

Memo

DATE: October 15, 2021
TO: EAC (for forwarding to the Met Council staff and policymakers)
FROM: EAC Housing Sub-committee
RE: Local Housing Incentives Account - \$2M boost to “equity initiatives”

Plan for EAC action:

- 1) Draft recommendations in a memo format to EAC. Share background, share program, draft resolution/memo at October EAC meeting.
- 2) After EAC consideration/discussion, Leah to review memo/resolution with Francisco and finalize, sign from Leah and housing sub committee and send to Met Council staff and Met Council members.

General Comments:

- We support funds for affordable homeownership!
- We support direct solicitation and award!
- We support closing the gap and increasing rate of homeownership among BIPOC – race conscious policy! After all, it’s the law!
- The outline does not provide enough detail and the devil is in the details.
- To achieve equity and address the homeownership gap 11 of the homes would need to go to African Americans/Blacks, the remaining 9 will need to be split between Latinx, Asian, and Indigenous people and none to Whites. Is this the intent of the program? It will take African Americans/Blacks purchasing 39,000 housing units to achieve parity with the Minnesota White homeownership rate, and similar purchases by Latinx, Asian, and Indigenous people.

Here are the issues we have with the program:

- It fails to meet the goals because the primary financial beneficiary is developers
- A person at 80% metro median income can afford a home at \$256,000, new construction and existing home in suburban communities in this current market are in the average purchase range of \$450,000 – this program requires deep subsidy and significant amounts of other money to make happen.
- Cities with higher share of single family homes and median sale price higher will require MORE resources to get into homeownership, by definition. The effect of this is more money for people to buy homes in higher value neighborhoods, and less in lower value neighborhoods.

- What justifies the local match - what is the incentive for the local community to provide a (large) match?
- It is way too modest to address the issue (not good bang for buck) \$2M can go a lot farther as down payment assistance or direct household subsidy.
- Is it fair to lock essentially Black/African Americans, Latinx, Asians, and Indigenous recipients of this program into a 15-year commitment, and what justification is there for 15 years? Affordability vs. wealth building.
- Have any of the target communities being examined for restrictive covenants? Was it used as a criterion to determine the target communities?
- Have we engaged users of this program? Developers? BIPOC homeowners?

Here are our specific recommendations for program re-design:

- Consider program re-design, with the following considerations:
 - o Provide grants to nonprofit organizations doing homeownership counseling and placement to achieve finding homeownership opportunities for African Americans/Blacks, Latinx, Asian, and Indigenous people proportional to the Minnesota's homeownership gap. The return on investment for getting homeowners of color into wealth building homeownership opportunities is much higher than building (and significantly subsidizing) new housing units.
 - o Provide assistance to the household, rather than the developer/unit by changing program design to down payment assistance, focused on people of color. This change provides affordable housing for the household, is a direct financial benefit to the household and allows them to build wealth, which is a stated goal of your program. You won't even dent the supply issue with 20 homes (or less).
- If program goes forward largely "as proposed", consider the following:
 - o Requiring small/local/BIPOC developers.
 - o Re-consider mechanism for long-term affordability vs. wealth building.
 - o Allow it to be used in any community, as driven by the household and city. This allows ultimate choice, which is a stated goal of your program
 - o Ask people of color what their barriers are to homeownership, and design your program around their needs.