

American Rescue Plan Act Proposal Round 1

Proposal Title: Envision Pilot

Goal Area: Homelessness Response

Implementing Department: CPED

2021 Dollar Amount: \$1,200,000

Problem Statement: The City needs new housing models, including new shared housing and intentional communities, that provide deeply affordable housing to people experiencing homelessness in order to prevent and end homelessness.

Proposed Action Summary: Funds will be used for development assistance for Envision Community to create an intentional community that is designed and led by residents with lived experience of homelessness.

Proposed Action Detail: Envision Community is an intentional community, created by Street Voices of Change, which is an organization made up of people with lived experience of homelessness. Envision is a tiny home community, with small individual units that include a bedroom and bathroom and a shared community center with a kitchen and amenities. Envision has been working with the City for several years on its vision, and to identify a location for the community. In 2019, the City changed its zoning code to allow for intentional community cluster developments, like Envision.

This funding would provide development gap assistance for the development of the structures. The Envision team is working in collaboration with a non-profit developer. They are still finalizing the site selection process. They are anticipating about 20 units being created at the current site being explored.

Envision aligns with department and city goals to create new types of deeply affordable housing in the housing continuum in order to meet the needs of persons experiencing homelessness. There is broad public, private, philanthropic and community support for Envision.

Staffing: This will be implemented with existing CPED staff.

Equity Impact: Black, Indigenous and People of Color households experience homelessness at a rate that is disproportionate to their share of the population in Minneapolis and Hennepin County. According to the 2018 Wilder Research study on homelessness, 49% of single adults experiencing homelessness in Hennepin County identified as Black or African American, but only 13.8% of the population in Hennepin County is Black or African American according to the U.S. Census. Similarly, according to Wilder Research, 15% of people experiencing homelessness identified as American Indian, while only 1% of the population of Hennepin County identifies as American Indian.

Results: This investment will create new housing units for people who were previously homeless. We will track data on initial occupancy and work with Envision partners to measure outcomes.

Budget detail - Low-Level Department Code: 8900220

Account Code (s) for all non-personnel spending and amounts: 513007

American Rescue Plan Act Proposal Round 1

Proposal Title: Expand Homeownership to BIPOC Households in Harrison

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$550,000

Problem Statement: The Harrison townhomes is a 17-unit project that seeks to provide perpetually affordable homes at 80% of area median income or below; the request would provide additional development gap subsidy to serve lower-income households through perpetually affordable housing affordable to households with incomes of 41-60% AMI.

Proposed Action Summary: This proposal seeks to make the Harrison Townhomes development more accessible to households below 60% AMI, which will improve access by both Harrison neighborhood residents and BIPOC renters city-wide. Harrison Townhomes (formerly known as LEEF Townhomes) is being developed through a partnership of City of Lakes Community Land Trust, Habitat for Humanity and Harrison Neighborhood Association.

Proposed Action Detail: This proposal provides additional investment in deeper affordability financing for the Harrison Townhome project which will expand homeownership opportunities to BIPOC homebuyers, helping to reduce racial disparities in homeownership. The American Rescue Plan investment will allow for the developer to serve five households out of the 17-unit proposal at a more deeply affordable income level of 41-60% AMI as opposed to the original 61-80% AMI approved by Council. Habitat and CLCLT are applying to additional funders to leverage the City's investment in deeper affordability and aspires to lower the AMI threshold to 41-60% AMI for the remaining 12 units in the project, pending funder commitments. The current affordable price projected for the units is \$160,000, in 2018 less than 20% of all homes sold in Minneapolis were affordable at that sales price according to the Minneapolis Association of Realtors (MAR).

The Harrison neighborhood experienced a 26.1% increase in median sales price from April 2020 to 2021 according to MAR. The Harrison Townhome project creates lasting affordable ownership opportunities that prevent displacement from the neighborhood and provides an alternative housing type less commonly found in Minneapolis at an affordable price level.

Staffing: No additional staff resources would be required. Existing staff resources deployed to facilitate the Harrison Townhome development would support this proposal.

