

**C** Community Development Committee  
For the Metropolitan Council meeting of February 24,  
2010

Item: 2010-64

**Date** February 17, 2010  
**Prepared:**  
**Subject:** Land Acquisition for Affordable New Development (LAAND) Loan  
Initiative Funding Recommendation

**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.

**Summary of Committee Discussion / Questions:**

Paul Burns, Livable Communities Manager, presented the background on this year's request. The available funding, \$440,000 was the amount left over from the 2008 awards. The original funding for this loan program was a one-time shift of Livable Communities Demonstration Account funds. This program is being implemented jointly with Minnesota Housing. The application for funds was done through the Minnesota Housing Community Revitalization Fund Standard Application. The application from the City of Hopkins was the only application received for 2009 funding.

It was moved by Committee Member Pistilli, seconded by Committee Member Wulff, to approve the proposed action. The motion passed unanimously.

**C** Community Development Committee  
Meeting date: February 16, 2010

ADVISORY INFORMATION	
<b>Date:</b>	February 10, 2010
<b>Subject:</b>	Land Acquisition for Affordable New Development (LAAND) Initiative Funding Recommendation
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Livable Communities Act, Minnesota Statutes 473.75
<b>Staff Prepared/Presented:</b>	Paul Burns, Manager, Livable Communities Program, 651-602-1106 Beth Reetz, Director, Housing and Livable Communities, 651-602-1060
<b>Division/Department:</b>	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 8<sup>th</sup> 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 community<sup>1</sup>, 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.

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<sup>1</sup> 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.