

# Business Item

Community Development Committee



**Committee Meeting Date:** January 15, 2024

**For the Metropolitan Council:** February 7, 2024

## Business Item: 2024 26

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

<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Minn. Stat. § 473.253
<b>Staff Prepared/Presented:</b>	Ashleigh Johnson, Senior Planner, Livable Communities (651) 602-1106
<b>Division/Department:</b>	Community Development / Regional Planning

### Proposed Action

That the Metropolitan Council:

1. Award one homeownership Local Housing Incentives Account (LHIA) grant to the City of Minneapolis for the ReFresh Minneapolis project totaling \$74,966.
2. Authorize the Executive Director of Community Development to execute the grant agreements on behalf of the Council.

### Background

In its 2023 [Livable Communities Fund Distribution Plan](#) (FDP), the Council allocated \$2.9 million for LHIA Affordable Homeownership Program awards.

On December 18, 2023, the Council's Community Development Committee (CDC) voted to award five homeownership Local Housing Incentives Account (LHIA) grants, totaling \$2,825,034. The Committee also directed staff to continue working with the City of Minneapolis to review ReFresh Minneapolis' application, the next highest scoring project, to consider a potential award with the remaining \$74,966 in LHIA Homeownership Program funds.

The City and ReFresh submitted supplemental financial information identifying eligible costs that can be covered by our funds; additional information did not affect the application's score.

Table 1 shows the full set of recommendations, including the five grants approved by the Council on January 10, and the new recommendation for a partial award for ReFresh Minneapolis presented in this report.

Table 1. Summary of LHIA Homeownership Recommendations (2023)

	Project	City/Applicant	Number of Homes	LHIA Funding Recommendation
1	Affordable Ownership Preservation	City of Edina	5	\$750,000
2	Affordable Twin Home Project	City of Minnetonka	2	\$288,634
3	HOPE Round 2	City of Golden Valley HRA	6	\$948,000
4	PPL Greenbelt Homes	City of Minneapolis	5	\$568,400
5	<a href="#">ReFresh Minneapolis</a>	<a href="#">City of Minneapolis</a>	<a href="#">3</a>	<a href="#">\$74,966</a>
6	Serenity Townhouses	St. Paul Port Authority	4	\$270,000
	<b>TOTAL</b>		<b>25</b>	<b>\$2,900,000</b>

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:

Local Match: Dollar-for-dollar

3. Grant Terms: 3 years from date of award
4. Term Extensions: 2 years
5. Award Limits: None
6. Application Limit: None
7. 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	\$228,634	\$288,634
5	Affordable Ownership Preservation	Edina	5	38.75	\$750,000	\$750,000
6	ReFresh Minneapolis	Minneapolis	3	37.5	\$198,500	\$74,966
7	ARTWorks CDC	Minneapolis	2	33.75	\$150,000	\$0
8	AACDC	St. Paul	2	33.25	\$300,000	\$0
	<b>TOTAL</b>		<b>29</b>		<b>\$3,473,534</b>	<b>\$2,900,000</b>

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 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 Summary for LHIA Homeownership Funding

Attachment B: LHIA Homeownership Scoring Criteria

Attachment C: Additional Proposal Details

Attachment D: City of Minneapolis Letter of Support



## Attachment A: Project Summary for LHIA Homeownership Funding

### Livable Communities Project Summary

**Grant #** SG  
**Type:** LHIA Homeownership Program  
**Applicant:** City of Minneapolis  
**Project Name:** ReFresh Minneapolis  
**Project Location:** 1600 Oliver Avenue N; and tentatively two other properties from the following sites --- 2714 Emerson Ave N, 2319 3<sup>rd</sup> St N and 2007 Russell Ave N in the City of Minneapolis  
**Council District(s):** District 7 – Yassin Osman

#### Project Overview

ReFresh Real Estate LLC, in partnership with the City of Minneapolis and City of Lakes Community Land Trust, propose to acquire, rehabilitate, and sell three homes to households earning up to 50% of AMI. One of the homes, 1600 Oliver Ave N, is a 4-bedroom, 2-bathroom home; and the remaining homes will be single-family and/or duplex properties located in Minneapolis.

#### Project Details

Development Team	City of Minneapolis ReFresh Real Estate LLC City of Lakes Community Land Trust
Development Type	Preservation
Recommended Number of Homes	3
Affordability <i>Area Median Income (AMI)</i>	50%
LHIA Recommendation	\$74,966
Match Source	City of Minneapolis - HOME
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.



