

Meeting date: December 3, 2007

ADVISORY INFORMATION	
Date:	November 19, 2007
Subject:	LCA Local Housing Incentives Account Funding Recommendations
District(s), Member(s):	All
Policy/Legal Reference:	Livable Communities Act, Minnesota Statutes 473.254
Staff Prepared/Presented:	Linda Milashius, Senior Planner, 651-602-1541 Jan Gustafson, Manager, Livable Communities Program, 602-1384
Division/Department:	HRA and Livable Communities Programs, Community Development

Proposed Action/Motion

That the Metropolitan Council award Local Housing Incentives Account (LHIA) grants totaling \$1,889,806 as follows:

Project	City	Number of New Units	Number of Units to be Rehabilitated	LHIA Funding Recommendation
Ownership Housing Proposals				
Invest Saint Paul	St. Paul		30	\$200,000
Red Oak Preserve	Oakdale	5		\$100,000
Homes Within Reach	Western Hennepin County Suburbs		5	\$150,000
Rental Housing Proposals				
The Crossings at Valley View	Bloomington	50		\$250,000
Twin Ponds	Farmington	25		\$210,000
Maple Village	Maple Grove	54		\$275,000
Trails Edge	Maplewood	48		\$300,000
Alliance Scattered Site Rehab	Minneapolis		28	\$193,000
Interlachen	Waconia	48		\$211,806
	TOTAL:	230	63	\$1,889,806

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 2007. For this cycle of MHIG affordable housing funding, just over \$5 million was available statewide to provide gap financing for the construction and rehabilitation of affordable homeownership housing in Minnesota, and approximately \$66 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

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 \$46.6 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 \$450,000 from the Local Housing Incentives Account (LHIA) to assist 5 households in purchasing new units, assist with the rehabilitation and resale of 5 units, and the rehabilitation of 30 units. For multifamily rental projects, the Council will provide \$1,439,806 to assist in the development of 225 new rental units and the rehabilitation and preservation of 28 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 \$1.375 million to assist the recommended affordable housing proposals, and Minnesota Housing will be contributing over \$43 million. The combined efforts of these funding partners will assist of 11 homeownership programs and 24 multifamily rental projects, creating 980 new housing units, and rehabilitating and preserving 500 affordable units.

Not being recommended for funding this round were ownership proposals requesting over \$3.8 million in gap funding from Anoka, Maple Grove, Minneapolis, Norwood Young America, and Robbinsdale, and multifamily rental proposals requesting over \$12.8 million from Centerville, Edina, Minneapolis, Ramsey, Rosemount, 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.

Table 1				
Summary of Applications Received and Recommended Funding Awards				
Total Number of Applications Submitted	Total Number of Projects Being Recommended for Funding	Total MHIG Recommended Funding Award	Number of New Units Assisted	Number of Units to be Rehabilitated
Ownership Housing				
18 - 10 suburban - 8 central cities	11 - 5 suburban - 6 central cities	\$4,119,400 - \$ 450,000 Metropolitan Council - \$ 400,000 Family Housing Fund - \$3,269,400 MHFA	42	63
Rental Housing				
43 - 15 suburban - 28 central cities	24 - 9 suburban - 15 central cities	\$42,549,810 - \$ 1,439,806 Metropolitan Council - \$ 975,000 Family Housing Fund - \$ 300,000 MN DEED - \$39,835,004 MHFA	938	437
Total:		\$46,669,210 - \$ 1,889,806 Metropolitan Council - \$ 1,375,000 Family Housing Fund - \$ 300,000 MN DEED - \$43,104,404 MHFA	980	500

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 \$53 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 2007 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 nine recommended proposals. LCA dollars will leverage over \$34 million in private investments and over \$19 million in other public investments. These combined efforts will assist 294 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 \$10 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**

Proposal	Total Units	Recommended LCA Award	Estimated Total Private Investment	Estimated Total Other Public Investment*
Ownership Housing				
Invest Saint Paul – St. Paul	30	\$200,000	\$643,650	\$3,995,000
Red Oak Preserve – Oakdale	5	\$100,000	\$821,565	\$314,400
Homes Within Reach – Western Hennepin County Suburbs	6	\$150,000	\$739,600	\$1,305,481
Rental Housing				
The Crossings at Valley View – Bloomington	50	\$250,000	\$6,507,131	\$2,835,580
Twin Ponds – Farmington	25	\$210,000	\$3,989,832	\$1,286,310
Maple Village – Maple Grove	54	\$275,000	\$6,629,624	\$2,974,296
Trails Edge – Maplewood	48	\$300,000	\$6,593,385	\$2,977,754
Alliance Scattered Site Rehab – Minneapolis	28	\$193,000	\$249,404	\$725,000
Interlachen – Waconia	48	\$211,806	\$6,986,562	\$2,701,496
Total	294	\$1,889,806	\$34,459,134	\$19,115,317

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

Recommended Homeownership Proposals

Of the 11 homeownership proposals proposed to be funded through the MHIG (Table 3), three affordable homeownership proposal are being recommended for LHIA funding.

