

C Community Development Committee

Meeting date: February 16, 2010

ADVISORY INFORMATION

Date:	February 10, 2010
Subject:	Land Acquisition for Affordable New Development (LAAND) Initiative Funding Recommendation
District(s), Member(s):	All
Policy/Legal Reference:	Livable Communities Act, Minnesota Statutes 473.75
Staff Prepared/Presented:	Paul Burns, Manager, Livable Communities Program, 651-602-1106 Beth Reetz, Director, Housing and Livable Communities, 651-602-1060
Division/Department:	Community Development, Housing & Livable Communities

Proposed Action

That the Metropolitan Council award a Land Acquisition for Affordable New Development (LAAND) initiative loan, in an amount of up to \$440,000, to the City of Hopkins for their Park Nicollet Site proposed project.

(The award amount is a maximum dollar amount and subject to an independent appraisal the property prior to loan disbursement)

Background

The Metropolitan Council initiated the LAAND program, in partnership with Minnesota Housing and the Family Housing Fund in 2008. The program provides loan financing to help communities acquire land for future housing projects to address their affordable housing needs. The Council initially made \$4 million available for the initiative from the Livable Communities Demonstration Account (LCDA) on a one-time basis. Four loans were awarded in 2008, leaving \$440,000 available for awards in 2009. The funding initiative prioritizes proposals with land that is close to job growth areas or significant numbers of lower wage jobs, allows for density that is consistent with achieving affordability, minimizes vehicle miles traveled, and implements the Green Communities criteria, Minnesota Overlay or comparable programs in the development process.

Staff developed funding criteria based on the direction of the recommendations of the LCDA Work Group, the Council Chair and the Community Development Committee. The implementation details were developed in cooperation with Minnesota Housing and the Family Housing Fund and included in the 2009 Fund Distribution Plan. The application for funds was done through the Minnesota Housing Community Revitalization Fund Standard Application. A copy of the Initiative Description is attached.

The deadline for applications was September 24, 2009. One application was received, from the City of Hopkins, requesting the full amount available, \$440,000. On January 28, 2010, Minnesota Housing awarded a loan of \$560,000 for the project from their LAAND program. The total project land acquisition cost was estimated to be between \$1,724,000 and \$2,586,000. The City is also applying for a Hennepin County Transit Oriented Development grant of \$500,000, is exploring other potential county funding, additional city funding, and is confident it will be able to assemble the necessary remaining funds to acquire the property.

The City's application for funding reads as follows:

"The City of Hopkins is requesting LAAND funds to acquire a key redevelopment parcel for mixed use, including housing with a 20% affordability component, to be developed in the next 3-10 years. The site currently has a single-story vacant building previously used as a medical clinic, and is within ¼ mile of the Downtown Hopkins Station for the proposed Southwest Light Rail Transitway. The property is expected to be on the market shortly. The City of Hopkins has been engaging in various planning processes that have directed redevelopment of 8th Ave S (which includes said parcel) in a transit-oriented manner to both support the future LRT Station and connect it (via 8th Ave S) to Downtown Hopkins."

Also attached is a project review summary report, prepared by Minnesota Housing staff.

Rationale

This program is another tool to help communities address their affordable housing needs.

Funding

The 2009 Fund Distribution Plan included the amount of \$440,000 remaining from the original allocation of \$4,000,000 for this program.

Known Support / Opposition

Staff has received no indication of opposition to this program or the one application received. A copy of the City resolution supporting the application is attached.



LAND ACQUISITION FOR AFFORDABLE NEW DEVELOPMENT (LAAND)

INITIATIVE DESCRIPTION

OVERVIEW

The Land Acquisition for Affordable New Development (LAAND) initiative of Minnesota Housing, the Metropolitan Council and the Family Housing Fund, and provides statewide financing to encourage communities to meet their affordable housing needs. The LAAND Initiative is intended to be a flexible source of funding to meet communities' affordable housing needs. The LAAND initiative integrates local control with statewide priorities. The LAAND initiative prioritizes land that is close to job growth areas or significant numbers of lower wage jobs, allows for density that is consistent with achieving affordability, minimizes vehicle miles traveled, and implements Green Communities Criteria and the Minnesota Overlay to the Green Communities Criteria, in the development process.