Equity Impact: This additional investment in deeper affordability will expand homeownership opportunities to BIPOC homebuyers; helping to reduce racial disparities in homeownership. Minnesota's racial disparity gap has persisted as one of the worst in the nation and for some racial and ethnic groups such as black Minnesotans has been increasing according to the Minneapolis Federal Reserve. An investment in deeper affordability today will have long term and deeper impact than a future investment due to the affordability mechanism of shared appreciation in a Perpetually Affordable Housing (PAH) model. Both CLCLT and Habitat have a strong rate of service to BIPOC households of approximately 70% of homebuyers.

Results: The investment in development gap at the Harrison Townhomes will result in at least five units available for a price affordable to households between 41-60% AMI. The change in income target will make the units more accessible to households in the surrounding neighborhood where over 50% of residents have an income of less than \$50,000 and more accessible to BIPOC renter households over 70% of whom have incomes below 60% of area median income according to census data. The investment will serve generations of households due to the shared appreciation of perpetually affordable housing; average resale of both Habitat and CLCLT homes is every seven years, so the 17 units invested in are anticipated to serve 72 households during a thirty year period, which will repeat in perpetuity as resales continue.

Budget detail - Low-Level Department Code: 8900230

Account Code (s) for all non-personnel spending and amounts: 801504

American Rescue Plan Act Proposal Round 1

Proposal Title: Expand Homeownership to Low-Income Households

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$1,000,000

Problem Statement: Expand down payment and closing cost assistance to 50 additional households at 60% AMI to achieve homeownership through the Minneapolis Homes: Homeownership Opportunity Minneapolis (HOM) program.

Proposed Action Summary: Currently HOM provides \$10,000 for buyers below 80% AMI. This request is to add an additional assistance tier for households below 60% AMI at \$20,000 per household. Approval will provide more options for homebuyers below 60% AMI to access naturally affordable homes throughout the City of Minneapolis.

Proposed Action Detail: Expanding the assistance available to households below 60% AMI is consistent with the spirit of changes to the Minneapolis Homes program that were introduced in July 2020. The proposal would utilize the existing contracts with the non-profit organizations Build Wealth Minnesota, Inc. (BW) and NeighborWorks Home Partners dba Community Neighborhood Housing (NWHP), who were selected through a competitive RFP process in fall of 2020 to administer the HOM program. As administrators, BW and NWHP market the program to residents in Minneapolis and focus specifically in low to moderate income geographies with a high concentration of BIPOC renters, such as North and South-Central Minneapolis. The administrators receive a \$1,200 administrative fee for each closed loan. HOM requires households to complete financial wellness counseling at least three months prior to submitting a purchase agreement for a home, eligible households may submit a purchase agreement for any home located in the City of Minneapolis. The City provides support for financial wellness counseling through a separate contract with the Minnesota Homeownership Center (HOC) and its network of non-profit providers, who offer services in multiple languages. NWHP, BW, HOC, and the Minnesota Homeownership Opportunity Alliance (HOA) were consulted in the development of this proposal and are supportive. The HOA is an alliance of mortgage providers, realtors, homebuyer counseling agencies, and developers that seek to eliminate racial disparities in homeownership in the state of Minnesota.

Staffing: Existing staff have capacity to implement this request.

Equity Impact: The City of Minneapolis and Twin Cities Region have the worst racial disparities in homeownership in the nation. BIPOC households in Minneapolis are more likely to be cost burdened, pay higher energy costs, and face housing instability due to a higher rate of housing evictions. As of 2020, over 13,000 BIPOC renters would need to transition to homeownership to eliminate racial disparities in homeownership. HOM seeks to mitigate these disparities and is available city-wide. Homebuyers that income qualify for the program can choose their home and location, which promotes goals to affirmatively further fair housing in the City and empowers homebuyers with choice over where they live. 70% of BIPOC renters in Minneapolis have incomes below 60% AMI, providing additional assistance to improve access is expected to increase the program's rate of service and better close disparities in homeownership.

Results: The proposed change to better serve 60% AMI households is anticipated to further increase the rate of service to BIPOC homebuyers. The HOM program's average rate of service to BIPOC households is 70% and approximately 60 households are served annually through the base budget of \$696,000. With the identified program changes, we anticipate assisting an additional 50 households, doubling the output of the program and better serving households below 60% AMI.