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

Project	City	Number of New Units	Number of Units to be Rehabilitated	Total MHIG Award
Old Third Townhomes	Minneapolis	8		\$100,000
Homebuyer Initiated Program	Minneapolis		11	\$270,000
CityLiving Special Assistance	St. Paul		16	\$460,000
Hawthorne Eco-Village	Minneapolis	3		\$150,000
Lowell Curve Phase II	Minneapolis	5		\$150,000
Southshore Drive Townhomes	Plymouth	4		\$40,000
Strategic Land Acquisition	Carver/Scott Counties	17		\$1,400,000
Home Accessibility Ramp Program	Multiple	-	-	\$100,000
Invest Saint Paul	St. Paul		30	\$970,000
Red Oak Preserve	Oakdale	5		\$159,400
Homes Within Reach	Multiple		6	\$220,000
TOTAL:		42	63	\$4,019,400

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

1. City of St. Paul - Invest Saint Paul

LHIA Award Recommendation - \$200,000

Project Purpose/Description

Funds will be used by the St. Paul HRA for the Invest St. Paul Initiative's Healthy Neighborhoods: Block-by-Block Renewal. The Invest St. Paul Initiative is a partnership driven, multifaceted approach to improving the quality of life in St. Paul by addressing jobs and economic development, urban environment and transit, education and family health and housing. Activities are focused in targeted areas of the City of St. Paul. The component being funded is owner-occupied rehabilitation. The program is targeted to households at or below 80% of area median income (\$62,000 for a family of four).

The HRA will negotiate partnerships among local community development corporations (CDCs) to carry out the Block-by-Block Renewal program. They will administer any gap funding required. They will also guide homeowners through the rehabilitation process for owner-occupied rehabilitation which will include developing a scope of work, pulling permits, securing bids and monitoring contractors and construction work. The Block-by-Block Renewal is intended to maximize the adaptive reuse of existing buildings and related infrastructure by preserving existing housing. Owner-occupied rehabilitation will help families to affordably maintain their properties, which will preserve housing stock and improve quality of life.

Project/Budget Information

Number of Units	Total Development Cost Per Unit	Affordability Gap Per Unit	Gap Funding Sources This Cycle/ Other Funding Sources
30	\$61,300	\$32,333	\$200,000 – LHIA \$770,000 – MN Housing

2. City of Oakdale - Red Oak Preserve

LHIA Award Recommendation - \$100,000

Project Purpose/Description

Funds will assist the Washington County HRA who is partnering with the Two Rivers Community Land Trust in building 5 single-family, owner-occupied homes in Red Oak Preserve, which is a redevelopment of a former manufactured home park known as Whispering Oaks. This is a new 126-unit planned unit development in the city of Oakdale. The land trust units will be sold to homebuyers at 60%-80% of area median income. Development partners include the Washington County HRA, Shelter Corporation LSA Design, Ryland Construction and Habitat for Humanity.

The redevelopment of this site makes efficient use of the land by increasing housing density, preserving wetlands and mature white oak trees. The site also preserves three acres of park land and trails, and provides linkage to the city's existing bike trail system.

Project/Budget Information

Number of Units	Total Development Cost Per Unit	Anticipated Selling Price	Affordability Gap Per Unit	MHIG Gap Funding Sources This Cycle
5	\$240,000 (Land acquisition cost: \$66,000)	\$145,000	\$95,000	\$100,000 – LHIA \$ 59,400 – MN Housing Other Gap Funding Sources: \$235,600 – Private Investment \$ 80,000 – Washington County

**3. Homes Within Reach – Western Hennepin County Suburbs
West Hennepin Affordable Housing Land Trust**

LHIA Award Recommendation - \$150,000

Project Purpose/Description

Funds are for land acquisition, holding costs and rehabilitation expenses related to the acquisition and rehabilitation of new and existing homes in western Hennepin County suburbs, which will become part of the West Hennepin Affordable Housing Land Trust (WHALT). Communities to be served by this program include Edina, Eden Prairie, Minnetonka, Maple Grove, Richfield, St. Louis Park and Wayzata. The land trust units will be sold to homebuyers at 50%-80% of area median income.

