

**ADVISORY INFORMATION**

**Date Prepared:** December 2, 2008

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

**Recommendation:**

That the Metropolitan Council award Local Housing Incentives Account (LHIA) grants totaling \$1,120,000 as follows, and with the stipulation that for the Anoka county Manufactured Housing Revitalization project, LHIA funds be used only for the purchase of new units:

Project	City	Number of New Units	Number of Units to be Rehabilitated	LHIA Funding Recommendation
<b>Ownership Housing Proposals</b>				
Habitat for Humanity Foreclosure Remediation	Minneapolis and St. Paul		20	\$220,000
Anoka County Manufactured Housing Revitalization	Lexington	20	10	\$100,000
<b>Rental Housing Proposals</b>				
Granada Lake Townhomes	Oakdale		57	\$300,000
Wayzata Gateway	Wayzata	20		\$200,000
Hoffman Place	White Bear Lake	60		\$300,000
	<b>TOTAL:</b>	<b>100</b>	<b>87</b>	<b>\$1,120,000</b>

**Summary of Committee Discussion:**

Committee member Pistilli raised concerns regarding the per unit subsidies for some of the programs that in his opinion are high. He stated that he would like the committee to consider introducing some regulatory reform and/or additional incentives to perhaps decrease the proposed levels of public subsidy even more to create additional affordable housing opportunities through this program. Acting Chair Sanda requested that committee member Pistilli draft up some of his ideas relating to the issues he raised for committee members to review and discuss. Committee member Pistilli agreed to do this and bring back something to the Committee at a future meeting to respond to.

Regarding the Anoka County Manufactured Housing Revitalization Program which is targeted to the Paul Revere Manufactured Housing Cooperative in Lexington, Committee member Pistilli raised a concern over subsidizing units that are already very affordable. The proposed program states that it will assist households at 80% of area median income, with priority given to households at or below 50% of area median income. Based on the 2008 income levels established by HUD, the metro area median income for a family of four is \$80,900. Eighty percent of that income is \$64,720; 60 percent is \$48,540; 50 percent is \$40,450, and 30 percent is \$24,270. Staff indicated it would gather additional information to explain why these modestly priced ownership units would still require a subsidy to make them affordable to manufactured home buyers in this program.

Acting Chair Sanda, whose district includes the city of Lexington, said that she was very familiar with the Paul Revere Cooperative and agreed that there was a need to preserve the affordable housing there. However, she did not feel that rehabbing existing units that would most likely need to be replaced in the future, was the best use for LHIA funds, and so requested that it be stipulated within the contract that LHIA funds be used only for the purchase of new units. Committee members concurred and staff will ensure the appropriate language is included in the contracts.

# C Community Development Committee

Item: 2008-265

**Meeting date: December 1, 2008**

**Metropolitan Council Meeting Date: December 10, 2008**

<b>ADVISORY INFORMATION</b>	
<b>Date:</b>	November 24, 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, Senior Planner, 651-602-1541 Paul Burns, Manager, Livable Communities Program, 602-1384
<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 \$1,120,000 as follows:

<b>Project</b>	<b>City</b>	<b>Number of New Units</b>	<b>Number of Units to be Rehabilitated</b>	<b>LHIA Funding Recommendation</b>
<b>Ownership Housing Proposals</b>				
<b>Habitat for Humanity Foreclosure Remediation</b>	Minneapolis and St. Paul		20	\$220,000
<b>Anoka County Manufactured Housing Revitalization</b>	Lexington	20	10	\$100,000
<b>Rental Housing Proposals</b>				
<b>Granada Lake Townhomes</b>	Oakdale		57	\$300,000
<b>Wayzata Gateway</b>	Wayzata	20		\$200,000
<b>Hoffman Place</b>	White Bear Lake	60		\$300,000
	<b>TOTAL:</b>	<b>100</b>	<b>87</b>	<b>\$1,120,000</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 and multifamily rental housing programs in June 2008. For this cycle of MHIG affordable housing funding, just over \$11 million was available statewide to provide gap financing for the construction and rehabilitation of affordable homeownership housing in Minnesota, and approximately \$83 million for multifamily rental housing gap funding assistance.

