

Business Item

Community Development Committee



Committee Meeting Date: December 18, 2023

For the Metropolitan Council: January 10, 2024

Business Item: 2023-310

Funding Recommendations for 2023 Local Housing Incentives Account – Multifamily Grants

District(s), Member(s): All
Policy/Legal Reference: Minn. Stat. § 473.254
Staff Prepared/Presented: Ashleigh Johnson, Senior Planner, Livable Communities (651) 602-1106
Division/Department: Community Development / Regional Planning

Proposed Action

That the Metropolitan Council:

1. Award five multifamily rental Local Housing Incentives Account (LHIA) grants as shown in Table 1, totaling \$2.5 million.
2. Authorize the Executive Director of Community Development to execute the grant agreements on behalf of the Council.

Table 1. Multifamily Rental Proposals (units directly assisted by LHIA)

	Project	City/Applicant	New Affordable Units	LHIA Funding Recommendation
1	5780 Lincoln	City of Edina	89	\$450,000
2	Carver Oaks Senior Residence	Carver County CDA	43	\$400,000
3	Gladstone Crossing	City of Maplewood	40	\$500,000
4	PPL BC Family Housing Phase I	City of Brooklyn Center	60	\$400,000
5	St. Olaf - Exodus Building	City of Minneapolis	66	\$750,000
	TOTAL		298	\$2,500,000

Background

The Council awards grants through the Local Housing Initiatives Account (LHIA), a program enabled through the Livable Communities Act (LCA), for the production and preservation of affordable rental and ownership housing. The LCA requires that the Council adopt an annual Fund Distribution Plan (FDP) which outlines how projects are funded, including threshold and competitive criteria for project evaluation. To determine how LHIA funding will be allocated, the Council partners with Minnesota Housing in their Consolidated Request for Proposals (RFP) process, as well as consults with cities and counties designated as tax credit sub-allocators that may have additional recommendations for affordable housing projects eligible for LHIA: Minneapolis, Saint Paul, Washington County and Dakota County.

Application Review Process

Minnesota Housing and sub-allocators begin evaluating development proposals by conducting a preliminary completeness and eligibility review of funding applications based on internal underwriting standards. They also review the applicant's organizational capacity to deliver the project and how projects align with Agency, or sub-allocator, criteria. The Council adopted the 2023 LHIA guidelines, criteria, and evaluation process as part of the Annual LCA Fund Distribution Plan (FDP) ([Business Item 2023-48](#)) on February 22, 2023.

Not all applications received through the Consolidated RFP, or through sub-allocator recommendation processes, choose to seek or are eligible for LHIA funding. Additionally, not all available sources of funding are as flexible as the LHIA funds. In some cases, projects that fit well with the goals of the Livable Communities Act are not awarded LHIA funds because other funds fit the project better. Conversely, sometimes projects applying to the Consolidated RFP request LHIA funds only. Staff evaluate any LHIA-eligible projects submitted to the Consolidated RFP but do prioritize projects that are being funded by Consolidated RFP partners and need LHIA funds to fully fund the project.

By July 13, 2023, the application deadline, Minnesota Housing and its funding partners received applications for 97 multifamily proposals: 50 within the metropolitan area and 47 in Greater Minnesota. From these proposals, projects eligible for LHIA were then evaluated on the criteria outlined in the 2023 FDP. Table 1 lists the five multifamily rental proposals staff recommend for funding, totaling \$2.5 million.

There were 28 proposals in the metropolitan area recommended by Minnesota Housing and its funding partners. Unfunded applications in the communities of Brooklyn Center, Burnsville, Little Canada, Long Lake, Medina, Minneapolis, Plymouth, Richfield, Robbinsdale, Saint Paul, and Waconia, totaled over \$530 million in funding requests. These proposals were not recommended for funding because of their lower scoring, insufficient amount of funds available to meet all requests, and/or the relevant funder's selection committee assessment that the proposals were premature for funding at this time.

Coordination with Funding Partners

As Table 2 shows, the recommended awards will align LHIA funding with other significant public and private investments. LHIA dollars will help leverage over \$61 million in private investments and over \$68 million in other public investments to provide safe, affordable housing to low- and moderate-income residents in the metro area.

