

Business Item

Community Development Committee



Committee Meeting Date: December 4, 2023

For the Metropolitan Council: December 13, 2023

Business Item: 2023-269

Funding Recommendations for 2023 Local Housing Incentives Account (LHIA) Homeownership Program

District(s), Member(s): All
Policy/Legal Reference: Minn. Stat. § 473.253
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 homeownership Local Housing Incentives Account (LHIA) grants as shown in Table 1, totaling \$2.9 million.
2. Authorize the Executive Director of Community Development to execute the grant agreements on behalf of the Council.

Table 1. Recommended Homeownership Proposals

	Project	City/Applicant	Number of Homes	LHIA Funding Recommendation
1	Affordable Ownership Preservation	City of Edina	2	\$366,604
2	Affordable Twin Home Project	City of Minnetonka	2	\$746,996
3	HOPE Round 2	City of Golden Valley HRA	6	\$948,000
4	PPL Greenbelt Homes	City of Minneapolis	5	\$568,400
5	Serenity Townhouses	St. Paul Port Authority	4	\$270,000
	TOTAL		19	\$2,900,000

Background

On November 20, 2023, the Council's Community Development Committee (CDC) voted to table LHIA Homeownership Program recommendations until the following CDC meeting on December 4, 2023. The Committee requested additional proposal information from staff (Attachment D), which includes total development cost, estimated market value, affordable sales price, price of land/acquisition/demolition, project value gap, targeted Average Median Income (AMI) level or range, affordability term, affordability mechanism, marketing or sales partner(s), home square footage, and number of bedrooms.

The Livable Communities Act (LCA) awards grants through the Local Housing Initiatives Account (LHIA) for the production and preservation of affordable rental and ownership

housing. 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.

The Metropolitan Council’s Affordable Homeownership Program is intended to prioritize affordable homeownership opportunities in communities and populations that are underserved. Specifically, the program aims to address two priorities originally derived from 2020-2022 strategic plan objectives:

1. Racial Equity: create homeownership opportunities for Black, Indigenous, and other ethnic or racial groups that own homes at disproportionately lower rates than white households in the region; and
2. Geographic Choice: create affordable homeownership opportunities in parts of the region where it is most challenging to do so.

Affordable Homeownership Program criteria by City is available as a regional interactive map on LHIA’s [website](#).

Program Requirements

The following requirements apply to all applications in this program:

1. Local Match: Dollar-for-dollar
2. Grant Terms: 3 years from date of award
3. Term Extensions: 2 years
4. Award Limits: None
5. Application Limit: None
6. Excess available funding: If funding applied for or awarded through the LHIA Homeownership Program is less than the funding available, the remaining funds may be made available for award through the regular LHIA category

Application Review Process

For this funding cycle, the Council received applications for eight homeownership proposals. From these proposals, projects eligible for program funding were then evaluated on the criteria outlined in the 2023 FDP.

Table 2, below, summarizes the applications received.

Table 2. Summary of Applications

	Project	City/Applicant	Homes Proposed	Points	Total Requested	LHIA Funding Recommendation
1	HOPE Round 2	Golden Valley	6	45.5	\$948,000	\$948,000
2	Serenity Townhouses	St. Paul	4	42.5	\$270,000	\$270,000
3	PPL Greenbelt Homes	Minneapolis	5	42.25	\$568,400	\$568,400
4	Affordable Twin Home	Minnetonka	2	40.75	\$746,996	\$746,996
5	Affordable Ownership Preservation	Edina	5	38.75	\$750,000	\$366,604
6	ReFresh Minneapolis	Minneapolis	4	37.5	\$439,999	\$0
7	ARTWorks CDC	Minneapolis	2	33.75	\$150,000	\$0
8	AACDC	St. Paul	2	33.25	\$300,000	\$0
	TOTAL		30		\$4,173,395	\$2,900,000

The program scoring committee was comprised of staff from the Council’s Community Development Division and an external panelist from a city in the region. Award recommendations are based first on an eligibility analysis, and then on the score

ranking of each proposal (see more details about scoring in Appendix B). Five proposals are recommended for full funding and one proposal is recommended for partial funding (see Appendix A). Three proposals are not recommended for program funding based on their score ranking (see Appendix C). The total of unfunded requests is over \$1.2 million.