## 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
<b>Highest possible subtotal for racial equity</b>		<b>8</b>
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
<b>Highest possible subtotal for geographic choice</b>		<b>9</b>
<b>Highest possible total for both priorities</b>		<b>17</b>
<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
<b>Total for Equitable Access</b>	<b>11</b>

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	<b>10</b>
<b>TOTAL Points Possible (Step 1 and Step 2)</b>	<b>49</b>



## Attachment C: Additional Proposal Details

Request Amounts	City of Edina	City of Golden Valley HRA	City of Minneapolis Greenbelt Homes	City of Minneapolis ReFresh Minneapolis	City of Minnetonka	St. Paul Port Authority Serenity Townhouses
Number of Homes	5	6	5	3	2	4
Total LHIA Request	\$750,000	\$948,000	\$568,400	\$439,999	\$288,634	\$270,000
LHIA Request (per home)	\$150,000	\$158,000	\$113,680	\$66,167	\$144,317	\$67,500
<b>Project Gap</b>						
Total Development Cost (per home)	\$500,000	\$523,000	\$625,408	\$453,500	\$678,198	\$528,265
Affordable Price Maximum for Homebuyers at AMI	\$192,800-\$304,700	\$234,200	\$304,700	\$192,800	\$304,700	\$304,700
Total Gap* (per home)	\$307,200-\$195,300	\$288,800	\$320,708	\$260,700	\$373,498	\$223,565
<b>Affordability</b>						
Targeted Average Median Income (AMI)	50-80%	60%	80%	50%	80%	80%
Development Type	Preservation	New	New	Preservation	New	New
Affordability Term	99 years	99 years	15 years	99 years	30 years	99 years
Affordability Mechanism	Community Land Trust	Community Land Trust	Restrictive Covenant or Second Mortgage	Community Land Trust	Restrictive Covenant	Community Land Trust
Marketing or Sales Partner(s)	Homes Within Reach	Multiple**	Project for Pride in Living	Community of Lakes Land Trust	Amani Construction	Rondo Community Land Trust
<b>Home Attributes</b>						
Estimated Market Value	\$475,000	\$365,000	\$275,000	\$255,000	\$450,000	\$274,000
Home Size (square feet)	1,500	1,500	1,700	1,840	1,700	1,504
Number of Bedrooms	3	3	3	4	3	4

\* Difference between Total Development Cost and affordable price to buyer

\*\*African Development Center, Build Wealth MN, CLUES Comunidades, Latinas Unidas En Servicio, Mni Sota Fund, PRG, Project for Pride in Living, Camphor Fiscally Fit, Hmong American Partnership, Model Cities, Neighborhood Development Alliance (NeDA), NeighborWorks Home Partners, and Community Action Partnership of Suburban Hennepin County (CAPSH)



January 10, 2024

To the Metropolitan Council Community Development Committee:

At the December 18, 2023 Metropolitan Council (Met Council) Community Development Committee meeting, applications for the Local Housing Incentive Account (LHIA) homeownership pilot were presented, including several from Minneapolis developers who directly applied to the pilot. During the meeting, there was a misunderstanding that Minneapolis withdrew support for Refresh Real Estate LLC's (Refresh) application.

Minneapolis staff would like to clarify our perspective:

- Minneapolis welcomes Metropolitan Council investment in affordable ownership projects. Our region's worst in the nation racial disparities in homeownership require funding from every level of government to make an impact. The total development cost to construct a housing unit is approximately \$450,000. Due to centuries of policies that have limited wealth-building opportunities for Black Indigenous People of Color (BIPOC) community members, the first mortgage on which a majority of the BIPOC renters in Minneapolis can afford monthly payments is approximately \$175,000. We need your help and support to create more equitable access to wealth-building and affordable homeownership opportunities.
- Because Refresh applied to the Met Council directly, the City of Minneapolis has not directly reviewed its proposal to the LHIA program. Refresh and Met Council have shared that Refresh applied for multiple projects through the LHIA pilot, but only one received a funding commitment from Minneapolis. We suggest that the Minneapolis commitment of \$358,447 to 1600 Oliver Ave N be considered a match for the additional projects in Refresh's LHIA application.
- The City supports Refresh's application and welcomes a review of the application from Met Council staff to meet the Met Council's LHIA pilot program goals.

Minneapolis had its largest-ever response to our affordable ownership RFP process in 2023, with \$45 million requested, 116 properties applied for, and a pool of just \$5 million to commit. We applaud the Met Council's efforts to focus more on affordable homeownership through this pilot and are willing and committed partners to achieve our region's inclusive development goals.

Please get in touch with me with any questions,

*Roxanne Kimball*

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