Business Item

Community Development Committee



Committee Meeting Date: January 17, 2023

For the Metropolitan Council: January 25, 2023

Business Item: 2023-29

Funding Recommendations for Local Housing Incentives Account (LHIA) Pilot

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 nine homeownership Local Housing Incentives Account (LHIA) grants as shown in Table 1, totaling \$2 million.
- 2. Authorize its Executive Director of Community Development to execute the grant agreements on behalf of the Council.

Table 1. Recommended Homeownership Pilot Proposals

	Project	City/Applicant	Number of Homes	LHIA Funding Recommendation
1	Bloomington Affordable Homeownership	Bloomington HRA	4	\$300,000
2	Eden Prairie & Homes Within Reach CLT Program	City of Eden Prairie	2	\$160,000
3	Ernst House CLT Project	City of Chaska	2	\$189,000
4	Home Ownership Program for Equity	City of Golden Valley	2	\$224,000
5	Margaret Street Affordable Homeownership	Ramsey County CED	1	\$50,000
6	Perpetually Affordable Homeownership in Minneapolis	City of Minneapolis	4	\$300,000
7	Roseville Community Land Trust	Roseville EDA	4	\$300,000
8	Scattered Site Acquisition/Rehab 2022	Washington County CDA	3	\$285,000
9	Woodlawn Terrace	City of Richfield	3	\$192,000
	TOTAL		25	\$2,000,000

Background

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 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.

The Metropolitan Council's Affordable Homeownership Pilot is intended to prioritize affordable homeownership opportunities in communities and populations that are underserved.

Specifically, the pilot aims to address two priorities derived from 2020-2022 strategic plan objectives:

- 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
- Geographic Choice: create affordable homeownership opportunities in parts of the region where it is most challenging to do so.

Program Requirements

- Local Match: Dollar-for-dollar
- Grant Terms: 3 years from date of award
- Term extensions: None
- Award Limits: None
- Application Limit: None
- Excess available funding: If funding applied for or awarded through the LHIA Affordable Homeownership Pilot 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, Metropolitan Council staff received applications for 16 homeownership proposals. From these proposals, projects eligible for pilot funding were then evaluated on the criteria outlined in the amended <u>2022 FDP</u>.

Table 1 lists the nine LHIA projects recommended for funding, totaling \$2 million. Table 2 below summarizes the total applications received.

The Pilot scoring committee was comprised of staff from the Metropolitan Council's Community Development Division and external partners from the Minnesota Homeownership Center. Staff recommended setting a maximum award ceiling of \$300,000, and further recommended making partial awards to applicants, to maximize the number of applicants who could receive an award. Award recommendations are based first on an eligibility analysis and then on the score ranking of each proposal. Two (2) proposals were ineligible due to a lack of available local match funding support; five (5) additional proposals were not recommended for pilot funding based on their score ranking. The total of unfunded requests, included unfunded requests and partial awards, is over \$6.2 million.

	Project	City/Applicant	New Homes	Points	Total Requested	LHIA Funding Recommendation
1	Bloomington Affordable Homeownership	Bloomington HRA	5	77.5	\$375,000	\$300,000
2	Roseville Community Land Trust	Roseville EDA	10	73	\$800,000	\$300,000
3	Scattered Site Acquisition/Rehab 2022	Washington County CDA	4	68	\$380,000	\$285,000
4	Historic Bell Lofts	N/A*	12	66	\$1,440,552	0
5	Perpetually Affordable Homeownership in Minneapolis	City of Minneapolis	10	65.5	\$750,000	\$300,000
6	Home Ownership Program for Equity	City of Golden Valley	3	62	\$336,000	\$224,000
7	Woodlawn Terrace	City of Richfield	4	59	\$256,000	\$192,000
8	Margaret Street Affordable Homeownership	Ramsey County CED	1	59	\$50,000	\$50,000
9	Eden Prairie & Homes Within Reach CLT Program	City of Eden Prairie	3	55.5	\$240,000	\$160,000
10	Ernst House CLT Project	City of Chaska	4	53.5	\$400,000	\$189,000
11	PPL Greenbelt Homes	City of Minneapolis	5	52	\$825,000	0
12	Home Preservation Program	City of Edina	4	51.5	\$750,000	0
13	EP First-Generation Homebuyer Initiative	City of Eden Prairie	8	49.5	\$200,000	0
14	North Minneapolis Penn Avenue Townhomes	City of Minneapolis	15	38	\$875,000	0
15	Scattered-site Housing Opportunities	City of Minnetonka	4	33	\$439,569	0
16	St. Paul 1094 Kent	N/A*	1	31	\$100,000	0
	TOTAL		93		\$8,217,121	\$2,000,000