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 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 2023-2027 Strategic Plan. The foremost Housing Priority in the Strategic Plan is to "become a region with a broader housing spectrum that meets the region's needs and provides choice so that all people can thrive." This program and its accompanying funding recommendations are also consistent with the Investment and Investment and Operations Objective of the Housing Priority which is to "increase the rate of homeownership for people of color and indigenous people across the region."

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

In its 2023 [Livable Communities Fund Distribution Plan](#) (FDP), the Council allocated \$2.9 million for LHIA Affordable Homeownership Program awards. This funding level is also included in the Council's 2023 authorized budget. Reserves may need to be amended into a future annual budget to meet cashflow needs on Livable Communities multi-year grants.

Attachments

Attachment A: Project Summaries for LHIA Homeownership Funding

Attachment B: LHIA Homeownership Scoring Criteria



Attachment C: Proposals Not Recommended for Funding

Attachment D: Requested Proposal Details (CDC Meeting - November 20, 2023)



Attachment A: Project Summaries for LHIA Homeownership Funding

Livable Communities Project Summary

Grant # SG
Type: LHIA Homeownership Program
Applicant: City of Edina
Project Name: Affordable Ownership Preservation
Project Location: City of Edina
Council District(s): District 8 – Anjuli Cameron

Project Overview

The City of Edina will partner with Twin Cities Habitat for Humanity (TCHFH) and Homes Within Reach (HWR) to acquire, rehabilitate, and sell homes through a community land trust (CLT). City staff engaged owners of moderately priced homes in Edina, of which 56 homeowners expressed interest in selling their homes to the CLT for future affordable ownership. The Edina Housing Foundation (EHF) will provide homebuyers up to \$60,000 of down payment assistance which can complement Come Home 2 Edina's \$15,000 forgivable loan for first-generation homeowners.

Edina is confronted with entry-level properties being overpriced for most work-force households, combined with large ownership disparities between White and BIPOC people. The Affordable Ownership Preservation program is designed to create housing affordability while preserving the modest priced homes in the city. Edina's Affordable Housing Trust Fund will provide the upfront financing and gap financing needed to keep the homes affordable for first-time homebuyers. This program combined with the down payment assistance program has served to create ownership opportunities for BIPOC households at a greater ratio than seen otherwise.

Project Details

Development Team	City of Edina Twin Cities Habitat for Humanity Homes within Reach
Development Type	Preservation
Recommended Number of Homes	2
Affordability <i>Area Median Income (AMI)</i>	50-80%
LHIA Recommendation	\$366,604
Match Source	City of Edina
Anticipated use of funds	Acquisition, rehabilitation, interior and exterior finishing



Livable Communities Project Summary

Grant # SG
Type: LHIA Homeownership Program
Applicant: City of Golden Valley HRA
Project Name: HOPE Round 2
Project Location: 1611 & 1131 Lilac Drive, Golden Valley MN
Council District(s): District 8 – Anjuli Cameron

Project Overview

The Home Ownership Program for Equity (HOPE) makes public land available for affordable and equitable homeownership development opportunities in the City of Golden Valley. The city will provide a land write-down as an incentive for affordable home development at 60-80% of Area Median Income.

The HRA has completed a Request for Qualification or Proposals process and will enter contracts for development with non-profit and private affordable housing developers. Proposals from organizations that have demonstrated success in building relationships of trust with Black, Indigenous and people of color and in serving first generation homebuyers are a priority.

Project Details

Development Team	City of Golden Valley Homes within Reach Magnolia Homes Greater Metropolitan Housing Corp. (GMHC)
Development Type	New
Recommended Number of Homes	6
Affordability <i>Area Median Income (AMI)</i>	60%
LHIA Recommendation	\$948,000
Match Source	City of Golden Valley HRA
Anticipated use of funds	Site preparation, general construction, interior and exterior finishing, roofing, electrical, plumbing, and/or heating



Livable Communities Project Summary

Grant # SG
Type: LHIA Homeownership Program
Applicant: City of Minneapolis
Project Name: PPL Greenbelt Homes
Project Location: 3020 6th Street North, 3024 6th Street North, 429 31st Avenue North, 427 31st Avenue North, 419 31st Avenue North, 415 31st Avenue North, 409 31st Avenue North, City of Minneapolis
Council District(s): District 7 – Yassin Osman

Project Overview

PPL's Greenbelt Homes development is a part of the larger Hawthorne Ecovillage Redevelopment in North Minneapolis. The development will construct five three-bedroom, two-bathroom homes on seven existing lots located along 6th Street North and 31st Avenue North. The existing lots have been replatted to create the five needed for development. Each unit will have its own patio or deck, backyard space, detached garage, and landscaped front yard with a rain garden.

