

Committee Report

Community Development Committee



Committee Meeting Date: December 16, 2024

For the Metropolitan Council: January 8, 2025

Business Item: 2024-347

Funding Recommendations for 2024 Local Housing Incentives Account – Multifamily Grants

Proposed Action

That the Metropolitan Council:

1. Award four 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/Preserved Affordable Units	LHIA Funding Recommendation
1	Melrose Commons	City of Medina	50	\$450,000
2	Penn Station	City of Richfield	57	\$850,000
3	Southview Estates	City of Bloomington	47	\$700,000
4	The Warren Apartments	City of Minneapolis	61	\$500,000
	TOTAL			\$2,500,000

Summary of Community Development Committee Discussion/Questions

Planning Analyst Hannah Gary presented the funding recommendation. Council Members expressed support for the projects and bringing affordable housing to more areas of the region. There was a question about supportive services and a comment on the cost of multifamily housing compared to single family housing.

Motion by Wulff, seconded by Lee. Motion carried.

Business Item

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District(s), Member(s): All
Policy/Legal Reference: Minn. Stat. § 473.254
Staff Prepared/Presented: Hannah Gary, Planning Analyst, 651.602.1633
Division/Department: Community Development / Regional Planning

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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 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 solicit applications and 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.

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

Funds are available in the Livable Communities authorized 2025 budget and Livable Communities reserve accounts. Reserves may need to be amended into a future annual budget to meet cashflow needs on Livable Communities multi-year grants.

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 2024 LHIA guidelines, criteria, and evaluation process as part of the Annual Livable Communities Act Fund Distribution Plan ([Business Item 2024-41](#)) on February 5, 2024.

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.

There were 14 applications in the metropolitan region from the consolidated RFP were recommended to the Metropolitan Council by Minnesota Housing and its funding partners.



Table 2. All Metro Multifamily Rental Housing Proposals Seeking LHIA Funding

	Project	City	New Affordable Units	Preserved Units
1	Clare Apartments	Minneapolis		32
2	EPIC+R	Minneapolis	68	
3	Perspectives	St. Louis Park		56
4	Melrose Commons*	Medina	50	
5	Penn Station*	Richfield	42	
6	South Haven/Summit Point	Edina		129
7	Southview Estates*	Bloomington	10	37
8	2400 Chicago	Minneapolis	42	
9	The Warren Apartments*	Minneapolis	61	
10	Red Rock Square III	Newport	43	
11	GloryVille	St. Paul	87	
12	Hamm’s Brewery – East End Apartments	St. Paul	120	
13	The NorthView	Minneapolis		31
14	Torre de San Miguel	St. Paul		142
	TOTAL			

*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 2025 and 2027. Table 2 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 63 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 3% of the *region’s* annual need for housing at this affordability level.



Table 3. 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
	AMI Level	Units		
Bloomington	<30% AMI	445	10*	2%
	31-50% AMI	246	0	0%
	51-80% AMI	151	0	0%
Medina	<30% AMI	142	15	11%
	31-50% AMI	102	4	4%
	51-80% AMI	0	31	NA (need is 0)
Minneapolis	<30% AMI	1,551	19	1%
	31-50% AMI	494	41	8%
	51-80% AMI	1,454	0	0%
Richfield	<30% AMI	132	16	12%
	31-50% AMI	58	0	0%
	51-80% AMI	52	26	50%
Total <30% AMI		2270	60	3%
Total 31-50% AMI		900	45	5%
Total 51-80% AMI		1654	91	6%
TOTAL ALL UNITS		4824	199	4%

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.

*This represents the 10 new units that are created through the project. The 37 preservation units are not counted toward need.



Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: City of Medina
Project Name: Melrose Commons
Project Location: Baker Park Road & US-12
Council District(s): 1 – Judy Johnson

Project Detail	
Project Overview	Melrose Commons is a proposed new construction, 50-unit apartment building with a mix of 12 one-bedrooms, 20 two-bedrooms, 12 three-bedrooms, and 6 four-bedroom units. Of the 50 units, 15 will be designated supportive housing units for seven High Priority Homeless individuals and eight units for People with Disabilities.
Total housing units	50
Affordability Bands	<30%: 15 units 31-50%: 4 units 51-60%: 31 units
Unit Sizes	One BR: 12 units Two BR: 20 units Three BR: 12 units Four BR: 6 units
Funding	
LHIA Funds	\$450,000
LHIA Match Source	Tax Increment Financing (TIF) from the City of Medina: \$145,000 Fee Waivers: \$115,000 Hennepin Count HOME Funds: \$190,000



Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: City of Richfield
Project Name: Penn Station
Project Location: 6501 & 6525 Penn Avenue South
Council District(s): 5 – John Pacheco, Jr.

Project Detail	
Project Overview	New construction, 42-unit affordable housing development. Seven units will be set aside for High Priority Homeless residents and another six will be set aside for People with Disabilities. The project will include an on-site play area for children as well as ground floor amenity space for residents including on-site management, a fitness center, and a community room.
Total housing units	42
Affordability Bands	<30% AMI: 16 units 51-60% AMI: 26 units
Unit Sizes	One BR: 8 units Two BR: 22 units Three BR: 8 units Four BR: 4 units
Funding	
LHIA Funds	\$850,000
LHIA Match Source	City of Richfield Affordable Housing Trust Fund: \$485,000 Reduced Sale Price from the City of Richfield: \$1,000,000



Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: City of Bloomington
Project Name: Southview Estates
Project Location: 8901 Aldrich Ave S
Council District(s): 5 – John Pacheco, Jr.

Project Detail	
Project Overview	Southview Estates is a substantial rehabilitation, 47-unit building, focusing on large families, families with children, high priority homeless individuals, and people with disabilities. The project is preserving 37 units of affordable housing at risk of being lost and will bring an additional 10 units of affordable housing to the area.
Total housing units	47 (37 existing and 10 new)
Affordability Bands	<30%: 13 units (10 new units) 51-60%: 34 units
Unit Sizes	One BR: 6 (new units) Two BR: 22 (4 new units) Three BR: 19
Funding	
LHIA Funds	\$700,000
LHIA Match Source	HRA loan: \$315,000 Remainder of match must be finalized prior to any fund disbursement



Livable Communities Project Summary

Grant # SG
Type: Local Housing Incentives Account
Applicant: City of Minneapolis
Project Name: The Warren Apartments
Project Location: 3120 Washburn Ave N
Council District(s): 7 – Yassin Ossman

Project Detail	
Project Overview	A new construction development with 61 units of housing, 60 of which will be affordable, and one which will be reserved for a caretaker. The Warren will include a unit mix that includes one-, two-, three-, and four-bedroom apartments for households at or below 30-50% AMI. The Warren will set aside 15 units of permanent supportive housing - eight (8) for High Priority Homeless households and seven (7) for Persons with Disabilities.
Total housing units	61
Affordability Bands	<30%: 19 units 31-50%: 41 units
Unit Sizes	One BR: 16 units Two BR: 30 units Three BR: 10 units Four BR: 5 units
Funding	
LHIA Funds	\$500,000
LHIA Match Source	City of Minneapolis Affordable Housing Trust Fund: \$2,200,000

