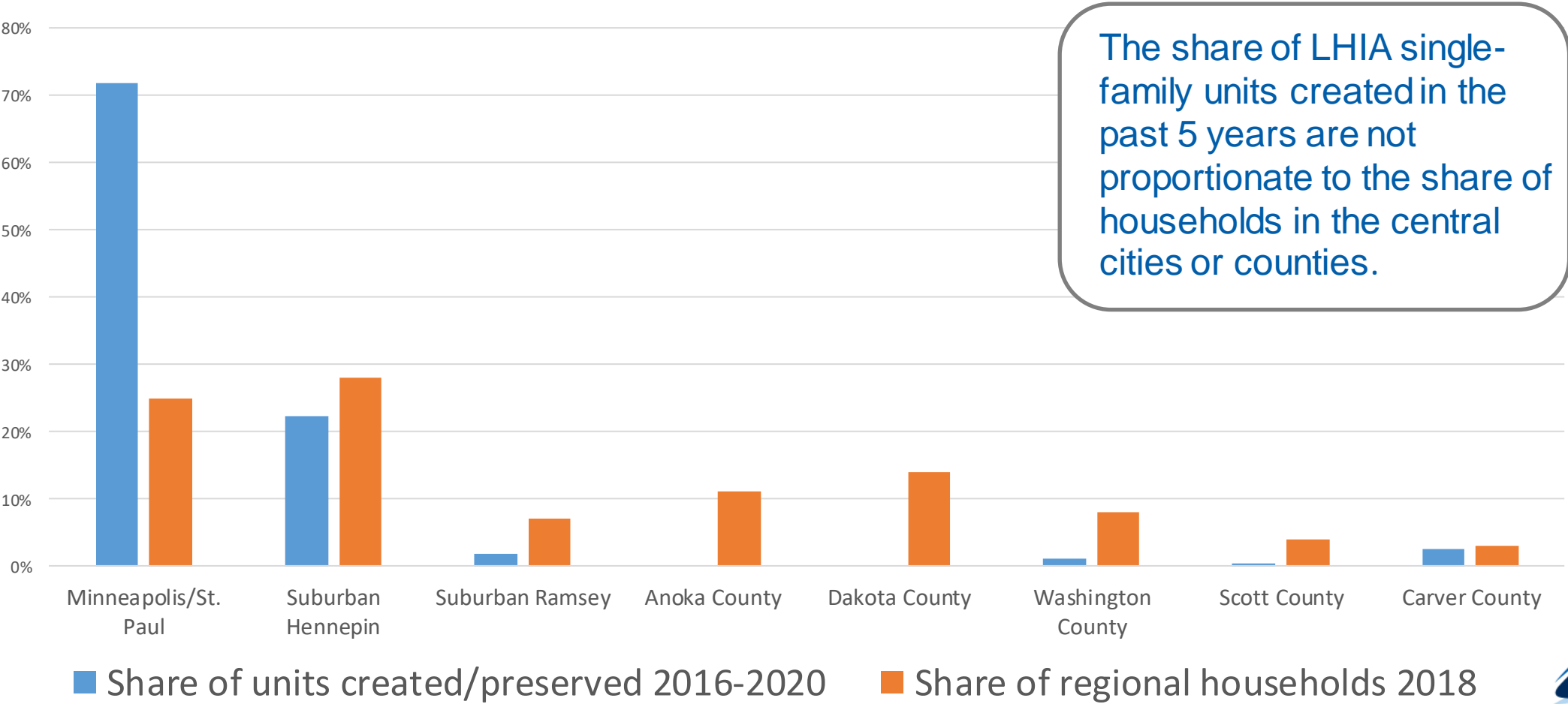
Units created in the past five years are also primarily located in the central cities and suburban Hennepin County.

*Excludes multi-county scattered site units



LHIA: Geographic Distribution of Funds

Share of affordable single-family units created or preserved and share of total households*