Table 2. Anticipated Leveraged Investment of LHIA Funds

	Proposal	Total Units	Recommended LCA Award	Estimated Total Private Investment ¹	Estimated Total Other Public Investment ²
1	5780 Lincoln	89	\$450,000	\$16,910,431	\$21,060,000
2	Carver Oaks Senior Residence	43	\$400,000	\$4,584,445	\$10,419,629
3	Gladstone Crossing	40	\$500,000	\$6,663,836	\$13,103,203
4	PPL BC Family Housing Phase I	60	\$400,000	\$15,078,153	\$11,432,000
5	St. Olaf - Exodus Building	66	\$750,000	\$18,387,102	\$12,019,033
	TOTAL	298	\$2,500,000	\$61,623,967	\$68,033,865

¹ Includes syndication proceeds

² Includes Minnesota Housing funding and prior LCA awards

As shown in Table 3, Minnesota Housing and its funding partners will award over \$172 million for multifamily rental housing proposals in the metropolitan area. These proposals will assist the construction of 520 new affordable units, and the rehabilitation or preservation of 280 affordable housing units.



Table 3. All Metro Multifamily Rental Housing Proposals Recommended for Funding by Minnesota Housing and Funding Partners

	Project	City	New Affordable Units	Preserved Units	Total Funding Award
1	5780 Lincoln*	Edina	89		\$10,208,677
2	Carver Oaks Senior Residence*	Carver	43		\$13,606,000
3	CB Ford Site II	Saint Paul	60		\$17,935,000
4	Gladstone Crossing*	Maplewood	40		\$18,906,000
5	Gladstone Village II	Maplewood	56		\$23,817,000
6	Jackson Street Village	Saint Paul		25	\$5,840,000
7	Little Earth of United Tribes	Minneapolis		212	\$32,000,000
8	Passage Community	Minneapolis		17	\$3,872,000
9	Portland Village	Minneapolis		26	\$486,793
10	PPL BC Family Housing Phase I*	Brooklyn Center	60		\$9,257,000
11	Sandgrass Pointe	Brooklyn Park	44		\$9,043,000
12	St. Olaf - Exodus Building*	Minneapolis	66		\$7,798,000
13	The LOMA	Minneapolis	62		\$19,514,000
	TOTAL		520	280	\$172,283,470

*Proposals also being recommended for LCA Local Housing Incentives Account funds

Addressing Affordable Housing Need

The 2021-2030 Allocations of Affordable Housing Need are based on forecasted growth as adopted in community's comprehensive plans. The Council provides need numbers in the *2040 Housing Policy Plan* so that local governments may plan for their share of new need for affordable housing. This share is proportional to a city's overall forecasted growth, its existing affordable housing stock, and the ratio of low-wage jobs to low-wage earning residents.

The units proposed in this grant cycle are projected to be available for occupancy in varying timeframes but generally between 2024 and 2026. Table 4 shows the projected affordable housing need, at three levels of affordability, for the decade between 2021 and 2030 and the number of proposed affordable units that are expected to be built in each city through the projects recommended for funding. If completed as planned, the proposed affordable units supported by LHIA grant funding will address part of the affordable housing need for each of those cities in the next decade.

Regionally, the annual need in the 2021-2030 decade for new units affordable at 30% AMI or less is 1,891 housing units. While the 131 units affordable at or below 30% AMI that are being recommended for 2023 LHIA funds through the Consolidated RFP will help the applying cities address their deeply affordable housing needs at a significant level, it is important to note that this represents less than 7% of the *region's* annual need for housing at this affordability level.

Historically low vacancy rates, increased eviction rates, and rising construction costs have led to considerable shifts in Minnesota's rental housing market. Minnesota Housing identified trends that contribute to the State's shortage of affordable rental housing in its December 2023 [Board of Directors meeting materials](#). The percentage of Minnesota renter households that are cost burdened (paying 30% or more of their income on rent) increased from 37% in 2000 to 47% in 2022. Among lower-income renters with incomes less than \$50,000, 74% of households are cost burdened. Since the onset of the global pandemic, 50% of the selected RFP projects had Total Development Costs (TDC) per unit at or above \$400,000, compared to 29% from the 2022 Multifamily Consolidated RFP, as shown in the table below.



