


**ADVISORY INFORMATION**

**Date Prepared:** May 20, 2008

**Subject:** LCA Local Housing Incentives Account Funding Recommendations

**Proposed Action:**

That the Metropolitan Council award Local Housing Incentives Account (LHIA) grants totaling \$500,000 to three homeownership proposals as follows:

<b>Project</b>	<b>City</b>	<b>Number of Units to be Acquired and Rehabilitated</b>	<b>LHIA Funding Recommendation</b>
<b>City of Lakes Community Land Trust</b>	Minneapolis	7	\$150,000
<b>MCASA/Model Cities</b>	St. Paul	7	\$150,000
<b>Two Rivers Community Land Trust –</b> for the cities of Cottage Grove, Forest Lake, Newport, Oakdale, St. Paul Park, Stillwater	Multiple (Oakdale will serve as grantee)	9	\$200,000
<b>Total:</b>		<b>23</b>	<b>\$500,000</b>

**Summary of Committee Discussion / Questions:**

Committee Member Pistilli asked if the total per unit subsidy for the Two Rivers Community Land Trust project was \$104,000. Staff confirmed that was the total.



# Community Development Committee

Business Item

Item: 2008-111

Meeting date: May 19, 2008

ADVISORY INFORMATION	
<b>Date:</b>	May 12, 2008
<b>Subject:</b>	LCA Local Housing Incentives Account Funding Recommendations
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Livable Communities Act, Minnesota Statutes 473.254
<b>Staff Prepared/Presented:</b>	Linda Milashius, Planner, 651-602-1541 Guy D. Peterson, Director, Housing & Livable Communities, 602-1418
<b>Division/Department:</b>	HRA and Livable Communities Programs, Community Development

## Proposed Action/Motion

That the Metropolitan Council award Local Housing Incentives Account (LHIA) grants totaling \$500,000 to three homeownership proposals as follows:

Project	City	Number of Units to be Acquired and Rehabilitated	LHIA Funding Recommendation
<b>City of Lakes Community Land Trust</b>	Minneapolis	7	\$150,000
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<b>Total:</b>		<b>23</b>	<b>\$500,000</b>

## Overview and Funding

The Metropolitan Council, as a member of the Metropolitan Housing Implementation Group (MHIG), participated in the issuance of a Request for Proposals (RFP) for home ownership housing programs in December 2007, for the first cycle of affordable housing funding during 2008. Approximately \$5 million was available statewide to provide gap financing for the construction and rehabilitation of affordable homeownership housing in Minnesota. Following this spring’s solicitation and evaluation process, the MHIG is recommending approximately \$3 million in funds be awarded in the metropolitan area to assist ownership proposals. These funds include \$500,000 from the LCA LHIA, with the remaining funding coming from Minnesota Housing. The LHIA recommendations involve the provision of gap funding to purchase up to 23 homes for rehabilitation or improvement for resale to households with incomes at 60 to 80 percent of area median income.

Applicants were asked to apply for funds to be awarded through MHIG for the purposes of acquisition, demolition, new construction, rehabilitation, financing, or gap financing of housing in or to be developed in locations specifically designated by their applications. All proposals received through the RFP process were reviewed by Minnesota Housing staff for completeness and evaluated pursuant to the MHIG criteria to determine the extent to which the proposals meet one or more of the following criteria:

- Preserving existing affordable housing stock
- Providing workforce housing choices for low and moderate income households
- Increasing homeownership opportunity for underserved populations
- Exhibiting strong implementation partnerships
- Identifying significant leveraged resources
- Demonstrating a high degree of development readiness
- Achieving comprehensive community support

Proposals meeting these baseline criteria were then reviewed by a selection committee consisting of representatives of the MHIG, including staff from Minnesota Housing and the Metropolitan Council. Proposals were discussed regarding their overall concept, consideration of the joint selection criteria and individual funder's criteria, as well as any funder's past experience with the applicant, previous funding allocations, and familiarity with the project or expertise related to any aspect of the proposals. The selection committee then rated the proposals on the proposer's organizational capacity to deliver the project and the feasibility of the proposal.