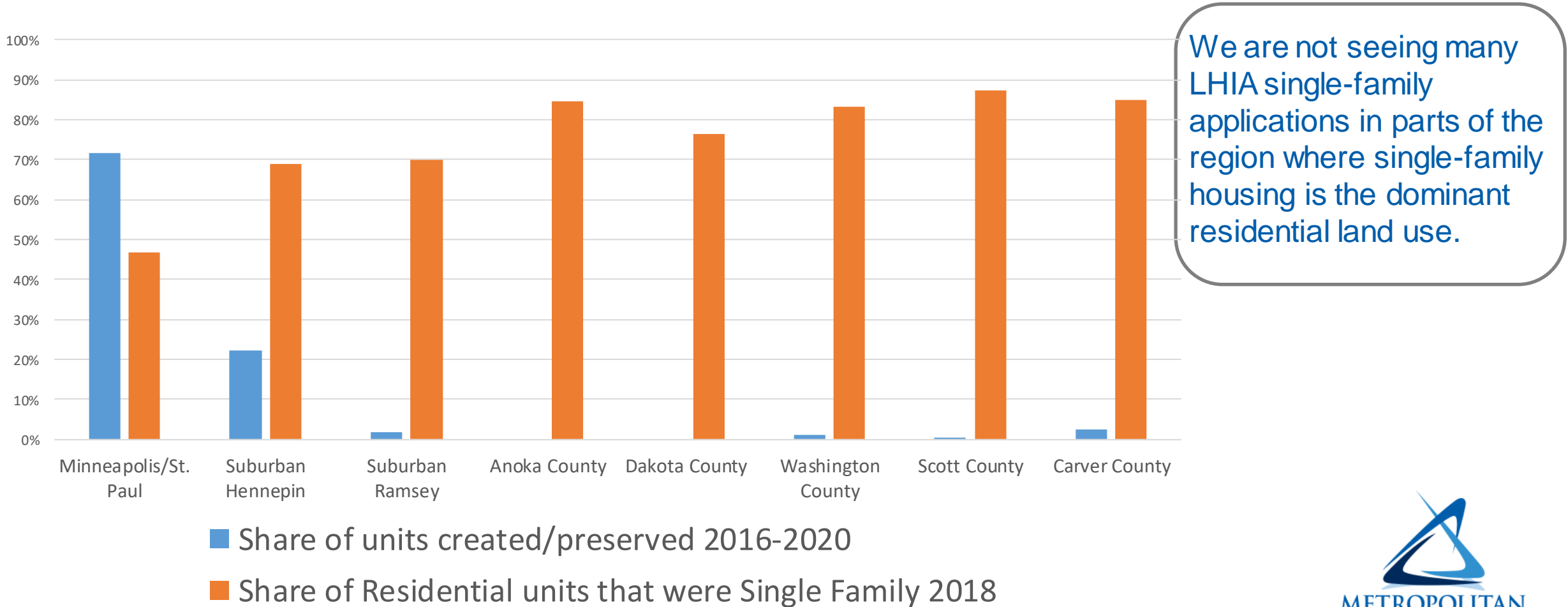


*Excludes multi-county scattered site units



LHIA: Geographic Distribution of Funds

Figure 4. Share of affordable single-family units created or preserved via the Consolidated RFP and share of housing stock that is single-family*



We are not seeing many LHIA single-family applications in parts of the region where single-family housing is the dominant residential land use.

*Excludes multi-county scattered site units



Affordable Homeownership Policy



A stated goal is to support and strengthen homeownership, noting the large racial disparity in homeownership in the state and the large number of income-ready households of color who want to buy.



One objective is to “(i)ncrease the rate of homeownership for people of color and indigenous people across the region.”

BUSINESS

Making homeownership affordable needs bigger effort in Minnesota

By Business Forum, | Jeff Washburne | MARCH 14, 2021 — 2:00PM

Minnesota has consistently ranked among the top-five homeownership states in the United States, yet it also holds the dubious distinction as a state with one of the greatest racial homeownership gaps in the nation.

In 1980, the Minnesota homeownership disparity between whites and homeowners of color was 30.8 percentage points. In 2019, that disparity was more than 33 percentage points. (76.9% for whites and 43.6% for community of color households).

Between 1999 and 2009 the wealth of African American households that owned their home saw an annual wealth increase of \$8,474 on average.

Exploring a single-family LHIA pilot

If the Council brought the single-family LHIA program in-house, could we attract and fund affordable homeownership opportunities in more parts of the region, and more directly influence how our awards help decrease racial disparities in homeownership?

Vetting the idea

We held a series of focus groups and discussions with a wide variety of stakeholders to explore this question, including:

- LCA participating cities
- Counties and county development authorities
- Affordable homeownership developers
- Community land trusts
- Manufactured housing representatives

- Cooperative housing funders
- The Council's Housing Work Group
- Metro Cities
- The Council's Land Use Advisory Committee
- Minnesota Housing

Summary of Feedback

The Consolidated RFP application process has improved but is still very challenging to navigate. For smaller projects/ and requests, and smaller cities with less staff, it can be a significant barrier to apply.

Affordable housing developers have interest and capacity to work in the broader region but may need some help “matchmaking” with interested cities.

Communities without significant transit options may be especially interested in an affordable homeownership grant outside the Consolidated RFP process.

The local match requirement is a potential barrier to more LHIA applications in any format.

Questions for the Committee

- Is there general support from CDC to develop the pilot?
- What should the outcomes/goals for the pilot be?
 - Increased geographic breadth of applications/awards?
 - Prioritize projects that decrease racial homeownership disparities?
 - What else?
- What haven't we considered or thought about?
- Who else should we talk to/partner with?

Next Steps

- Staff will return in late summer to report on progress
 - More detail on program design
 - Highlight any points that need direction/discussion
- Goal is to have pilot program ready for approval in early 2022 as a part of the greater LCA Fund Distribution Plan process

Thank you!

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