Project/Budget Information

Number of Units	Total Development Cost Per Unit	Anticipated Selling Price	Affordability Gap Per Unit	Gap Funding Sources This Cycle/ Other Funding Sources
5	\$260,000 (Land acquisition costs: \$100,000)	\$146,500	\$113,500	\$150,000 – LHIA \$ 70,000 – MN Housing Other Gap Funding Sources: \$350,000 – Hennepin County

Recommended Multifamily Rental Proposals

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

Table 4				
Multifamily Rental Housing Proposals Recommended for Funding by the MHIG				
Project	City	Number of New Affordable Units	Number of Units to be Rehabilitated	Total MHIG Award
Glenwood II	Minneapolis	251		\$7,330,900
Longfellow Station Flats	Minneapolis	118		\$2,000,000
Lowry Limited Partnership	Minneapolis	30		\$515,000
Nicollet Youth Housing	Minneapolis	42		\$1,095,000
Permanent Re-Entry Housing	Minneapolis		11	\$444,450
Van Cleve Apartments West	Minneapolis	50		\$700,000
Little Earth – Phase V	Minneapolis		212	\$2,300,000
Healing Spirit House	Minneapolis		4	\$326,461
Delancy Apartments	St. Paul		13	\$800,000
Hanover Townhomes	St. Paul		96	\$500,000
Lexington Commons Apartments	St. Paul	48		\$674,400
Sankofa Apartments	St. Paul		16	\$1,100,000
Minnesota Vistas	St. Paul	60		\$2,360,000
Minnesota Place	St. Paul	77		\$3,737,031
Dakota County Youth Supportive Housing	Eagan	25		\$4,236,029
Living Works Crystal Lodge II	Crystal	12		\$676,176
Wayside House – Jersey Avenue	St. Louis Park		20	\$225,075
Westgate Townhomes	New Prague		37	\$1,970,356
The Crossings at Valley View	Bloomington	50		\$2,300,580
Twin Ponds	Farmington	25		\$225,000
Maple Village	Maple Grove	54		\$3,399,296
Trails Edge	Maplewood	48		\$2,877,754
Alliance Scattered Site Rehab	Minneapolis		28	\$393,000
Interlachen Place	Waconia	48		\$2,363,302
TOTAL:		938	437	\$42,549,810

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

**1. City of Bloomington – The Crossings at Valley View
LHIA Award Recommendation - \$250,000**

Project Purpose/Description

The project involves the construction of a 50-unit, 4-story apartment building with elevator and underground parking on a site previously occupied by a mobile home park located at 8735 Portland Avenue South in Bloomington. This development is part of a larger housing plan, with a 166-unit senior housing development adjacent to this property. The development will occupy approximately 2 acres of the original 5.64 acre mobile home site. A library is located directly south of the site. Other adjacent properties contain single-family residences. An elementary and middle school are also located within two blocks of the development.

The project consists of 24 two-bedroom, 22 three-bedroom and 4 units of permanent supportive housing for families experiencing long term homelessness. Four of the units will be affordable to households at 30% of the area median income (\$23,550 for a family of four); the remaining units will be affordable to households at 50 percent of the area median income (\$39,250 for a family of four). Rents (including utilities) will range from \$233 to \$1,020.

Project/Budget Information

Number of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
50	\$9,592,711 – TDC Funding Sources: \$6,342,131 – Syndication Proceeds \$ 100,000 – DEED \$ 500,000 – Hennepin County \$ 350,000 – City of Bloomington \$7,292,131 – Total funding sources \$2,300,580 – Funding gap request	\$ 250,000 – LHIA \$1,885,580 – MH \$ 165,000 - FHF	\$ 233 – 2 bedroom (2 units) \$ 883 – 2 bedroom \$ 285 – 3 bedroom (2 units) \$1,020– 3 bedroom

**2. City of Farmington – Twin Ponds
LHIA Award Recommendation - \$210,000**

Project Purpose/Description

The project involves the construction of 25 new two- and three-bedroom townhomes, located at the intersection of Highway 3 and 225th Street in Farmington. The development will be owned and managed by the Dakota County Community Development Agency (CDA).

The project will have 18 two-bedroom and 7 three-bedroom units. All of the units will be affordable to households at 50 percent of the area median income (\$39,250 for a family of four). Rents (including utilities) will range from \$702-\$776.

Project/Budget Information

Number of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
25	\$5,601,142 – TDC Funding Sources: \$3,589,832 – Syndication Proceeds \$ 434,846 – MHFA Pilot Program \$ 285,000 – HOME \$ 400,000 – General Partner Cash \$ 100,000 – Family Housing Fund (FHF) \$ 130,464 – TIF \$ 250,000 – CDA HOPE Loan \$ 186,000 – CDA First Mortgage \$5,376,142 – Total funding sources \$ 225,000 – Funding gap requested	\$210,000 – LHIA \$ 15,000 – FHF	\$702 – 2 bedroom \$776 – 3 bedroom

**3. City of Maple Grove – Maple Village
LHIA Award Recommendation - \$275,000**

Project Purpose/Description

The project involves the construction of a 54 unit, three-story elevator apartment building with underground parking on a 3.08 acre site located at the north end of Zanzibar Lane North in Maple Grove. The currently vacant site is surrounded by single-family homes to the west, a regional water pond to the north, wetlands to the east, and a large church to the south.