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 (formerly Minnesota Housing Finance Agency) staff for completeness and evaluated pursuant to the MHIG criteria to determine the extent to which the proposal met one or more of the following criteria:

- Preserving existing affordable housing stock
- Providing workforce housing choices for low and moderate income households
- Increasing opportunity for underserved populations
- Exhibiting strong implementation partnerships
- Identifying significant leveraged resources
- Demonstrating a high degree of development readiness
- Achieving comprehensive community support
- Consistency with the Minnesota Overlay to Green Communities Criteria

For rental housing proposals the criteria are slightly different, and in addition to the criteria above, include the extent to which proposals:

- Comply with the missions of the funding partners
- Meet strategic goals for cooperatively developed plans
- Use land efficiently
- Display efforts to end long-term homelessness

Proposals meeting these baseline criteria were then reviewed by a selection committee consisting of representatives of the MHIG, including staff from Minnesota Housing, the Metropolitan Council and the Family Housing Fund. Proposals were discussed regarding their overall concept, consideration of the joint selection criteria and individual funders' 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**

The proposals recommended for funding by MHIG will be awarded over \$56 million to assist in affordability gap funding, new construction, rehabilitation or preservation of affordable housing units (Table 1, page 3). As its contribution for homeownership programs, the Metropolitan Council will provide \$320,000 from the Local Housing Incentives Account (LHIA) to assist with the purchase of 20 units and the combination of acquisition, rehab and resale of 30 units. For multifamily rental projects, the Council will provide \$800,000 to assist in the development of 80 new rental units and the rehabilitation and preservation of 57 affordable units, to serve households with incomes at 30-50 percent of area median income.

As noted in Table 1, the Family Housing Fund will be contributing over one million to assist the recommended affordable housing proposals, and Minnesota Housing will be contributing over \$54 million. The combined efforts of these funding partners will assist 13 homeownership programs and 24 multifamily rental projects, creating 607 new housing units, and rehabilitating and preserving 912 affordable units.

Not being recommended for funding this round were ownership proposals requesting over \$2 million in gap funding from Minneapolis, Osseo, Richfield and St. Paul, and multifamily rental proposals requesting over \$40 million from Anoka, Centerville, Edina, Forest Lake, Lakeville, Maplewood, Minneapolis, and St. Paul. These proposals were not recommended for funding because of their lower ranking, insufficient amount of funds available to meet all requests, and/or the selection committee's assessment that the proposals were premature for funding at this time.

<b>Table 1</b>				
<b>Summary of Applications Received and Recommended Funding Awards</b>				
<b>Total Number of Applications Submitted</b>	<b>Total Number of Projects Being Recommended for Funding</b>	<b>Total MHIG Recommended Funding Award</b>	<b>Number of New Units Assisted</b>	<b>Number of Units to be Rehabilitated</b>
<b>Ownership Housing</b>				
21 - 7 suburban - 14 central cities	13 - 5 suburban - 8 central cities	\$5,735,840 - \$ 320,000 Metropolitan Council - \$ 200,000 Family Housing Fund - \$5,215,840 MHFA	38	230
<b>Rental Housing</b>				
47 - 26 suburban - 21 central cities	24 - 8 suburban - 16 central cities	\$50,945,321 - \$ 800,000 Metropolitan Council - \$ 812,500 Family Housing Fund - \$49,332,821 MHFA	569	682
<b>Total:</b>		<b>\$56,681,161</b> - \$ 1,120,000 Metropolitan Council - \$ 1,012,500 Family Housing Fund - \$54,548,661 MHFA	<b>607</b>	<b>912</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 new construction and rehabilitation of rental 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 \$30 million (see Table 2, page 4).

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. All of the proposals recommended for LHIA funding through this fall’s MHIG process have 2008 housing performance scores lower than other proposed host cities, with the exception of Minneapolis and St. Paul.

As Table 2 indicates, these LHIA recommended awards will align LCA funding with other significant public and private investments being made in all five recommended proposals. LCA dollars will leverage over \$20 million in private investments and over \$10 million in other public investments. These combined efforts will assist 187 households in need of affordable housing in the metro area.

Every dollar of LHIA funds contributed to these projects leverages nearly \$18 dollars in private investment, and an additional \$9 in other public investment to provide safe, affordable housing to low- and moderate-income residents in the metro area.