Project Details

Development Team	City of Minneapolis Project for Pride in Living (PPL)
Development Type	New
Recommended Number of Homes	5
Affordability Area Median Income (AMI)	80%
LHIA Recommendation	\$568,400
Match Source	City of Minneapolis
Anticipated use of funds	Construction cost gap which includes site preparation and grading, general construction, roofing, electrical, plumbing, heating and ventilation, and interior and exterior finishes.



Livable Communities Project Summary

Grant # SG
Type: LHIA Homeownership Program
Applicant: City of Minnetonka
Project Name: Minnetonka Affordable Twin Home Project
Project Location: 5432 Rowland Road. Minnetonka, MN 55343
Council District(s): District 3 – Tyrone Carter

Project Overview

The city currently owns the parcel at 5432 Rowland Road and aims to sell the properties to a builder with single-household affordable home-building experience.

The goal is to build affordable twin homes which will be sold to owner-occupants at or below 80% of Area Median Income (AMI). The homes will consist of three bedrooms on one level and 2.5 bathrooms. Each unit will have an attached garage and plenty of storage space. If it is financially feasible, the units could be constructed to DOE's Zero Energy Ready Home program specifications.

Project Details

Development Team	City of Minnetonka, Amani Construction
Development Type	New
Recommended Number of Homes	2
Affordability Area Median Income (AMI)	80%
LHIA Recommendation	\$746,996
Match Source	City of Minnetonka
Anticipated use of funds	Construction costs



Livable Communities Project Summary

Grant # SG
Type: LHIA Homeownership Program
Applicant: St. Paul Port Authority
Project Name: Serenity Townhouses
Project Location: Bush Ave & Cypress St.
Council District(s): District 13 – Chai Lee

Project Overview

Amani Construction will collaborate with Rondo Community Land Trust to ensure long-term affordability and sustainable homeownership within the community. Serenity Townhouses will include 17 units, of which LHIA funds are requested for four 4-bedroom end units.

Amani is committed to ensuring sustainability and energy efficiency in every unit, adhering to the Department of Energy Zero Energy Ready Home (DOE ZERH) program. Energy-efficient homes feature superior insulation, high performance windows, and energy-efficient appliances, not only reducing utility costs but also leaving a smaller carbon footprint for a more sustainable future.

Project Details

Development Team	St. Paul Port Authority Amani Construction Rondo Community Land Trust
Development Type	Preservation
Recommended Number of Homes	4
Affordability Area Median Income (AMI)	80%
LHIA Recommendation	\$270,000
Match Source	St. Paul Port Authority
Anticipated use of funds	Construction costs



Attachment B: LHIA Homeownership Scoring Criteria

The program scoring structure includes two steps. Step One evaluates the project location's ability to achieve program priorities for either Racial Equity or Geographic Choice, considering city or census tract level data on:

- shares of Black, Indigenous, and other residents of color
- homeownership rates across race/ethnicity
- average home sale prices
- single family land use shares, and
- the city's allocation of affordable housing need

Table 4. Step 1 scoring criteria for LHIA Affordable Homeownership Program

Racial equity		Points
Criteria		Points
	Project is in a city with higher racial disparities in homeownership than the regional average	5
OR	Project is in a census tract with higher racial disparities in homeownership than the regional average	3
	Project is in a city with a higher share of Black, Indigenous, and other residents of color than the regional average	3
OR	Project is in a census tract with a higher share of Black, Indigenous, and other residents of color than the regional average	2
Highest possible subtotal for racial equity		8
Geographic choice		Points
Criteria		Points
	Project is in a city with an average home sale price higher than what is affordable to a household earning 80% AMI	5
OR	Project is in a city with an average home sale price higher than what is affordable to a household earning 60% AMI	3
	Project is in a city where the share of single-family housing stock is higher than the regional average	2
	Project is in a city with an affordable housing need less than 20 OR more than 50% of their need is in the 51-80% affordability level.	2
Highest possible subtotal for geographic choice		9
Highest possible total for both priorities		17
<i>A minimum of 5 points would be required to ensure the project sufficiently addresses one or both priorities</i>		

Step Two criteria primarily evaluates the individual *project's* ability to achieve program goals. The proposed criteria include scoring on efforts to ensure populations with lower homeownership rates than white residents have equitable access to the affordable



homeownership opportunity that's being funded, the proposal's ability to meet unique local needs, and the proposal's ability to provide deeper and/or longer affordability.