The project will have 4 one-bedroom, 33 two-bedroom and 17 three-bedroom units. All of the units will be affordable to households at 50 percent of the area median income (\$39,250 for a family of four). Rents (including utilities) will range from \$736 to \$1,020.

Project/Budget Information

Number of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
54	\$9,878,920 – TDC Funding Sources: \$6,479,624 – Syndication Proceeds \$3,399,296 – Funding gap request	\$ 275,000 – LHIA \$2,974,296 – MH \$ 150,000 – FHF	\$ 736 – 1 bedroom \$ 883 – 2 bedroom \$1,020 – 3 bedroom

**4. City of Maplewood – Trails Edge
LHIA Award Recommendation - \$300,000**

Project Purpose/Description

The project involves the construction of 48 townhome style units on a 4.8 acre site located at the intersection of Century and Larpenteur Avenues in Maplewood.. The development is part of a larger redevelopment proposal on the 34 acre St. Paul Monastery Campus, that also includes the conversion of the current Monastery into a shelter for victims of family-violence, and 40 affordable senior housing units.

The project will have 27 two-bedroom and 21 three-bedroom units. Four of the units will be affordable to households at 30% of the area median income (\$23,550 for a family of four); the remaining units will be affordable to households at 50 percent of the area median income (\$39,250 for a family of four). Rents (including utilities) will range from \$280 to \$1,020.

Project/Budget Information

Number of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
48	\$9,871,139 – TDC Funding Sources: \$6,443,385 – Syndication Proceeds \$ 300,000 – Ramsey County CDBG <u>\$ 250,000</u> – Federal Home Loan Bank \$6,993,385 – Total funding sources \$2,877,754 – Funding gap requested	\$ 300,000 – LHIA \$2,427,754 – MH \$ 150,000 – FHF	\$ 280 – 2 bedroom (4 units) \$ 883 – 2 bedroom \$1,020 – 3 bedroom

**5. City of Minneapolis – Alliance Scattered Site Rehab
LHIA Award Recommendation - \$193,000**

Project Purpose/Description

As part of a comprehensive capital campaign to stabilize properties, the city is working with Alliance Housing Inc. to renovate 8 of 13 scattered site properties: 7 duplexes, and one 8-plex which house 10 families and 18 singles. All buildings are about 100 years old. Rents have been kept at about 30% below market. Stabilizing these properties will guarantee the continued use for another 20-30 years. Completing the necessary improvements will help maintain affordability by reducing maintenance and energy costs.

The proposed development will have 15 efficiency, 3 one-bedroom, 5 two-bedroom, and 5 three-bedroom units. All of the efficiency and one-bedroom units will be affordable to households at 30% of the area median income (\$23,550 for a family of four); the two- and three-bedroom units will be affordable to households at 50 percent of the area median income (\$39,250 for a family of four). Rents (including utilities) will range from \$290 to \$720.

Project/Budget Information

Number of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
28	\$1,167,404 – TDC Funding Sources: \$ 249,404 – Private funding \$ 225,000 – Hennepin County \$ 300,000 – CPED \$ 774,404 – Total funding sources \$ 393,000 – Funding gap requested	\$193,000 – LHIA \$200,000 – MH	\$290-\$390 – Effic. \$395-\$490 – 1 bedroom \$620-\$710 – 2 bedroom \$700-\$720 – 3 bedroom

**6. City of Waconia – InterLaken Place
LHIA Award Recommendation - \$211,806**

Project Purpose/Description

The project involves the construction of a 48 unit, three-story elevator apartment building with underground parking on a 3.40 acre site located on Airport Road in the newly developed InterLaken Subdivision in the southeastern portion of Waconia. This is within a PUD consisting of housing, retail and greenspace. The design is a “V” shaped single building, which will provide privacy and security while maximizing the existing views for the residents.

The project will have 26 two-bedroom and 22 three-bedroom units. All of the units will be affordable to households at 50 percent of the area median income (\$39,250 for a family of four). Rents (including utilities) will range from \$783-\$920.

Project/Budget Information

Number of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
48	\$9,899,864 – TDC Funding Sources: \$6,263,858 – Syndication Proceeds \$ 250,000 – Land Contribution \$ 722,704 – Deferred Developer Fee <u>\$ 300,000 – TIF</u> \$7,536,562 – Total funding sources \$2,363,302 – Funding gap requested	\$ 211,806 – LHIA \$2,151,496 – MH	\$783 – 2 bedroom \$920 – 3 bedroom