Eligible Applicants

Eligible applicants include local units of government, their housing or development agencies, and nonprofit organizations. For proposals submitted for Met Council funding, the unit of government must be a Livable Communities Act (LCA)-eligible community¹, be the entity to acquire the land for which the loan is issued, and be willing to accept and be responsible for administering the loan.

Affordability Targets

Projects constructed on land acquired through the loan program shall have a minimum of 20 percent of housing units developed for affordable units. Units shall be affordable to households earning 60 percent of area median income (AMI) in the Metro area and 80 percent of AMI in Greater Minnesota.

LAND ACQUISITION AND DEVELOPMENT

The LAAND Initiative is intended to help defray land costs and hold land for the development of affordable housing. Recipients shall use the LAAND funds to acquire sites for affordable housing that are consistent with the community's future affordable housing needs and the stated strategic growth goals.

Land costs in the area of the proposed project must be an impediment to affordable housing development. Land must be purchased within one year of the LAAND funding commitment.

¹ Pursuant to Minnesota Statutes section 473.253, subdivision 2, Livable Communities Demonstration Account funds must be distributed to "municipalities," metropolitan-area counties or "development authorities." Accordingly, the Applicant must be: (a) a statutory or home rule charter city or town participating in the LCA Local Housing Incentives Account program; (b) Anoka, Carver, Dakota, Hennepin, Ramsey, Scott or Washington County; or (c) a housing and redevelopment authority, economic development authority or port authority in the metropolitan area.

Development of the land for affordable housing may not commence within one year of execution of the loan agreement, but must commence within five years of execution of the loan agreement. If an applicant is awarded funding, it may work with a developer of their choice to develop the site and determine its own structure for the transfer of ownership, if applicable.

In order to ensure that LAAND funds are used to acquire lands for future development and not just reduce financing costs for projects already underway at the time of the application or prior to the execution of the LAAND loan agreement, neither the Applicant nor any potential developer may: (a) currently own (or have a purchase agreement for) the property for which LAAND loan funds will be used; and (b) have taken formal steps, other than an option, to acquire the property.

The applicant shall submit updated plans three years from the date of the loan agreement that describes the number of units anticipated for the site and verify that all comprehensive plan, zoning, or other regulatory changes have been or will be implemented in preparation for development.

FUNDING REQUIREMENTS AND PRIORITIES

Location of the land to be acquired must be consistent with the following strategic growth concepts:

- a) The land is within the Metropolitan Urban Services Area (MUSA) line or in the next staging area for MUSA expansion or an area of local wastewater service expansion prior to 2020 as reflected in the community's comprehensive plan (seven-county metropolitan area only),
- b) Capital improvements (infrastructure) must be programmed to coincide with the development of the site,
- c) Adjacent land must also be planned for development prior to 2020, including land guided for commercial development,
- d) Housing developed on the acquired land must meet the density requirements of the Green Communities criteria, Minnesota Overlay, and
- e) Affordable housing must facilitate economic integration either within the planned development on the site purchased with the loan or in the broader community.

Development sites meeting one or more of the following priorities will be given greater consideration for funding:

Sites located within one-half mile of a transitway in the 2030 Transitway System –Northstar, Northwest, Cedar Avenue, I-35W, Central, Red Rock, Rush Line, Southwest, I-394, Hiawatha; or within one-half mile of a local bus route; or within one-half mile of a park-and-ride facility on an express commuter bus or express bus route;
<http://www.metrocouncil.org/planning/transportation/TPP/2008/>

Financial or in-kind contributions by local unit of government or employers that improve the affordability of the housing to be developed; or

Sites proximate to employment centers (within 5 miles), or in areas of expected job growth, or with low wage jobs at a greater share of local employment as compared to the regional average in the Metropolitan Area or the statewide average if outside of the Metropolitan Area.