*Local match not available for the project at the time of application; these applications are ineligible.

Analysis of Pilot Recommendations

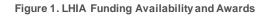
Table 3 summarizes how proposals met the minimum geographic Pilot Priorities in Step 1 of scoring in order to qualify to move into Step 2 scoring: either Racial Equity, Geographic Choice, or both. Applicants recommended for funding were equally likely to qualify under the Racial Equity criteria or the Geographic Choice criteria, and several qualified in both areas of criteria. Three applicants qualified solely with the geographic criteria, and one applicant needed points in both sections to move forward.

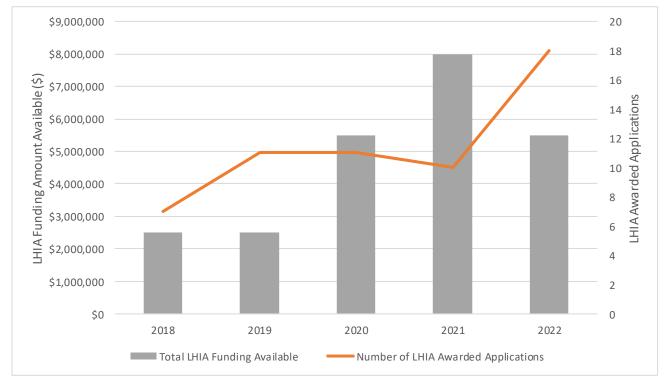
Notably, five applicants recommended for funding through the 2022 LHIA Pilot have not been awarded LHIA funds in the past five years.

Table 3. Pilot Priority Qualification

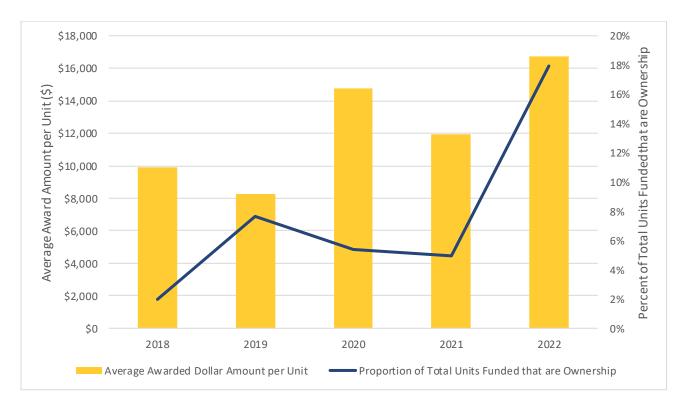
Pilot Priorities	Total Applicants	Recommended Applicants
Only Racial Equity	7	3
Only Geographic Choice	3	3
Qualified under both the Racial and Geographic Choice Priorities	5	2
Qualified from combined Racial and Geographic Choice points	1	1

Figure 1 shows available funds for LHIA in the given funding cycle and the number of grants awarded. The chart shows that, even with a decrease in funding dollars for LHIA in 2022 from 2021, with the addition of the LHIA Pilot it is possible to award almost double the amount of grants than in previous years through LHIA.