Funds were then allocated to each proposal based on its composite rank, and the best use of each of the MHIG funding sources.

## **Evaluation Process**

A total of 21 metropolitan area applications were evaluated by MHIG, 10 suburban and 11 central city, seeking assistance for ownership programs. A total of 5 suburban and 6 central city proposals were recommended for funding (Table 1). These proposals will be awarded a total of over \$3 million to assist in value and/or affordability gap funding that will involve at least 68 new affordable homes and the rehabilitation and improvement of up to 50 existing units to then be resold to new owners. Minnesota Housing will fund \$2,446,000 and the Metropolitan Council \$500,000 of the total MHIG investment in home ownership programs seeking assistance this spring.

The recommendation to use \$500,000 in LCA LHIA dollars involves three programs that will acquire, rehab and resell 23 units to new owners. Two of these programs will be implemented through the community land trust ownership model. All three proposals target resources to address foreclosure prevention and remediation. Of the anticipated 23 ownership units to be assisted with LHIA funds, all will be targeted to households between 60 and 80 percent of area median income (Table 2).

There were also ownership proposals requesting approximately \$3.3 million in gap funding from Minneapolis, St. Paul, Anoka, Columbia Heights, Maple Grove, Robbinsdale and Oakdale that were not funded because of their lower ranking, the insufficient amount of funds available to meet all requests, and/or the selection committee's assessment that the proposals were not ready for funding at this time.

**Table 1  
Ownership Housing Proposals Recommended for Funding by the MHIG**

<b>Applicant/Project</b>	<b>City</b>	<b>Number of New Units</b>	<b>Number of Units to be Rehabilitated</b>	<b>Total MHIG Award</b>
Aeon – Old Third Townhomes	Minneapolis	8		\$60,000
Humboldt Greenway	Minneapolis	4		\$176,000
Greenway Townhouses – Land Acquisition	Minneapolis	10		\$375,000
Franklin Station/Bystrom Brothers – Land Acquisition	Minneapolis	38		\$500,000
Carver County CDA Land Trust Program	Multiple		3	\$125,000
Green Remodeling Pilot	St. Louis Park		20	\$50,000
Twin Cities Habitat for Humanity – Inner Ring Foreclosure Remediation	Multiple		4	\$200,000
Twin Cities Habitat for Humanity – Land Acquisition	Multiple	8		\$200,000
<b>City of Lakes Community Land Trust</b>	<b>Minneapolis</b>		<b>7</b>	<b>\$360,000</b>
<b>MCASA/Model Cities</b>	<b>St. Paul</b>		<b>7</b>	<b>\$550,000</b>
<b>Two Rivers Community Land Trust</b>	<b>6 Washington County Communities</b>		<b>9</b>	<b>\$450,000</b>
<b>TOTAL</b>		<b>68</b>	<b>50</b>	<b>\$3,046,000</b>

(Proposals in **bold** are being recommended to receive LCA Local Housing Incentives Account funds as a portion of the total MHIG award.)

**Table 2  
Ownership Housing Proposals Recommended for LHIA Funding**

<b>Applicant</b>	<b>City</b>	<b>Number of New Units</b>	<b>Number of Units to be Acquired and Rehabilitated</b>	<b>LHIA Recommendation</b>
<b>City of Lakes Community Land Trust</b>	Minneapolis	--	7	\$150,000
<b>MCASA/Model Cities</b>	St. Paul	--	7	\$150,000
<b>Two Rivers Community Land Trust –</b> For the cities of Cottage Grove, Forest Lake, Newport, Oakdale, St. Paul Park, Stillwater	Multiple	--	9	\$200,000
			<b>23</b>	<b>\$500,000</b>

## Alignment of Goals and Policies, Leverage of Investments

All of the housing proposals recommended for LCA LHIA funding assistance are for housing development, preservation and affordability opportunities that are consistent with both local and regional policies and goals. They involve acquisition, rehabilitation and resale of ownership units that help revitalization and reinvestment efforts in aging and/or declining areas, or are affordable housing opportunities near areas of significant employment and growth. These housing efforts involve activities and public investment that advance *2030 Regional Development Framework* objectives. The funded proposals will include other significant public, private and nonprofit/philanthropic investment totaling over \$5.3 million (see Table 3).