FUNDING

Minnesota Housing, the Metropolitan Council, and the Family Housing Fund have collaborated to develop the parameters for funding the land acquisition. There is no dedicated funding from Minnesota Housing or the Family Housing Fund for the 2010 Single Family and Multifamily Standard RFP Applications for the LAAND initiative, but it is an eligible activity and will be funded on a competitive basis. Additional funding is available through the Fall 2010 RFP for land acquisition activities in the Metropolitan area through the Livable Communities Act Program, which may only go to LCA-eligible metropolitan communities.

For the 2010 funding round, LAAND applicants must fill out the Single Family Standard RFP Application; since not all questions in the primary application apply, there is a supplemental set of questions specific to LAAND applicants which should be completed. . It is expected that an applicant will not have a purchase agreement, though may have an option to purchase the property. The funder will take a security interest in the land acquired.

REPAYMENTS

Repayment of the appraised value of the site is required at the time of sale of the land. An initial appraisal must be completed prior to distribution of LAAND initiative funds. In addition, an appraisal must be completed prior to construction and take into consideration the value of the land, based on the land being planned and zoned for the contemplated development.

If the value of the land has appreciated since the original purchase with LAAND initiative funds, the proceeds from the sale of the land shall be distributed in sequence as follows:

- 1) the principal amount of the loan shall be repaid to the funders,
- 2) a portion of the appreciated value equal to the portion of the total units in the development that are attributable to affordable units shall be retained by the developer,
- 3) if available, appreciation shall be repaid to the funders.

If the value of the land at the time of sale has depreciated since the loan was issued and the land was acquired, the loan amount or the appraised value at the time of sale, whichever is less, must be repaid to the funders. Any deficiency in the loan will be forgiven.

If the land is not developed within the required time frame, or the required number of affordable units are not developed, the recipient of the loan must repay the loan plus all appreciation in value.

AFFORDABILITY AND POPULATION SERVED

A seven 7 year minimum period of affordability is required for homeownership units. The affordability term for rental housing projects will be a minimum of fifteen (15) year affordability. Highest priority will be given to applicants who require the longest term of affordability of the units.

Projects constructed on land acquired through the loan program shall have a minimum of 20 percent of housing units developed for affordable units. Units shall be affordable to households earning 60 percent of area median income (AMI) in the Metro area and 80 percent of AMI in Greater Minnesota. Projects shall be marketed to include emerging market populations.

COSTS RELATED TO ACQUISITION

Costs of appraisals and environmental assessment of the site may be included in the loan amount. A Phase I Environmental Site Assessment will be required before the loan is disbursed to purchase the land. Other costs related to land acquisition or holding, such as taxes, insurance, site maintenance, etc. will be the responsibility of the recipient of loan funds. Holding costs paid by the recipient will be considered local contribution or leverage for purposes of evaluation of the proposal under the Economic Development and Housing Challenge program for the use of LAAND funds. Costs of demolition and removal of existing structures on the site and soil correction are not costs that can be included in the loan amount, but they may be addressed in the distribution of appreciated land value at the time of sale and development.

EVALUATION

Following development of the affordable housing component, the funders will evaluate the savings resulting from the earlier acquisition of land for development. This will be compared to the lost opportunity for development of other housing as a result of the use of funding for land acquisition for future development.

CITY OF HOPKINS
HENNEPIN COUNTY, MINNESOTA

RESOLUTION NO. 2009-055

RESOLUTION SUPPORTING 2009 SINGLE FAMILY STANDARD
APPLICATION AND SUPPLEMENTAL LAND ACQUISITION FOR
AFFORDABLE NEW DEVELOPMENT (LAAND) GRANT APPLICATION TO
MINNESOTA HOUSING FINANCE AGENCY

BE IT RESOLVED by the City Council of the City of Hopkins, Minnesota, as follows:

WHEREAS, the City Council (the "Council") of the City of Hopkins (the "City") has heretofore guided the 8th Ave Corridor between Excelsior Blvd and Mainstreet as 'mixed-use' and intends to support transit-oriented development on that Corridor; and

WHEREAS, the Council understands the need for affordable housing near future Southwest Light Rail Transit Stations; and