**Table 2  
Anticipated Leveraged Investment of LCA Funds**

<b>Proposal</b>	<b>Total Units</b>	<b>Recommended LCA Award</b>	<b>Estimated Total Private Investment</b>	<b>Estimated Total Other Public Investment*</b>
<b>Ownership Housing</b>				
Habitat for Humanity Foreclosure Remediation	20	\$220,000	\$3,100,000	\$780,000
Anoka Co. Manufactured Housing Revitalization	30	\$100,000	\$678,000	\$150,000
<b>Rental Housing</b>				
Granada Lake Townhomes	57	\$300,000	\$5,881,000	\$4,400,000
Wayzata Gateway	20	\$200,000	\$4,123,000	\$1,139,000
Hoffman Place	60	\$300,000	\$6,905,000	\$3,805,000
<b>Total</b>	<b>187</b>	<b>\$1,120,000</b>	<b>\$20,687,000</b>	<b>\$10,274,000</b>

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

### Recommended Homeownership Proposals

Of the 13 homeownership proposals proposed to be funded through the MHIG (Table 3), two affordable homeownership proposal are being recommended for LHIA funding.

**Table 3  
Ownership Housing Proposals Recommended for Funding by the MHIG**

<b>Project</b>	<b>City</b>	<b>Number of New Units</b>	<b>Number of Units to be Rehabilitated</b>	<b>Total MHIG Award</b>
Two Rivers Land Trust – Ivy Estates	Forest Lake	6		\$300,000
Home Accessibility Ramp	Hennepin County		30	\$120,000
Lead-Safe Rehabilitation	Hennepin County		40	\$155,840
Family Stabilization Plan	Minneapolis		5	\$190,000
City of Lakes Community Land Trust	Minneapolis		15	\$450,000
Northside Initiative	Minneapolis		31	\$500,000
Emerson Townhomes	Minneapolis	8		\$275,000
Urban Homeworks	Minneapolis		10	\$550,000
City Living	St. Paul	4	28	\$1,000,000
Think Healthy and Green Marketability	St. Paul		34	\$800,000
West Hennepin Affordable Land Trust	Western Hennepin Co.		7	\$245,000
Habitat for Humanity Foreclosure Remediation	Minneapolis & St. Paul		20	\$1,000,000
Anoka County Manufactured Housing Revitalization	Lexington	20	10	\$150,000
<b>TOTAL:</b>		<b>38</b>	<b>230</b>	<b>\$5,735,840</b>

(Shaded proposals are being recommended to receive LCA Local Housing Incentives Account funds as a portion of the total MHIG award.)

# 1. Habitat for Humanity Foreclosure Remediation

Grantee: City of Minneapolis

**LHIA Award Recommendation - \$220,000**

## Project Purpose/Description

The cities of Minneapolis and St. Paul are partnering with Habitat for Humanity to acquire foreclosed properties in these communities, make improvements either through rehabilitation or demolition and reconstruction, and resell the properties to low- and moderate-income families. Funds will assist families with incomes between 30%-50% of area median income.

Habitat will purchase foreclosed properties, perform the rehab or reconstruction, recruit and train income-qualified families for homeownership, sell the homes, and issue the mortgages and service the loans. Habitat provides zero-percent financing, charges no developer fee and completely covers the costs of the construction staff. Homeowners contribute sweat equity for their down payment rather than cash.

Nearly 20,000 foreclosures are projected to occur in the metro area in 2008, with a large majority of those in the center cities. Both Minneapolis and St. Paul have identified targeted neighborhoods and specific properties that this project will assist.

LHIA funds will be match with local funds expended annually by both Minneapolis and St. Paul on affordable housing needs. LHIA funds will assist with the purchase and/or improvements for 4 of the 20 units.

## Project/Budget Information

Number of Units	Total Development Cost Per Unit	Anticipated Selling Price	Affordability Gap Per Unit	MHIG Gap Funding Sources This Cycle
20	\$186,900	\$127,000	\$51,900	\$220,000 – LHIA \$780,000 – MH

**2. Anoka County Manufactured Housing Revitalization**  
**Grantee: City of Lexington**

**LHIA Award Recommendation - \$100,000**

**Project Purpose/Description**

The city of Lexington is partnering with the Anoka County Community Action Program (AACAP) to assist up to 20 low- and moderate-income families acquire new manufactured homes, provide deferred financing for rehabilitation of 10 existing homes, and fund buyout and removal of six homes needing replacement in the Paul Revere manufactured housing cooperative. This is a resident-owned, 149-unit manufactured housing community.