The average allocation of LHIA funds per unit has remained relatively stable, between \$8,000-16,000, in the last three years. Although per-unit expenditure in LHIA grants for homeownership projects is typically higher than for multi-family rental projects, with Pilot funds, the total share of homeownership funding increased to 18% from an average of 5% over the last five years.



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 2020-2022 Strategic Plan. The foremost Housing Priority in the 2020-2022 Strategic Plan is to "become a region with a broader housing spectrum where all people can thrive." This pilot and its accompanying funding recommendations are also consistent with the 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 <u>2022 Livable Communities Fund Distribution Plan</u> (FDP), the Council allocated \$2 million for LHIA Affordable Homeownership Pilot awards. This funding level is also included in the Council's 2022 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 B: LHIA Pilot Scoring Criteria

Attachment C: Map of LHIA Pilot Recommendations

Attachment A: Project Summaries for LHIA Pilot Funding

Livable Communities Project Summary

Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	Bloomington HRA
Project Name:	Bloomington Affordable Homeownership
Project Location:	8440 Humboldt Ave S, 8446 Humboldt Ave S, 8422 Humboldt Ave
	S, 8452 Humboldt Ave S, 1210 W 82d St, Bloomington MN 55431

Council District(s): District 5 – Molly Cummings

Project Overview

Bloomington Affordable Homeownership program is part of the strategic priorities of the City of Bloomington and HRA to produce more affordable homeownership options for households at or below 80% AMI and larger households.

Outcomes of this current phase are to construct single-family homes on vacant lots to market and sell for affordable homeownership to low-to-moderate income households, prioritizing first-time and/or first-generation buyers, with long term affordability requirements; at least 15 years. The vacant parcels are released from the Right-of-Way Loan Acquisition Fund (RALF) and the developer partner is Habitat for Humanity with up to \$150,000 gap funding (\$75,000 Bloomington and \$75,000 LHIA) for deeper affordability; with the potential for down payment assistance for the end buyer.

Project Detail			
Development Type	New Construction		
Recommended housing units	4 Homes		
Affordability Average Median Income (AMI)	All homes ≤ 80% Prioritizing ≤ 50%		
Est. total development cost per home	\$454,680		
LHIA Pilot Funding			
LHIA	\$300,000		
Providing LHA Match	Bloomington HRA		
Anticipated Eligible Use(s)	General construction and rehabilitation		

Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	City of Eden Prairie
Project Name:	Eden Prairie & Homes Within Reach CLT Program
Project Location:	Multiple Locations, City of Eden Prairie
Council District(s):	District 3 – Vacant

Project Overview

The City of Eden Prairie and Homes Within Reach (West Hennepin Affordable Housing Land Trust) propose to build homes to increase high-quality homeownership opportunities for lower income households. This partnership has already brought 18 Eden Prairie homes into the Community Land Trust (CLT).

Project Detail		
Development Type	New Construction, Preservation	
Recommended housing units	2 Homes	
Affordability Average Median Income (AMI)	All homes ≤ 80% Prioritizing ≤ 60%	
Est. total development cost per home	\$470,000	
LHIA Pilot Funding		
LHIA	\$160,000	
Providing LHA Match	City of Eden Prairie	
Anticipated Eligible Use(s)	Property and land acquisition	

Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	City of Chaska
Project Name:	Ernst House CLT Project
Project Location:	211 & 217 Walnut Street N, Chaska MN, 55318
Council District(s):	District 4 – Deb Barber

Project Overview

The project consists of two parts, to be completed in one phase. The first is the restoration and rehabilitation of the Ernst House from a commercial office back to a 3-bedroom single-family house. The second is the construction of three new single-family homes on the vacant lot. These homes will be 3-bedroom split level homes and will have to meet historic guidelines given their location in the Downtown Chaska National Historic District. All homes will have their own private outdoor space, are also centered around a common outdoor space. This space incorporates private gardens and a small play area.