WHEREAS, the City has the ability and intent to maintain the proposed redevelopment site at 815 8th Ave S until redevelopment can occur; and

WHEREAS, the City acknowledges the intent of the Land Acquisition For Affordable New Development fund is to encourage communities to meet their affordable housing needs and that projects constructed on land acquired through the loan program shall have a minimum of 20 percent of housing units developed for affordable units;

NOW THEREFORE BE IT RESOLVED that, after appropriate examination and due consideration, the governing body of the City:

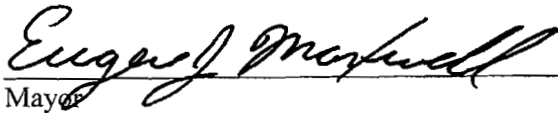
1. Finds that it is in the best interests of the City's development goals and priorities for the a future mixed-use project with affordable dwelling units to occur at this particular site and in the next 1-5 years.
2. Finds that the cost of land acquisition for which LAAND funding is sought:
 - (a) will not occur solely through private or other public investment within the reasonably foreseeable future; and
 - (b) will not occur within one year after a grant award unless LAAND funding is made available for this project at this time.
3. Represents that the City has undertaken reasonable and good faith efforts to procure funding for the project component for which LAAND funding is sought but was not able to find or secure from other sources funding that is necessary for project component completion

within two years and states that this representation is based on the following reasons and supporting facts:

No other reasonable source of funding for these activities has been identified.

4. Authorizes its City Manager to submit on behalf of the City an application for Minnesota Housing Finance Agency grant funds for the project component(s) identified in the application, and to execute such agreements as may be necessary to implement the project on behalf of the City.

Dated: October 20, 2009


Mayor

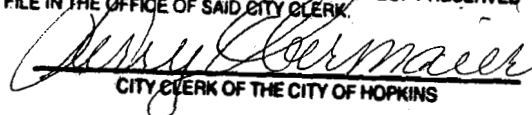
ATTEST:


City Clerk

(Seal)

STATE OF MINNESOTA }
COUNTY OF HENNEPIN } SS.
CITY OF HOPKINS }

I, THE UNDERSIGNED TERRY OBERMAIER CLERK OF THE CITY OF HOPKINS, HENNEPIN COUNTY, MINNESOTA AND CUSTODIAN OF THE SEAL AND RECORDS OF SAID CITY, DO HEREBY CERTIFY THAT THE ABOVE OR FOREGOING IS A TRUE AND CORRECT TRANSCRIPT AND COPY OF THE WHOLE ORIGINAL RECORD THEREOF PRESERVED AND ON FILE IN THE OFFICE OF SAID CITY CLERK.


CITY CLERK OF THE CITY OF HOPKINS

Applicant Name
City of Hopkins
City
Hopkins

Community Proposal Details
Park Nicollet Site Land Acquisition

Application Type Previous Contract Id
Long Form

County Hennepin
RHAGS Region METRO
Program Name CRV

Minimum Request \$1,724,000
Maximum Request \$2,586,000

Funding Recommendations

CRV Amount \$560,000 Number of New Units 80 Number of Rehab Units Total Number of Units 80

Funding Partner Metropolitan Council Amount \$440,000

Project Description
Funds are being requested for land acquisition of a site in downtown Hopkins near a proposed downtown station of the Southwest Transitway. The Southwest Transitway is a proposed Light Rail Transit (LRT) line that would connect downtown Minneapolis to St. Louis Park, Hopkins, Minnetonka and Eden Prairie. The City of Hopkins is planning for three transit stations within its city limits, and the City of Hopkins would like to combine the expanded transit opportunities with increased density and mixed-use development to support the LRT. The subject site is the vacant Park Nicollet Clinic which has approximately 47,557 square feet and is currently zoned commercial. The city has undertaken a land use study as part of the Hopkins Station Area Plan and is proposing a new zoning district for this site which would allow mixed-use of between 80 and 130 units of housing in a 4 to 6 story building. The existing building will be demolished and the new building would likely include commercial or office uses on the ground floor with structured parking underneath. This is the only major parcel currently available along the Southwest Transitway Corridor. It will be the first Transit-Oriented Development (TOD) in the region and will hopefully stimulate similar development along the corridor. The City of Hopkins is acquiring the property and wants to attract a master developer for the site. Until that time, the city hopes to have a management company administer a short-term lease if a developer is not identified. Current projected revenue under current economic conditions is not adequate to support the full amount of interim bank financing required for the acquisition.