Manufactured homes comprise approximately 4,500 units of homeownership in Anoka County. They provide critically affordable housing, especially for larger families. ACCAP’s role involves providing a package of assistance to the current manufactured home owners to make it possible to acquire and demolish substandard units, prepare the site for a new manufactured home, and provide a need-based affordability gap based loan of up to \$15,000 to the owner so that they can afford acquisition and site placement of a new manufactured home or up to \$10,000 to rehabilitate existing housing units. Residents who choose to relinquish their deteriorated manufactured home can receive buyout assistance. This component will provide funds to purchase their units and dispose of them.

LHIA funds will be match by a \$75,000 CDBG from the city and a \$25,000 contribution to the local HRA. LHIA funds will assist with the purchase of 6 of the 20 new homes, or the rehabilitation of the 10 homes that this overall program is expected to assist. The program will assist homeowners at or below 80% of area median income, with priority given to households below 50% of area median income.

**Project/Budget Information**

<b>Number of Units</b>	<b>Total Development Cost Per Unit</b>	<b>Anticipated Selling Price</b>	<b>Affordability Gap Per Unit</b>	<b>MHIG Gap Funding Sources This Cycle</b>
20 – new	\$49,000	\$34,000	\$15,000	\$100,000 – LHIA
10 - rehab	\$10,000		\$10,000	\$ 50,000 – MH



## Recommended Multifamily Rental Proposals

Of the 24 multifamily rental proposals proposed to be funded through the MHIG (Table 4), three affordable multifamily rental proposals are being recommended for LHIA funding.

<b>Table 4</b>				
<b>Multifamily Rental Housing Proposals Recommended for Funding by the MHIG</b>				
<b>Project</b>	<b>City</b>	<b>Number of New Affordable Units</b>	<b>Number of Units to be Rehabilitated</b>	<b>Total MHIG Award</b>
Ewing Square Townhomes	Brooklyn Center		23	\$1,621,110
Chancellor Manor	Burnsville		200	\$2,706,547
Minnesota Veterans Supportive Housing	Hastings	60		\$10,125,000
Alliance Addition	Minneapolis	51	10	\$8,442,847
Bridge Center for Youth	Minneapolis		18	\$450,000
Cabrini Transitional Housing	Minneapolis		23	\$120,000
Claire Midtown	Minneapolis	45		\$480,000
Exodus Apartments	Minneapolis		12	\$398,000
Hope Block Stabilization	Minneapolis		19	\$729,838
Longfellow Station Flats	Minneapolis	116		\$1,000,000
Lowry Apartments	Minneapolis	30		\$300,000
Creekside Commons	Minneapolis	30		\$262,260
Washington County Transitional Housing	Oakdale		6	\$179,100
Har Mar Apartments	Roseville		120	\$5,469,587
American House Apartments	St. Paul		70	\$1,521,630
Lexington Commons Apartments	St. Paul	48		\$696,781
Renaissance Box	St. Paul	67		\$3,369,688
Commerce Apartments	St. Paul	42		\$679,918
The Terraces	St. Paul		35	\$1,575,330
Wilder Apartments	St. Paul		77	\$2,120,000
YWCA Oxford Supportive Housing	St. Paul		12	\$242,802
Granada Lake Townhomes	Oakdale		57	\$4,200,000
Wayzata Gateway	Wayzata	20		\$550,000
Hoffman Place	White Bear Lake	60		\$3,704,883
<b>TOTAL:</b>		<b>569</b>	<b>682</b>	<b>\$50,945,321</b>

(Shaded proposals are being recommended to receive LCA Local Housing Incentives Account funds as a portion of the total MHIG award.)

**1. City of Oakdale – Granada Townhomes**

**Grantee: City of Oakdale**

**LHIA Award Recommendation - \$300,000**

**Project Purpose/Description**

The project involves the acquisition and rehabilitation of a 68-unit townhome development in Oakdale. All of the units are currently available as market-rate rentals, although over 30% of the units are leased to Section 8 voucher holders. Funding this project provides a unique opportunity to acquire existing market rate units and after rehabilitation put them back on the market, and keep them on the market, as affordable housing opportunities.