Once built, the homes will be sold to qualifying homebuyers at or below 80% Area Median Income (AMI) as part of the Carver County CLT program. The CLT homes will remain permanently affordable for subsequent buyers.

Project Detail		
Development Type	New Construction, Preservation	
Recommended housing units	2 Homes	
Affordability Average Median Income (AMI)	All homes ≤ 80%	
Est. total development cost per home	\$711,181	
LHIA Pilot Funding		
LHIA	\$189,000	
Providing LHA Match	City of Chaska	
Anticipated Eligible Use(s)	General construction and rehabilitation	

Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	City of Golden Valley
Project Name:	Home Ownership Program for Equity
Project Location:	City of Golden Valley
Council District(s):	District 6 – John Pacheco Jr.

Project Overview

The Home Ownership Program for Equity (HOPE) will make public land available for the development of homes for affordable and equitable homeownership opportunity in the City of Golden Valley. This is the first year of the program.

Twin Cities Habitat for Humanity and Greater Metropolitan Housing Corporation have applied for Minnesota Housing Impact Funds to assist in the construction of the homes. The partnership with Homes Within Reach will assist in achieving affordability at 80% AMI, potentially 60% AMI funding contingent. The homes will remain affordable for 99 years.

This project will prioritize applications from organizations that have demonstrated success in building relationships of trust with Black, Indigenous, and people of color and in serving first generation homebuyers. The qualified HOPE developers have demonstrated success in serving Black, Indigenous and people of color homebuyers; Habitat serves over 80% homebuyers of color and GMHC serves 70% homebuyers of color.

Project Detail		
Development Type	New Construction, Preservation	
Recommended housing units	2 Homes	
Affordability Average Median Income (AMI)	All homes ≤ 60%	
Est. total development cost per home	\$497,239	
LHIA PII	ot Funding	
LHIA	\$224,000	
Providing LHA Match	City of Golden Valley	
Anticipated Eligible Use(s)	General construction and rehabilitation	

Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	Ramsey County CED
Project Name:	Margaret Street Affordable Homeownership
Project Location:	735 Margaret Street, St. Paul, MN 55106
Council District(s):	District 13 – Chai Lee

Project Overview

Ramsey County Housing Re-Development Authority (RCHRA) proposes to purchase 735 Margaret Street, St. Paul, MN to convey the property to a non-profit organization that will sell the property to a homebuyer at or below 80% Area Median Income (AMI).

RCHRA proposes to convey the home to a non-profit organization and will also provide down payment assistance through our FirstHome Down Payment Assistance Program. This home is part of a pilot program that coordinates efforts from RCHRA, RCPTRES, and Ramsey County's Workforce Solutions to increase the housing stock for households at or below 80% AMI and provide jobs and training opportunities for workers who are participating in Goodwill Easter Seals apprenticeship programs.

The acquisition and sale of this home is in line with Ramsey County's Economic Competitiveness and Inclusion Plan to "expand affordable homeownership opportunities and improve housing stability for communities that have experienced historic wealth extraction." The County plans to accomplish this by working with a non-profit that has a large pool of BIPOC households in their pipeline and has a successful track record of serving these households by providing safe, affordable, and sustainable homeownership opportunities.

Project Detail		
Development Type	Preservation	
Recommended housing units	1 Home	
Affordability Average Median Income (AMI)	All homes ≤ 80%	
Est. total development cost per home	\$100,000	
LHIA Pilot Funding		
LHIA	\$50,000	
Providing LHA Match	Ramsey County CED	
Anticipated Eligible Use(s)	Acquisition and affordability gap	

Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	City of Minneapolis
Project Name:	Perpetually Affordable Homeownership in Minneapolis
Project Location:	Multiple Locations, City of Minneapolis
Council District(s):	District 7 – Robert Lilligren
	District 8 – Abdirahman Muse

Project Overview

The City of Lakes Community Land Trust (CLCLT) is seeking support from the Met Council to assist low-income households achieve affordable homeownership in Minneapolis. The funding requested would only be used in 26 of the 115 Minneapolis census tracts where the census tract has a higher racial disparity in homeownership than the regional average. To achieve this, the CLCLT will utilize its already proven and successful Homebuyer Initiated Program (HIP) to assist low-income buyers purchase homes within these 26 eligible census tracts.