Justification
This proposal addresses the need for additional affordable housing in areas where there is an identified need for same and there is close proximity to jobs and transportation. This site, when developed, will provide affordable housing integrated with market rate housing and commercial services or office space. The development of newer housing will provide more opportunities for existing and future residents in light of the expected expansion of jobs and access to jobs the Southwest Transitway light rail will bring. The City has redevelopment experience, but proposes to issue a RFP to identify a developer for this site. The application was submitted for the LAAND program funding due to the need to acquire this site before the development opportunity disappears. The City will continue to identify funding partners, a development strategy and timeline. These goals are in keeping with the expectations of the LAAND program and staff will continue to work with and monitor progress for this site.

Strategic Priorities of Agency

Does the proposal Address Foreclosure Remediation?	NO
Does the proposal End Long-Term Homelessness?	NO
Does the proposal Finance New Affordable Housing Opportunities?	YES

Strategic Priorities of Agency

Does the proposal Preserve Affordable Housing?	NO
Does the proposal Increase Emerging Market Homeownership?	NO

Selection Standards

Organizational Capacity / Partners

The City of Hopkins has a broad range of housing choices available. In their comprehensive plan, they have identified that housing efforts will focus on improving the aging housing stock, providing new homeownership opportunities and ensuring that all affordable housing is affordable at 60% AMI. The city identifies approximately 143 units of affordable housing which will be needed in the next ten years because the city is fully-built. The city is located along existing transportation corridors and is beginning to plan for the increased growth and higher density residential development that could occur when the Southwest Transitway is developed.

Project Feasibility

The Southwest Corridor LRT rail line will connect to other rail lines (Hiawatha, Central and Northstar) and high-frequency bus routes in downtown Minneapolis, provide access to the University of Minnesota, Minneapolis-St. Paul Airport, Mall of America, the State Capitol and downtown St. Paul. This application proposes to use LAAND funds to secure a parcel near a proposed new LRT station in Hopkins, and will provide opportunity for new high-density residential development. The transitway will not open until 2015. However, Hopkins is concerned that several key sites close to the stations will be lost to investors and opportunities for new affordable housing will be lost. The City believes that a developer for this site can be found within a year from the time funds are obligated by Minnesota Housing and that development can proceed within five years.

Funding Priorities

Efficient Land Use

The City of Hopkins will acquire land to be redeveloped as mixed-use housing and commercial or office development when the Southwest Transitway corridor is developed. The site is strategically located close to downtown and employment centers and is accessible by road or transit. The city has an in-migration of daytime jobs, but has identified owner-occupied housing as a priority in the next ten years. The site is located close to planned improvements and is one site in many the city would like to redevelop.

Leverage

The City of Hopkins has \$57,000 in funds for site carrying-costs. The site is estimated to sell at \$2.3 million. The city is developing a Request for Proposal to select a developer with funds to bridge remaining development. The site will be developed with mixed-uses. For housing units, 20% will be affordable housing.

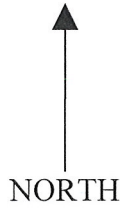
Marketing to Income-Eligible and Underserved Populations



Since funding is requested for land acquisition, marketing information was not provided at this time.