	2020 MF Cons. RFP		2021 MF Cons. RFP		2022 MF Cons. RFP		2023 MF Cons. RFP	
	TDC / Unit	Subsidy / Unit	TDC / Unit	Subsidy / Unit	TDC / Unit	Subsidy / Unit	TDC / Unit	Subsidy / Unit
Greater MN	\$263,000	\$217,000	\$302,000	\$128,000	\$356,000	\$214,000	\$434,000	\$180,000
Metro	\$307,000	\$116,000	\$341,000	\$158,000	\$393,000	\$ 30,000	\$453,000	\$135,000
Total	\$289,000	\$145,000	\$320,000	\$142,000	\$381,000	\$ 67,000	\$445,000	\$165,000

Table 4. Affordable Housing Need by AMI Level and Total Proposed New Affordable Units for LHIA Projects Recommended for Funding⁴

City	City's Affordable Housing Need by AMI Level ⁵ 2021-2030 (Units)		LHIA Proposed for Award (Units)	Share of City's Affordable Housing Need Met by Funded Project
	<30% AMI	31-50% AMI		
Brooklyn Center	<30% AMI	103	16	16%
	31-50% AMI	0	44	N/A
	51-80% AMI	135	0	0%
Carver	<30% AMI	310	13	4%
	31-50% AMI	125	30	24%
	51-80% AMI	93	0	0%
Edina	<30% AMI	751	23	3%
	31-50% AMI	480	66	14%
	51-80% AMI	573	0	0%
Maplewood	<30% AMI	250	13	5%
	31-50% AMI	95	27	28%
	51-80% AMI	165	0	0%
Minneapolis	<30% AMI	1,551	66	4%
	31-50% AMI	494	0	0%
	51-80% AMI	1,454	0	0%
Total <30% AMI		2,965	131	4%
Total 31-50% AMI		1,194	167	14%
Total 51-80% AMI		2,420	0	0%
TOTAL ALL UNITS		6,579	298	5%

⁴Affordable Housing Need is based on forecasted growth and therefore does not include preservation units.

⁵Area Median Income (AMI) is the midpoint of a region's income distribution – half of families in a region earn more than the median and half earn less than the median. The U.S. Department of Housing and Urban Development (HUD) defines and calculates different levels of AMI for geographic areas across the country within three levels of affordability: At or below 30% AMI, between 31 and 50% AMI and between 51 and 80% AMI.



Rationale

The housing proposals recommended for LHIA funding support housing development, preservation, and affordability opportunities consistent with both local and regional policies and goals. They include both new construction and rehabilitation of rental and ownership units that support revitalization and reinvestment efforts in aging and/or declining areas and provide affordable housing opportunities near areas of significant employment and population growth. These housing efforts involve activities and public investment that advance *Thrive MSP 2040* outcomes and principles.

In addition to implementing the Livable Communities Act - Local Housing Incentives Account and the Council's *2040 Housing Policy Plan*, these grant awards also further the Council's 2020-2022 Strategic Plan. The foremost Housing Goal in the 2020-2022 Strategic Plan is to "become a region with a broader housing spectrum where all people can thrive."

Thrive Lens Analysis

The Council's investment in these affordable housing projects advances several Thrive outcomes.

- The Council will "encourage preservation of existing housing where rehabilitation is a cost-effective strategy to maintain housing" and "collaborate with regional housing partners and funders to identify priorities for preserving affordable housing and available resources" (Stewardship).
- Many of these projects introduce new affordability levels, or housing types, to the areas in which they are located which "helps create and preserve mixed-income neighborhoods and housing choices across the region" (Prosperity).
- These projects also "help close the gap between the region's affordable housing need and the supply, especially in areas underserved by affordable housing and to house extremely-low-income households earning less than 30% of the area median income" (Equity).
- Several of the LHIA projects also support the Council's efforts to "encourage and invest in a wide variety of housing options throughout the region to serve an increasingly diverse population, including viable housing choices for low- and moderate-income households and senior households" (Livability).