Budget detail - Low-Level Department Code: 8900230

Account Code (s) for all non-personnel spending and amounts: 504000

American Rescue Plan Act Proposal Round 1

Proposal Title: First Mortgage Equity Loan Fund

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$500,000

Problem Statement: Eliminate racial disparities in homeownership by contributing to an equity pool to contribute to manual underwriting of first mortgage products and reduce barriers to homeownership. Barriers in homeownership are anticipated to be more pronounced due to the economic impacts, such as income loss or higher medical or dependent care expenses, of the COVID-19 pandemic.

Proposed Action Summary: Build Wealth Minnesota, Inc. (BW) proposes to assist households with underwriting barriers to conventional first mortgage products by manually underwriting loans in compliance with FHA standards. Manual underwriting is expected to assist households with credit or other barriers to securing a first mortgage.

Proposed Action Detail: BW seeks equity partners to contribute to a \$2.5 million pool that will be leveraged at a 4:1 rate with Program Related Investments (PRI) to establish a \$10 million revolving first mortgage loan pool. The first mortgage loans will be sold on the secondary market to revolve the lending pool and serve additional borrowers. BW has engaged Twin Cities LISC, foundations, and PRI, who have expressed support for the concept. A commitment by the City is expected to leverage the needed additional support to launch the initiative in 2021. BW anticipates serving 9,000 households within a seven-year period throughout the metro, of which 3,000 are expected to be City of Minneapolis residents. First mortgage financing is a requirement to receive financial assistance for complementary Minneapolis Homes programs that provide down payment assistance or a perpetually affordable housing affordability gap investment. It is anticipated that a manual underwriting first mortgage option would significantly open options to both purchase homes on the open market and purchase homes receiving a subsidy through Minneapolis Homes programming.

Staffing: Existing staff have capacity to implement this request, as BW will be the implementation entity.

Equity Impact: The City of Minneapolis and Twin Cities Region have the worst racial disparities in homeownership in the nation. BIPOC households in Minneapolis are more likely to be cost burdened, pay higher energy costs, and face housing instability due to a higher rate of housing evictions. As of 2020, over 13,000 BIPOC renters would need to transition to homeownership to eliminate racial disparities in homeownership. Credit barriers to homeownership are experienced disproportionately by BIPOC renters for a variety of reasons, including predatory eviction practices by landlords, lingering effects of the foreclosure crisis, high rates of medical or student debt, or cultural aversions to credit. Manual underwriting can assist with overcoming barriers by spending the time to look at industry accepted alternatives to a high credit score, such as timely rent payments, low to no other debt, or missed payments with a reasonable explanation. BW is a BIPOC led non-profit organization with an exceptional rate of service to BIPOC households throughout the Twin Cities region; 80% of households served through its financial wellness and homebuyer education classes are BIPOC households and 40% are households from the City of Minneapolis.

Results: This one-time investment \$500,000 in an equity pool of \$2.5 million is expected to leverage a \$10 million first mortgage loan pool that will revolve through mortgage sales on the secondary market. The investment is expected to serve 3,000 Minneapolis homebuyers over a seven-year period and reduce the racial homeownership disparity gap by fifteen percentage points.

Budget detail - Low-Level Department Code: 8900230

Account Code (s) for all non-personnel spending and amounts: 504000

American Rescue Plan Act Proposal Round 1

Proposal Title: Heritage Park Emergency Stabilization Support

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$375,000

Problem Statement: Heritage Park, a mixed-income housing community constructed in the early 2000s by McCormack Baron Salazar (MBS) and Minneapolis Public Housing Authority (MPHA) has significant recapitalization needs, including immediate infrastructure, lighting, and security improvements.

Proposed Action Summary: This funding will cover the cost of a series of immediately needed physical safety improvements at Heritage Park, informed by community extensive community engagement, while plans for a larger recapitalization of the properties are developed.

Proposed Action Detail: This is stabilization funding for an existing property with extensive City investment. In October 2020 McCormack Baron Salazar joined a neighborhood-wide committee of residents and homeowners of the larger Heritage Park neighborhood that had already spent several months surveying the security needs of the community. More than 70 residents of Heritage Park participated and together identified a list of immediate security needs including exterior door replacements, interior and exterior lighting, security intercom replacements, garage locks, and other repairs. Because the property has struggled financially for many years, there are no replacement reserves or other project resources to cover these costs. These repairs will improve conditions at the site and buy some time for project owners and funders to collaborate on a long-term stabilization and recapitalization plan for the property, which could include a HUD Choice Neighborhoods Initiative application. Proposed repairs have been bid, and the project team is prepared to move on these improvements expeditiously upon approval of funding.