Table 5. Step 2 scoring criteria for LHIA Homeownership Program

Equitable access	
Criteria	Points
Developer or program partner has a demonstrated record of serving Black, Indigenous, and/or other households of color in homeownership at rates equal to or greater than the city and or region's homeownership rates for those same groups	3
Developer or program partner has current waiting list consisting of Black, Indigenous, or other households of color at levels equal or greater to the regional and/or city population	3
Project team includes a lender, realtor, or other homebuyer-facing team member that is reflective of the Black, Indigenous, or other households of color that have disparate homeownership rates in the region	2
Project will be made available to a first-generation homebuyer	2
Marketing efforts for sale of the project affirmatively further fair housing	1
Other efforts as described by applicant that further equitable access to homeownership	Up to 11
Total for Equitable Access	11

Unique needs and affordability	
Criteria	Points
Project addresses a need specific to the community in which the project is located, through financing, marketing, design, size, or other unique need	3
Project will be affordable to homebuyers earning less than 80% AMI	3
Project will remain affordable upon resale for more than 15 years	3
Project is in a city with a net fiscal disparity of \$200 or more per household	1
Total for Unique Needs and Affordability	10
TOTAL Points Possible (Step 1 and Step 2)	49



Attachment C: Proposals Not Recommended for Funding

Development Team	City of Minneapolis ReFresh Real Estate City of Lakes Community Land Trust (CLCLT)
Development Type	Preservation
Number of Homes	4
Affordability Area Median Income (AMI)	50%
Funding request	\$439,999
Anticipated use of funds	Acquisition, demolition, alterations, and rehabilitation, interior and exterior finishing, roofing, electrical plumbing, heating, and ventilation.
Determination	Limited funds, project did not score high enough to receive funding

Development Team	City of Minneapolis ARTWorks CDC
Development Type	Preservation
Number of Homes	2
Affordability Area Median Income (AMI)	80%
Funding request	\$150,000
Anticipated use of funds	Eligible activities include alterations and rehabilitation; interior and exterior finishing; plumbing, electrical, and HVAC; and roofing.
Determination	Limited funds, project did not score high enough to receive funding

Development Team	City of Saint Paul African American Community Development Center (AACDC)
Development Type	Preservation
Number of Homes	2
Affordability Area Median Income (AMI)	60-80%
Funding request	\$300,000
Anticipated use of funds	Acquisition of a multiplex unit that can accommodate, or be converted to accommodate, mid-to large-sized families in East Saint Paul.
Determination	Limited funds, project did not score high enough to receive funding



Attachment D: Requested Proposal Details (CDC Meeting - November 20, 2023)

Project Details	City of Edina	City of Golden Valley	City of Minneapolis	City of Minnetonka	St. Paul Port Authority
LHIA Request	\$750,000	\$948,000	\$568,400	\$746,996	\$270,000
Targeted Average Median Income (AMI)	50-80%	60%	80%	80%	80%
Affordability Term	99 years	99 years	15 years	30 years	99 years
Affordability Mechanism	Community Land Trust	Community Land Trust	Restrictive Covenant or Second Mortgage	Restrictive Covenant	Community Land Trust
Marketing or Sales Partner	Homes Within Reach	Homes Within Reach GMHC Magnolia Homes	Project for Pride in Living	Amani Construction	Rondo Community Land Trust
Home Size (square feet)	1,500	1,500	1,700	1,700	1,504
Number of Bedrooms	3	3	3	3	4
Total Development Cost (per home)	\$500,000	\$523,000	\$625,408	\$678,198	\$528,265
Cost of Land, Acquisition, Demolition (per home)	\$80,000	\$13,333	\$2,868	\$62,500	\$14,656
Estimated subsidy* (per home)	\$200,000	\$365,000	\$275,000	\$304,700	\$254,265
Affordable Price for Homebuyers at Targeted AMI	\$192,800-\$304,700	\$234,200	\$304,700	\$304,700	\$304,700

* Difference between Total Development Cost and affordable price to buyer