Project Detail		
Development Type	Preservation	
Recommended housing units	4 Homes	
Affordability Average Median Income (AMI)	All homes ≤ 80%	
Est. total development cost per home	\$337,500	
LHIA Pilot Funding		
LHIA	\$300,000	
Providing LHA Match	City of Minneapolis	
Anticipated Eligible Use(s)	Acquisition and Rehabilitation	

	Livable Communities Project Summary
Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	Roseville EDA
Project Name:	Roseville Community Land Trust
Project Location:	Multiple Locations, City of Roseville
Council District(s):	District 10 – Peter Lindstrom

Project Overview

Roseville Economic Development Authority (REDA) is seeking support to build new or acquire housing for families at 80% or less AMI to build community wealth through the Community Land Trust (CLT) model in partnership with Twin Cities Habitat for Humanity (TCHH).

Eligible households must be first time homebuyers unless a previous home was lost due to foreclosure. This project will prioritize engaging BIPOC households.

Project Detail		
Development Type	New Construction, Preservation	
Recommended housing units	4 Homes	
Affordability Average Median Income (AMI)	All homes ≤ 80% Prioritizing ≤ 60%	
Est. total development cost per home	\$470,000	
LHIA Pilot Funding		
LHIA	\$300,000	
Providing LHA Match	Roseville EDA	
Anticipated Eligible Use(s)	Acquisition and general construction	

Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	Washington County CDA
Project Name:	Scattered Site Acquisition/Rehab 2022
Project Location:	Multiple Locations in Cottage Grove, Hugo, Newport, Oakdale, St.
	Paul Park, Blaine, Centerville, Columbia Heights, Coon Rapids,
	Fridley, or City of Ramsey
Council District(s):	District 2 – Reva Chamblis
	District 9 – Raymond Zeran
	District 10 – Peter Lindstrom
	District 11 – Susan Vento
	District 12 – Francisco J. Gonzalez
	District 13 – Chai Lee

Project Overview

Twin Cities Habitat for Humanity (TCHFH) is applying for LHIA Pilot funds to support property acquisition and rehabilitation. TCHFH would leverage these funds along with matched HOME funding from Anoka and Washington County CDA, who have agreed to partner with TCHFH on this project and application.

These homes would then be sold to Habitat homebuyers between 30%-80% AMI. These acquisition and rehabilitation projects would open new opportunities for TCHFH families to gain access to affordable housing in otherwise difficult to access suburban communities.

Project Detail		
Development Type	Preservation	
Recommended housing units	3 Homes	
Affordability Average Median Income (AMI)	All homes 30-80%	
Est. total development cost per home	\$395,400	
LHIA Pilot Funding		
LHIA	\$285,000	
Providing LHA Match	Washington County CDA	
Anticipated Eligible Use(s)	Property acquisition, site preparation, and general construction and rehabilitation	

Grant #	SG
Туре:	LHIA Affordable Homeownership Pilot
Applicant:	City of Richfield
Project Name:	Woodlawn Terrace
Project Location:	City of Richfield
Council District(s):	District 5 – Molly Cummings

Project Overview

The City of Richfield and Woodlawn Terrace (WTC) is requesting LHIA funds to add new double-wide manufactured units that will provide an affordable option for families with children earning less than 80% AMI. The units are expected to sell for \$150,000. In addition, there are two units that need to be demolished along with site preparation costs (i.e., tree removal and lot crowning).