Staffing: Not applicable

Equity Impact: The City's Strategic Racial Equity Action Plan (SREAP) notes that affordable, safe housing is a crucial foundation for BIPOC communities. BIPOC communities in Minneapolis experience involuntary displacement at a higher rate than white communities and are disproportionately represented in households experiencing cost burden and severe cost burden. There are over 800 residents in the public housing units at Heritage Park alone; nearly 98% of these residents are BIPOC.

Results: Investment in these measures will improve security on site, respond directly to identified community needs, and stabilize a troubled property for the short term while long-term recapitalization plans are determined.

Budget detail - Low-Level Department Code: 8900220

Account Code (s) for all non-personnel spending and amounts:

American Rescue Plan Act Proposal Round 1

Proposal Title: Homelessness Response Flexible Fund

Goal Area: Housing/Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$500,000

Problem Statement: The City has seen an increase in encampments over the last year and needs more innovative, low barrier solutions to create pathways out of homelessness and into housing.

Proposed Action Summary: This pool of funds will be a “flexible fund” that can be used for a range of activities related to homelessness response, with an emphasis on creating a pathway out of unsheltered homelessness into permanent housing solutions.

Proposed Action Detail: This is a new initiative. Funds will be made available through an RFP or rolling application process. The City will seek innovative ideas from community organizations, residents or persons with lived experience of homelessness for strategies that will help people move out of homelessness and into housing solutions.

The City is partnering with other funders, including Hennepin County, the state and philanthropic partners to identify priorities for funding in the homelessness response area. Specifically, funding partners have set a housing surge goal of increasing the number of exits from the homelessness response system to permanent housing by 2,000 households by 9/30/2022, particularly for people of color who disproportionately experience homelessness.

Parameters for use of these funds will be set with this goal in mind and will be flexible to encourage innovative ideas from community partners. The City will partner with community organizations to implement this funding.

Staffing: Funds will be implemented with existing staff.

Equity Impact: Black, Indigenous and People of Color households experience homelessness at a rate that is disproportionate to their share of the population in Minneapolis and Hennepin County. According to the 2018 Wilder Research study on homelessness, 49% of single adults experiencing homelessness in Hennepin County identified as Black or African American, but only 13.8% of the population in Hennepin County is Black or African American according to the U.S. Census. Similarly, according to Wilder Research, 15% of people experiencing homelessness identified as American Indian, while only 1% of the population of Hennepin County identifies as American Indian.

Results: This investment will assist more people with exiting homelessness and finding pathways into permanent housing. The City will work with project partners and Hennepin County to identify appropriate tracking methods.

Budget detail - Low-Level Department Code: 8900110

Account Code (s) for all non-personnel spending and amounts: 507019

American Rescue Plan Act Proposal Round 1

Proposal Title: Housing Stabilization – Land Trust and Perpetually Affordable Housing Models

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$1,000,000

Problem Statement: Households below 60% AMI are disproportionately cost burdened and at risk of displacement, and a majority of households are BIPOC. This program seeks to stabilize renters and homeowners with high cost burden rates through acquisition and rehabilitation financing, resulting in perpetually affordable housing units.

Proposed Action Summary: An average of \$70,000 per household will be provided for acquisition and/or rehabilitation funding for existing housing units. The 2021 investment will serve approximately 15 households and is focused on serving households below 50% AMI to transition to sustainable, affordable homeownership.

Proposed Action Detail: This program is a new initiative of the Minneapolis Homes: Financing program, which includes pathways to intervene in displacement trends to stabilize existing homeowners and tenants through acquisition and rehabilitation financing. City of Lakes Community Land Trust (CLCLT) has offered a similar program called the Homebuyer Initiated Program since 2005; the program served 188 homebuyers in Minneapolis whose average income was approximately 50% AMI and 50% were BIPOC households. A majority of the homes for sale that are naturally affordable to households below 60% AMI in Minneapolis have significant deferred maintenance and homebuyers below 60% AMI need significant affordability gap investments to access higher priced, better maintained homes on the open market. CLCLT's Homebuyer Initiated Program has successfully provided a combination of affordability gap and rehabilitation assistance to provide low-wealth homebuyers that require more significant investment than traditional down payment assistance programs with access to homeownership opportunities.