The entire project consists of 68 three-bedroom units, fifty-seven (57) of which will be available to households at 50% or less of area median income (\$40,450 for a family of four). Four of those units will be set aside and marketed to households experiencing long-term homelessness. Eleven (11) of the units will remain market rate. Rents (including utilities) for the 57 units will be \$1,051.

Local resources used to match the LHIA funds will be a \$500,000 Washington County grant dedicated to this project. LHIA funds will be used for costs associated with acquisition or rehabilitation of the 57 affordable housing units.

**Project/Budget Information**

<b>Number of Units</b>	<b>Total Development Costs (TDC)/ Funding Sources</b>	<b>Gap Funding Sources This Cycle</b>	<b>Anticipated Rents</b>
57	\$11,091,309 – TDC  Anticipated Funding Sources: \$4,359,603 – Syndication Proceeds \$ 250,000 – Charitable cash donation \$ 103,000 – Accrued interest on equity \$ 565,000 – Deferred developer fee \$ 195,706 – Operating income \$ 918,000 – Seller Note \$ 500,000 – Washington County \$6,891,309 – Total funding sources  \$4,200,000– Funding gap request	\$ 300,000 – LHIA \$3,800,000 – MH \$ 100,000 - FHF	\$1,051- 3 bedrooms

**2. City of Wayzata – Wayzata Gateway**

**Grantee: City of Wayzata**

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

**Project Purpose/Description**

The project involves land acquisition and new construction of six three-bedroom townhomes and a two-story, wood frame building containing one and two-bedroom units, plus community/service space. The project is located on Central Avenue North in Wayzata.

The project will have 3 one-bedroom, 11 two-bedroom and 6 three-bedroom units. All of the units will be affordable to households at or below 50 percent of the area median income (\$40,450 for a family of four). Four of those units will be set aside and marketed to households experiencing long-term homelessness. Rents (including utilities) will range from \$758-\$1,051.

Local resources used to match the LHIA funds will be a combination of TIF and HOME funds dedicated to this project. LHIA funds will be used for costs associated with land acquisition or the construction of 20 affordable housing units.

**Project/Budget Information**

Number of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
20	\$5,461,660 – TDC  Anticipated Funding Sources: \$3,159,769 – Syndication Proceeds \$ 467,441 – Hennepin County \$ 121,183 – Hennepin County CDBG \$ 108,267 – Deferred Developers Fee \$ 645,000 – US Bank \$ 200,000 – IOCP \$ 200,000 – Presbyterian Homes \$ 10,000 – Black River Asset \$4,911,660 – Total funding sources  \$ 550,000 – Funding gap requested	\$200,000 – LHIA \$350,000 – MH	\$ 758 – 1 bedroom \$ 910 – 2 bedroom \$1,051 – 3 bedroom

**3. City of White Bear Lake – Hoffman Place**  
**Grantee: City of White Bear Lake**

**LHIA Award Recommendation - \$300,000**

**Project Purpose/Description**

The project involves the construction of a 60 unit, three-story elevator apartment building with underground parking located on Hoffman Road in White Bear Lake. The building will include one elevator, leasing office, community room, resident storage, and patios/decks. This project is phase one of a two-phase project with an identical building planned for future construction.

The project will have 6 one-bedroom, 39 two-bedroom and 15 three-bedroom units. All of the units will be affordable to households at 50 percent of the area median income (\$40,450 for a family of four). Rents (including utilities) will range from \$758 to \$1,051.

Local resources used to match the LHIA funds will be \$400,000 in TIF that the city has dedicated to this project. LHIA funds will be used for costs associated with the construction of 60 affordable housing units.

**Project/Budget Information**

<b>Number of Units</b>	<b>Total Development Costs (TDC)/ Funding Sources</b>	<b>Gap Funding Sources This Cycle</b>	<b>Anticipated Rents</b>
60	\$11,009,546 – TDC  Anticipated Funding Sources: \$6,904,663 – Syndication Proceeds <u>\$ 400,000</u> – TIF \$7,304,663 – Total funding sources  \$3,704,883 – Funding gap request	\$ 300,000 – LHIA \$3,304,883 – MH \$ 100,000 – FHF	\$ 758 – 1bedroom \$ 910 – 2 bedroom \$1,051 – 3 bedroom