



REQUEST FOR ECONOMIC DEVELOPMENT AUTHORITY ACTION

Date: 09/20/2021

Item No.: 5.c

Department Approval

Janice Gundlach

Executive Director Approval

Ramsey Trueman

Item Description: Receive information and provide direction on a land trust program

BACKGROUND

On June 21, 2021, the City Council adopted the City Policy Priority Plan, which identifies Housing as a Strategic Priority. This Strategic Priority includes an initiative of ensuring housing in Roseville meets all identified needs, including housing styles, affordability, availability, and market needs. The desired outcome is to increase the number of new housing units. One specific “goal” or “focus area” for 2022 and beyond was to “monitor tax-forfeiture properties to purchase for affordable ownership opportunities”. Beyond the City’s Policy Priority Plan, yet related to its overarching goals, staff understands the Council has interest in exploring ways the City could secure more affordable homeownership units through long term affordability, such as land trusts. Since the City has focused heavily over the past two and a half years at creating affordable rental opportunities in Roseville, the transition towards affordable ownership seems appropriate.

Staff has met with the Cities of Lakes Community Land Trust (CLCLT), Two Rivers Community Land Trust (TRCLT), Rondo Community Land Trust (RCLT), and Twin Cities Habitat for Humanity (TCHH). TCHH Land Trust program is not a state statute developed Land Trust like the other three, but has 25 homes in various communities around the metro being held for long term affordability through 99 year leases. From discussions with these organizations, they all would be open to a partnership with the REDA. Land trusts operate in specified geographic areas, with RCLT encompassing Roseville. As such, in order to work with CLCLT and/or TRCLT, the City would need to have RCLT consent to the partnership. TCHH would not require such consent.

From discussions with all of these Land Trusts, it was determined the following structure could work in terms of establishing a partnership:

- The partnership could target homes priced less than \$300,000.
- The REDA could provide the land write-down costs in an amount not to exceed \$80,000 per unit, which then would be held in a land lease for 99 years. The actual amount that could be contributed per unit would be based on the assessed land value determined by Ramsey County. Or, if the REDA uses CDBG funds, the land price could be limited to no more than 25% of the total price of the home for the land write down. This arrangement wouldn’t require the REDA to purchase or hold title to any real estate (except for the possible acquisition through tax forfeiture).
- The Land Trust partner would income qualify buyers of homes to be a first time buyers who earn an income not to exceed 80% of Area Medium Income (AMI).
- The Land Trust partner would determine the amount of renovation needed on a home, if any, and provide the resources for such renovations.
- The Land Trust partner would maintain a land lease with the homes for 99 years to assure the

home's continued long term affordability.

- The REDA could utilize existing/current Community Development Block Grant (CDBG) funds, Affordable Housing TIF pooling balances, and/or Roseville Housing Replacement Program funds for the land write-down costs. This new program could replace the existing Housing Replacement Program.
- If the REDA is interested in pursuing a program with a land trust partner, then staff, working along with the partnership, would identify additional funding sources to sustain longer-term operating of the program. If the REDA had a program in place, additional funding could be secured through Ramsey County, the Metropolitan Council, and/or Minnesota Housing.

Based upon the requirement of RCLT needing to sign off if the REDA wished to partner with a different land trust, staff focused on two organizations whereby the REDA could establish a partnership program for acquiring and retaining affordable home ownership units. The following comparison of RCLT and TCHH is provided for the REDA's review.

<i>Affordable Ownership Program Factors</i>	Rondo/NeighborWorks*	TCHH
<i>Developer Fee</i>	10% - Rondo, plus 10-16% for NeighborWorks depending on rehab needs of the home	8-10%
<i>Acquire the home directly into the program?</i>	REDA would have to buy and hold until buyer identified	Yes
<i>Waiting List of Income Qualified Buyer's at 80% or less AMI?</i>	No	Yes
<i>Provides Mortgage?</i>	No	Yes
<i>Homeowner support after buying?</i>	No formal program, available upon home owner asking for assistance	Yes
<i>Current number of homes in Trust</i>	75	25

* Because RCLT does not do any inspection/construction oversight, they have indicated they would need to include NeighborWorks Home Partners.

Since the RCLT does not provide mortgages, any foreclosure on a land trust home through RCLT could be subject to termination of long-term affordability being the bank may opt to remove the land lease from its deed restrictions. However, RCLT did indicate that during the foreclosure crisis many of the banks that foreclosed on their homes did work with them to keep the RCLT land leases in place. TCHH homes would not be subject to this as TCHH is the first mortgage lender and would be aware, and intervene, when a home owner is having financial trouble.

Staff would like to understand if the REDA has interest in pursuing a program whereby the REDA financially contributes towards the creation of affordable homeownership units throughout the City. Depending on interest and direction from the REDA, staff would work with an identified Land Trust partner to formally put in place a program for the REDA to consider at an upcoming regular meeting. Based on the financial resources readily available, staff suggests a goal of financially participating towards acquisition of 1-4 homes a year for long time affordable homeownership to be a reasonably attainable goal if such a program were established. Any future tax forfeiture homes from Ramsey County that the REDA would be offered to acquire, could be transferred into this program. Staff would also suggest folding the existing Housing Replacement Program into a program as described herein. Doing so allows the REDA to streamline program offerings and to move focus towards programs that aim to establish affordable homeownership units throughout the City.

68 **BUDGET IMPLICATIONS**

69 The REDA funds identified for such a program include CDBG funds of \$302,310, Affordable
70 Housing TIF Pooling funds of \$67,770, and Housing Replacement funds of \$478,760.

71 **STAFF RECOMMENDATION**

72 Receive information and provide feedback and direction.

73 **REQUESTED EDA ACTION**

74 Receive information and provide feedback and direction.

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