The housing stabilization initiative is modeled from CLCLT's program and provides stabilization funding through the Minneapolis Homes: Financing notice of funding availability. Any perpetually affordable housing model may apply, including the City-sponsored 2% annual compound interest model, CLCLT's model, or new shared equity or co-operative models. The program is a complement to other Minneapolis Homes product, including Homeownership Opportunity Minneapolis that provides down payment assistance, Home Improvement Program that provides rehabilitation assistance, and Minneapolis Homes Financing that creates new affordable homeownership units. Housing stabilization funding that is the subject of this proposal supports low-wealth homebuyers who want to purchase a home on the open market and need a deeper investment than the above programs provide with an option to achieve homeownership.

Staffing: Existing CPED staff resources that are working on the Minneapolis Homes Financing program can support this activity.

Equity Impact: Over 70% of BIPOC renters have incomes below 60% AMI, yet only 20% of homes sold in 2018 were sold for a price affordable to 60% AMI homebuyers according to sales data from the Minneapolis Association of Realtors. Homes with naturally affordable sale prices typically have significant deferred maintenance needs. Rents in Minneapolis are continuing to rise and 76% of households below 50% AMI are cost-burdened in Minneapolis according to the American Community Survey. These trends combine to present a significant risk of displacement for households below 60% AMI, who are disproportionately BIPOC households. The Housing Stabilization initiative seeks to intervene in these trends by providing significant affordability gap and rehabilitation assistance to households below 60% AMI in order to provide better access to homeownership opportunity, city-wide. The program is a complement to other Minneapolis Homes products that support households to access, create, and sustain affordable homeownership opportunities. Low-wealth residents that purchase perpetually affordable homes are typically more protected from market changes and economic shifts, such as the COVID-19 pandemic.

Results: Assuming an average investment of \$70,000 per household, approximately 15 households below 60% of area median income will be served initially through the program. All homes served will be enrolled in a perpetually affordable housing model to maintain affordability for a 30-year term, renewable upon each property sale. Using the standard resale for other perpetually affordable homes it is assumed homes will sell to a new buyer every seven years. As a result, in 30 years a total of approximately 65 households will be served, repeating every 30 years in perpetuity due to the equity sharing formula of perpetually affordable housing.

Budget detail - Low-Level Department Code: 8900230

Account Code (s) for all non-personnel spending and amounts: 801504

American Rescue Plan Act Proposal Round 1

Proposal Title: Low Barrier Single Room Occupancy (SRO) Pilot

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$5,000,000

Problem Statement: There is a severe shortage of housing affordable to individuals with incomes at or below 30% AMI. Many persons experiencing homelessness served by shelters could afford to pay rent, if more deeply affordable options were available. Single Room Occupancy (SRO) units have historically been a cost-effective part of the housing continuum serving extremely low income individuals.

Proposed Action Summary: This funding will support development and implementation of a new pilot program to fund acquisition, rehabilitation or adaptive re-use, and/or operating reserves for SRO-type properties in partnership with Hennepin County. This funding level will support acquisition/development of up to approximately 75 SRO dwelling units.

Proposed Action Detail: This is a new initiative requiring partnership with Hennepin County. Hennepin County is currently exploring a 10-year, \$97 million approach to acquire/develop 1,500 SRO (and possibly efficiency) units throughout the county. Hennepin County would act as owner, and this funding would support acquisition, capital improvements and/or operating reserves for projects located in Minneapolis. The model being pursued is not supportive housing, and wouldn't compete for limited operating subsidies or service funding. Rather, it relies on government resources up-front to deliver units without debt and breaks even on rents. (Due to the extremely narrow margins, some operating reserve might be required over time, and City funds are requested to capitalize those reserves if allowable.) Hennepin County is estimating about \$65,000/dwelling unit; this level of funding could support up to 75 units, or fewer if operating reserves are also funded. MPHA has also expressed interest in being a program partner with Moving to Work subsidy.

This program aligns with current CPED work around addressing and ending homelessness. It also aligns with staff work on a new City ordinance creating a regulatory framework to allow for new – and to better regulate existing – rooming houses, single room occupancy units, and congregate living facilities.