Funding

Through adoptions of its [2023 Livable Communities Fund Distribution Plan](#) (FDP), the Council allocated \$2.5 million for LHIA multifamily rental awards. This funding level is also included in the Council's 2023 authorized budget.

Known Support / Opposition

There is no known opposition to any of the applications recommended for funding.

Attachments

Attachment A: Project Summaries for Projects Recommended for Funding

Attachment A: Project Summaries for Projects Recommended for Funding

Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: City of Edina
Project Name: 5780 Lincoln
Project Location: 5780 Lincoln Drive, Edina MN 55436

Council District(s): District 8 – Anjuli Cameron

Project Overview

5780 Lincoln is a new construction development in Edina being proposed by Solhem Development, LLC. Its 89 units will provide both family and supportive housing units. The efficiency, one-, two-, three-, and four-bedroom units will be particularly valuable as there is a critical need for larger units in the community. Children living at 5780 Lincoln will attend Hopkins schools. Both the City of Edina and Hopkins school districts have expressed a need for affordable housing that serves large families. The City of Edina is in strong support of the development and will be providing a deferred loan.

Project Detail		
Development Type	New Construction	
Total housing units	89 units	
Affordability Average Median Income (AMI)	AMI Level ≥ 30%: 23 units 30-50%: 66 units	Units 26% of project 74% of project
Bedrooms	No. of Bedrooms Efficiency: 18 units One Bed: 4 units Two Beds: 44 units Three Beds: 15 units Four Beds: 8 units	Units 20% of project 4% of project 49% of project 17% of project 9% of project
Est. total development cost	\$38,420,431	
Est. private funds leveraged	\$16,910,431	
Est. public funds leveraged	\$21,060,000	
Consolidated RFP Partner Funding		
LHIA	\$450,000	
Minnesota Housing	\$10,208,677	
Providing LHIA Match	City of Edina	



Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: Carver County CDA
Project Name: Carver Oaks Senior Residence
Project Location: 1591 Hartwell Drive, Carver MN 55315
Council District(s): District 4 – Deb Barber

Project Overview

Carver Oaks Senior Residence project is a 43-unit three-story elevator apartment building with underground parking consisting of a mix of one- and two-bedroom units and common use amenities in the City of Carver. The project will be located next to Carver Place, an affordable 60-unit workforce family development, which was selected for funding in the 2022 Consolidated RFP and is anticipated to begin construction in spring 2024. The project will be owned and managed by the Carver County Community Development Agency (CDA).

Carver Oaks Senior Residence will be the last phase in a master planned development that includes single-family homes, multi-family development and a transit station. The project will be owned and managed for the long term by the Carver County Community Development Agency (CDA).

Project Detail		
Development Type	New Construction	
Total housing units	43 units	
Affordability Average Median Income (AMI)	AMI Level ≥ 30%: 13 units 30-50%: 30 units	Units 30% of project 70% of project
Bedrooms	No. of Bedrooms One Bed: 32 units Two Beds: 11 units	Units 74% of project 26% of project
Est. total development cost	\$15,404,074	
Est. private funds leveraged	\$4,584,445	
Est. public funds leveraged	\$10,419,629	
Consolidated RFP Partner Funding		
LHIA	\$400,000	
Minnesota Housing	\$13,606,000	
Providing LHIA Match	Carver County CDA	



Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: City of Maplewood
Project Name: Gladstone Crossing
Project Location: 1375 Frost Avenue, Maplewood MN 55109
Council District(s): District 13 – Chai Lee

Project Overview

Gladstone Crossing is a new construction, 40-unit project located in Maplewood, sponsored by Beacon Interfaith Housing Collaborative. Youth-led households and homeless youth families with children are the primary target for this workforce and supportive housing development. Project-based Section 8 funding has been secured from the Metropolitan Council’s Metro HRA, making these units deeply affordable to households.