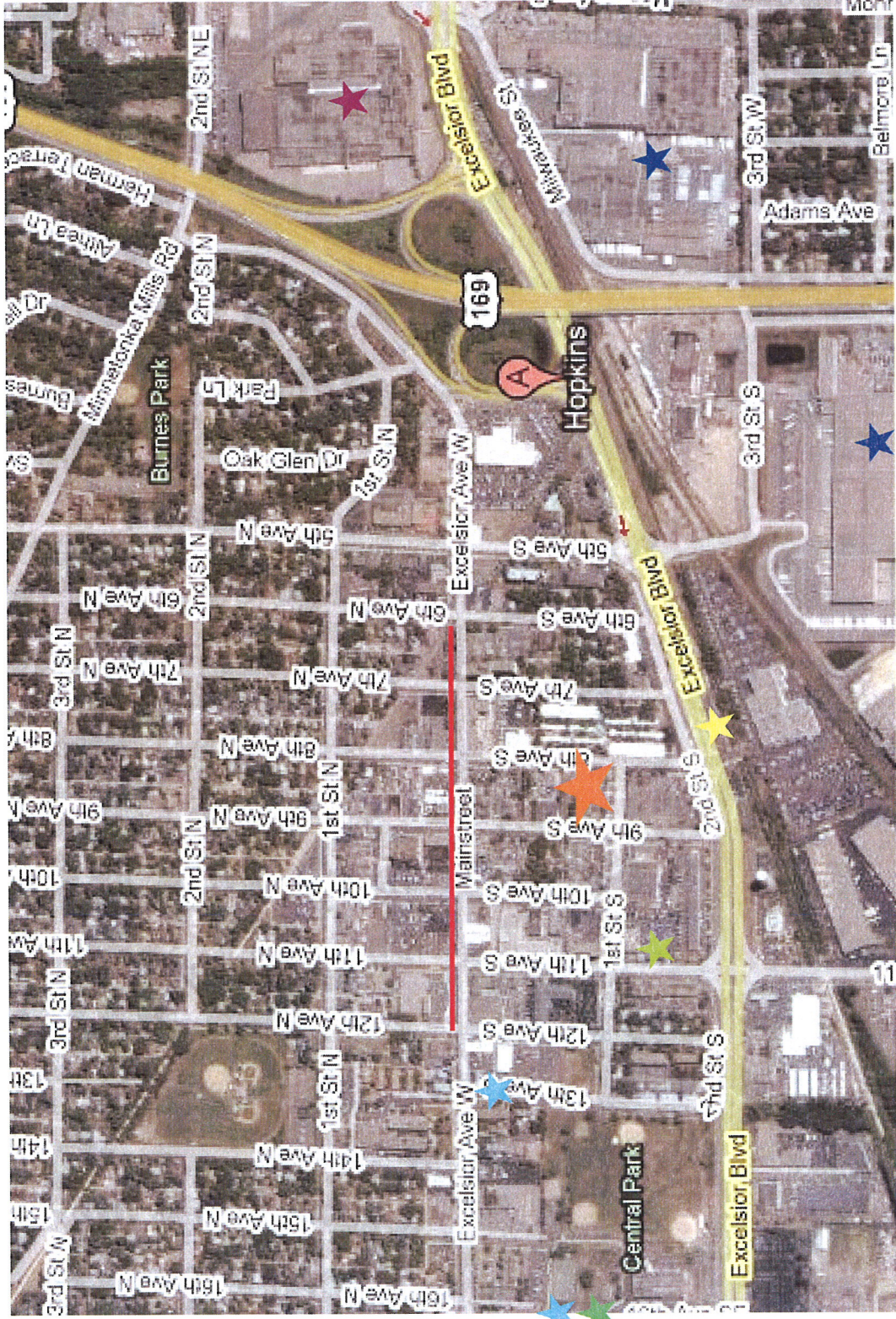
Foreclosure Remediation

The City of Hopkins is not receiving funding for foreclosure remediation, nor does this future development address remediation efforts.

City of Hopkins Downtown Area Transit Stops



-  Transit Stops
-  Park Nicollet Site



- ★ Park Nicollet Site
- ★ Public Schools
- ★ Employment Center, Cargill
- ★ Employment Center, Supervalu
- ★ Proposed Downtown Hopkins LRT Station
- ★ Retail Strip, Mainstreet
- Mainstreet
- ★ Employment Center, Supervalu
- ★ Police Station
- ★ Fire Station

Site Photo – Park Nicollet Site – 815 1st St S, Hopkins MN 55343