Project Detail		
Development Type	New Construction	
Recommended housing units	3 Homes	
Affordability Average Median Income (AMI)	All homes ≤ 80%	
Est. total development cost per home	\$248,000	
LHIA Pilot Funding		
LHIA	\$192,000	
Providing LHIA Match	City of Richfield	
Anticipated Eligible Use(s)	Affordability gap, demolition, site preparation	

Attachment B: LHIA Pilot Scoring Criteria

The pilot scoring structure includes two steps. Step one evaluates the project location's ability to achieve pilot 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 Pilot

Naci	al equity	
Crite	ria	Points
Proj	ect 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
High	est possible subtotal for racial equity	8
Geo	graphic choice	
Crite	ria	Points
01110		
Proj	ect is in a city with an average home sale price higher than what is affordable to a sehold earning 80% AMI	5
Proje hous	ect is in a city with an average home sale price higher than what is affordable to a	
Proje hous OR Proje	ect is in a city with an average home sale price higher than what is affordable to a schold earning 80% AMI Project is in a city with an average home sale price higher than what is affordable to a household earning 60% AMI ect is in a city where the share of single-family housing stock is higher than the regional	5
Proje hous OR Proje aver	ect is in a city with an average home sale price higher than what is affordable to a schold earning 80% AMI Project is in a city with an average home sale price higher than what is affordable to a household earning 60% AMI ect is in a city where the share of single-family housing stock is higher than the regional	5
Proje hous OR Proje aver Proje	ect is in a city with an average home sale price higher than what is affordable to a schold earning 80% AMI Project is in a city with an average home sale price higher than what is affordable to a household earning 60% AMI ect is in a city where the share of single-family housing stock is higher than the regional age	5 3 2

Step Two criteria would primarily evaluate the individual *project's* ability to achieve pilot 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.

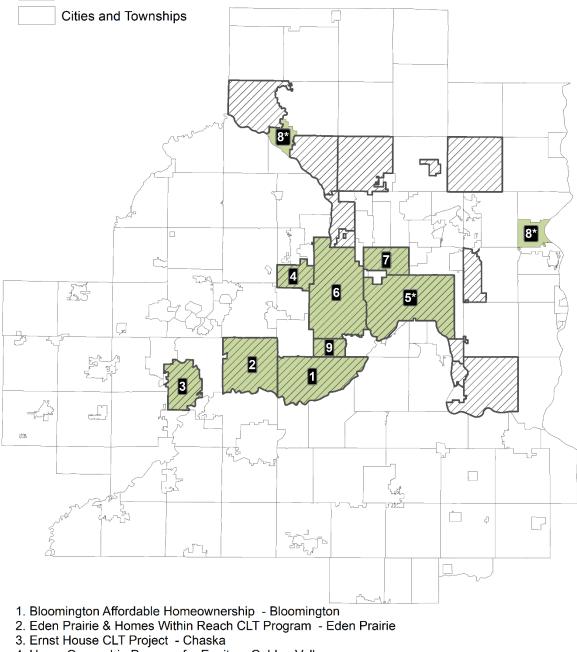
Table 5. Step 2 scoring criteria for LHIA Affordable Homeownership Pilot

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 located in a city with a net fiscal disparity of \$200 or more per household	1
Total for Unique Needs and Affordability	10
TOTAL Step 1 and Step 2	38

Attachment C: Map of LHIA Pilot Recommendations

- Potential Project Locations for 2022 LHIA Homeownership Pilot Recommended Grants
 - 2022 Recommended LHIA Homeownership Pilot Award Recipients



- 4. Home Ownership Program for Equity Golden Valley
- 5*. Margaret Street Affordable Homeownership Ramsey County
- 6. Perpetually Affordable Homeownership in Minneapolis Minneapolis
- 7. Roseville Community Land Trust Roseville
- 8*. Scattered Site Acquisition/Rehab 2022 Anoka County
- 8*. Scattered Site Acquisition/Rehab 2022 Washington County
- 9. Woodlawn Terrace Richfield

0 3.25 6.5 13 Miles

*Recommended awards to counties were represented using the county's capitol city. Recommended award #8 has two county applicants, both are represented on the map.