Pursuant to the *Additional MHIG Funding Criteria – LHIA*, as amended in May 2002, the housing performance scores of the municipalities hosting or collaborating in proposals that are eligible and identified for LHIA funding consideration are to be used in reverse rank order to prioritize LHIA funding recommendations.

As Table 3 indicates, these LHIA recommended awards will align LCA funding with other significant public and private investments being made in all three recommended proposals. LCA dollars will leverage over \$2.8 million in private investments and over \$2.5 million in other public investments. These combined efforts will assist 23 households in need of affordable housing in the metro area.

Every dollar of LHIA funds contributed to these projects leverages nearly \$6 dollars in private investment, and an additional \$5 in other public investment to provide safe, affordable housing to low- and moderate-income residents in the metro area.

<b>Table 3 Anticipated Leveraged Investment of LHIA Funds</b>				
<b>Proposal</b>	<b>Total Units</b>	<b>Recommended LCA Award</b>	<b>Estimated Total Other Public Investment*</b>	<b>Estimated Total Other Private Investment</b>
City of Lakes Community Land Trust	7	\$150,000	\$1,098,000	\$865,000
MCASA/Model Cities Community Development Corporation	7	\$150,000	\$700,000	\$715,000
Two Rivers Community Land Trust	9	\$200,000	\$746,000	\$1,229,500
<b>Total:</b>	<b>23</b>	<b>\$500,000</b>	<b>\$2,544,000</b>	<b>\$2,809,500</b>

\*Other investments do not include the recommended LCA funds.

## **Recommended Homeownership Proposal**

Of the 11 homeownership proposals proposed to be funded through the MHIG (Table 1, page 3), three affordable homeownership proposals are being recommended for LHIA funding. All three programs will target funds to households between 60 and 80 percent of the area median income, and address foreclosure prevention and remediation issues.

### **1. City of Minneapolis – City of Lakes Community Land Trust**

#### **LHIA Award Recommendation - \$150,000**

The City of Minneapolis is partnering with the City of Lakes Community Land Trust (CLCLT) to transform foreclosed and boarded/vacant homes in North Minneapolis into long-term affordable homeownership opportunities for lower to moderate income households at or below 80% of area median income (\$64,720 for a family of four).

The initiative will utilize \$468,000 of previously committed grant funds awarded to the Greater Metropolitan Housing Corporation (GMHC) in April 2007, to acquire and rehab homes in North Minneapolis through the community land trust model.

The Council and Minnesota Housing will contribute a total of \$360,000, matched by a \$420,000 contribution through Hennepin County, to enable the CLCLT to buy up to seven homes. The homes will be sold for their improved appraised value minus the land value, thus making them affordable to low- and moderate-income families. The CLT will own the land, the family will own the home.

The affordable homeownership efforts of the City of Lakes Community Land Trust have been assisted previously through an LHIA grant - \$100,000 in 2006, which assisted in the acquisition, rehabilitation and resale of 6 affordable ownership units.

<b>Number of Units</b>	<b>Total Development Cost Per Unit</b>	<b>Anticipated Selling Price</b>	<b>Value and/or Affordability Gap Per Unit</b>	<b>MHIG Gap Funding Sources This Cycle</b>
7	\$181,300  (Land acquisition cost: \$25,000)	\$115,000 (average)	\$ 6,300 – Value gap \$60,000 – Affordability gap	\$150,000 – LHIA \$210,000 – MN Housing  Other Funding Sources: \$468,000 – GMHC grant \$420,000 – Hennepin Co. AHIF \$ 60,000 – Private investment

\*LHIA criteria limits the per unit subsidy contribution of LHIA funds to \$28,450 per unit.