The service provider Solid Ground will provide on-site services including family advocates and children’s services specialists. Ramsey County (\$2,500,000) and the City of Maplewood (\$200,00) have both made funding awards in support of this project.

Project Detail		
Development Type	New Construction	
Total housing units	40 units	
Affordability Average Median Income (AMI)	AMI Level ≥ 30%: 13 units 30-50%: 27 units	Units 33% of project 67% of project
Bedrooms	No. of Bedrooms Two Beds: 30 units Three Beds: 6 units Four Beds: 4 units	Units 75% of project 15% of project 10% of project
Est. total development cost	\$20,267,039	
Est. private funds leveraged	\$6,663,836	
Est. public funds leveraged	\$13,103,203	
Consolidated RFP Partner Funding		
LHIA	\$500,000	
Minnesota Housing	\$18,906,000	
Providing LHIA Match	City of Maplewood	



Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: City of Minneapolis
Project Name: PPL BC Family Housing Phase I
Project Location: 2500 County Road 10, Brooklyn Center MN 55430
Council District(s): District 8 – Anjuli Cameron

Project Overview

PPL BC Family Housing Phase I is a new construction mixed income development in Brooklyn Center being proposed by Project for Pride in Living and Resurrecting Faith World Ministries. Its 60 units will provide both family general occupancy and supportive housing units. The two-, three-, and four-bedroom units will be particularly valuable as there is a critical need for larger units in the community. The development is part of a master plan to redevelop the now vacant Brooklyn Mall. The opportunity site plan has identified a high need for affordable housing as part of the overall redevelopment of the area. The development will include onsite management, indoor and outdoor play areas for children, community garden space, and a large community room for resident gatherings and resident services.

Project Detail		
Development Type	New Construction	
Total housing units	60 units	
Affordability	<u>AMI Level</u>	<u>Units</u>
Average Median Income (AMI)	≥ 30%: 16 units 30-50%: 44 units	27% of project 73% of project
Bedrooms	<u>No. of Bedrooms</u>	<u>Units</u>
	Efficiency: 5 units	8% of project
	One Bed: 10 units	17% of project
	Two Beds: 30 units	50% of project
	Three Beds: 10 units	17% of project
	Four Beds: 5 units	8% of project
Est. total development cost	\$26,910,153	
Est. private funds leveraged	\$15,078,153	
Est. public funds leveraged	\$11,432,000	
Consolidated RFP Partner Funding		
LHIA	\$400,000	
Minnesota Housing	\$9,257,000	
Providing LHIA Match	City of Brooklyn Center	



Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: City of Minneapolis
Project Name: St. Olaf - Exodus Building
Project Location: 819 2nd Ave S, Minneapolis, MN 55402
Council District(s): District 7 – Yassin Osman

Project Overview

St. Olaf-Exodus involves the adaptive reuse of a church owned building and construction of a new addition located in downtown Minneapolis. The building formerly provided transitional housing operated by Catholic Charities. Aeon is the project sponsor of this 66-unit permanent supportive housing project comprised of all studio apartments. This project has considerable community support as evidenced by a below-market-rate 99-year land lease provided by St. Olaf Church, a philanthropic contribution of \$1.12M from Westminster Presbyterian Church, \$1.2M in Hennepin County Supportive Housing Funds, and a \$1.5M loan from Aeon.

Key building features include a resident lounge, kitchen, computer room, fitness center, rooftop deck, meeting rooms, and space for Touchstone Mental Health employees to meet with residents as well as reception space and bike storage.

Project Detail		
Development Type	New Construction, Preservation	
Total housing units	66 units	
Affordability Average Median Income (AMI)	<u>AMI Level</u> ≥ 30%: All units	<u>Units</u> 100% of project
Bedrooms	<u>No. of Bedrooms</u> Efficiency: 66 units	<u>Units</u> 100% of project
Est. total development cost	\$31,156,135	
Est. private funds leveraged	\$18,387,102	
Est. public funds leveraged	\$12,019,033	
Consolidated RFP Partner Funding		
LHIA	\$750,000	
Providing LHIA Match	City of Minneapolis	