**City of St. Paul – MCASA/Model Cities**

**LHIA Award Recommendation - \$150,000**

The City of St. Paul is partnering with MCASA, LLC/Model Cities Community Development Corporation to acquire and renovate foreclosed/vacant single-family homes in the Thomas-Dale and Summit-University neighborhoods of St. Paul. These neighborhoods contain one of St. Paul’s Invest St. Paul “priority areas” where resources are being targeted to combat foreclosure and vacant/blighted building conditions. Construction activities will be supplemented with financial and homeownership training, continued home maintenance training, case management, and coaching/mentoring to prevent foreclosure.

MCASA utilizes a unique 6-24 month contract-for-deed process to ease the transition from renting to full homeownership assisting the families in becoming credit worthy, and helping ensure that the homebuyers are able to afford and stay in their new home. MCASA has successfully completed 6 homes through this implementation model. All homes will be sold to households at or below 80% of area median income (\$64,720 for a family of four).

The Council and Minnesota Housing will contribute a total of \$550,000, matched by a \$300,000 investment by the city of St. Paul, to buy up to seven homes.

<b>Number of Units</b>	<b>Total Development Cost Per Unit</b>	<b>Anticipated Selling Price</b>	<b>Value Gap Per Unit</b>	<b>MHIG Gap Funding Sources This Cycle</b>
7	\$214,000  (Land acquisition cost: \$85,850)	\$140,000 (average)	\$74,000	\$150,000 – LHIA \$400,000 – MN Housing  Other Funding Sources: \$300,000 – City of St. Paul \$ 15,000 – GMHC

\*LHIA criteria limits the per unit subsidy contribution of LHIA funds to \$28,450 per unit.

**City of Oakdale - Two Rivers Community Land Trust (for the Cities of Cottage Grove, Forest Lake, Newport, Oakdale, and St. Paul Park)**

**LHIA Award Recommendation - \$200,000**

The Two Rivers Community Land Trust (CLT) is seeking funding to provide value and affordability gap assistance to acquire, rehabilitate and sell up to nine previously foreclosed single-family homes in Cottage Grove, Forest Lake, Newport, Oakdale, and St. Paul Park to families with incomes at 60 to 80 percent of area median income.

The Council and Minnesota Housing will contribute a total of \$450,000, matched by approximately \$346,000 from Washington County funds, plus an additional \$90,000 in local funds to enable the CLT to buy up to nine homes. The homes will be sold for their improved appraised value minus the land value, thus making them affordable to low- and moderate-income families. The CLT will own the land, the family will own the home. In its past programs, the CLT has allowed the original CLT home buyer to keep 25 percent of the increased value of the home, not including the value of the land, upon resale to another CLT qualified family.

The affordable homeownership efforts of the Two Rivers CLT have been assisted previously through four LHIA grants totaling \$392,000 (\$42,000 in 2003, \$100,000 in 2004, \$150,000 in 2005, and \$100,000 in 2006) which assisted in the acquisition, rehabilitation and resale of 17 affordable ownership units.

<b>Number of Units</b>	<b>Total Development Cost Per Unit</b>	<b>Anticipated Selling Price</b>	<b>Value and/or Affordability Gap Per Unit</b>	<b>MHIG Gap Funding Sources This Cycle</b>
9	\$237,000  (Land acquisition cost: \$45,000)	\$133,000 (average)	\$57,000 – Value gap \$47,000 – Affordability gap	\$200,000 – LHIA \$250,000 – MN Housing  Other Funding Sources: \$346,000 – Washington County \$ 90,000 – City funds \$ 32,500 – Private investment \$ 60,000 – Community Work/ Sentence to Serve

\*LHIA criteria limits the per unit subsidy contribution of LHIA funds to \$28,450 per unit.