Staffing: not applicable

Equity Impact: People of color are dramatically more likely than white people to experience homelessness. More than 65% of single adults in shelter are BIPOC, with more than 50% Black/African American. SROs are a strategy to prevent homelessness but also transition persons in shelter into permanent housing.

Results: This pilot program will help address the critical shortage of deeply affordable housing, utilizing a soon to be re-allowing housing type and a model that does not compete with existing constrained long-term subsidy resources. Up to 75 SRO (or efficiency) dwelling units would result. The number of units and location of units will be tracked.

Budget detail - Low-Level Department Code: 8900220

Account Code (s) for all non-personnel spending and amounts:

American Rescue Plan Act Proposal Round 1

Proposal Title: Low-Income Home Repairs/Maintenance

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$2,000,000

Problem Statement: A majority of households below 50% AMI are cost burdened and have barriers to financing or paying for the improvements needed for their homes. Without maintaining basic life safety and code compliance, inspectors condemn the housing, creating instability for occupants and losing out on wealth accumulation from the home. These challenges are expected to compound due to loss of income and economic stability of households due to the COVID-19 pandemic.

Proposed Action Summary: This program is available city-wide, however the City will focus outreach to communities with the most significant home repair needs and the highest concentration of households below 80% AMI. City funds will be available as 0% interest loans that are deferred and payable upon property sale. CPED would administer funds and distribute to homeowners for long term maintenance, energy efficiency, systems replacement, and environmental hazard mitigation.

Proposed Action Detail: This is an expansion of the City's home improvement programs geared toward low and middle income homeowners. This action would create a revolving fund and provide low income families with a 0% interest loan that is deferred for 30 years and repaid upon property sale for the following:

- **Long-term maintenance:** roofs, siding, foundation repair, walkways
- **Energy efficiency:** insulation, windows, ventilation, air sealing, solar panels
- **Systems replacement:** HVAC, electric, or plumbing upgrades to current code standards
- **Environmental hazard mitigation:** mold, lead water pipe replacement, lead hazard mitigation, radon mitigation systems, addressing asthma triggers

Staff intend a loan cap of \$25,000. Funding offered through this initiative would be a complement to Minnesota Housing's programs that provide forgivable loans with no monthly payments up to \$27,000 for homeowners below 30% AMI, the City's programs offered by CPED and the Health Department that provides lead mitigation grants with no monthly payments to homeowners below 80% AMI, and Minnesota Housing's Fix Up Fund loan that provides an amortizing loan to homeowners regardless of income.

Staffing: Program would be managed by existing staff.

Equity Impact: BIPOC households own 13,500, or 17%, of homes in Minneapolis according to the American Community Survey and they are geographically concentrated in the Near North, Camden, Phillips, Northeast, and Powderhorn communities in wards 1, 3, 4, 5, 6, 8, and 9. Home improvement programs offered by the City are available city-wide, however rate of service and marketing efforts are significantly concentrated within the above-described geography, with approximately 85% of loans from 2010-2020 occurring in the focus area of service. These same communities overlap with the geographic areas identified by the Center for Urban and Regional Affairs where residents are at risk of displacement

and are also the same census tracts that have the highest maintenance needs, according to the City Assessor condition survey. A majority of all owner-occupied households below 50% AMI are cost burdened, presenting a significant risk of housing instability if there are home repair or maintenance needs that require significant savings or additional monthly payments. The average household income of homeowners served through Minneapolis home improvement programs from 2010-2020 was \$39,000 and approximately 40% of households served are Black, 55% are white, and roughly 3% Asian/Pacific-Islander and 3% Indigenous households were served. City staff analyzed outreach of its home improvement programs in 2021 and is implementing a strategy to better reach Latinx, Asian/Pacific-Islander, and Indigenous households.

Results: These funds will complement CDBG funds and leveraged Minnesota Housing products committed to emergency, health and safety, and lead mitigation improvements to homes. The investment in this program is expected to result in an increase from 30 households served annually through City funding to 80 households served annually (an increase of 50 households). Because the loan funds are expected to revolve and assuming homeowners remain in their housing for an average seven-year period, this investment of loan capital is expected to serve a total of 214 homeowners every 30 years. Staff will collect income and demographic data for all homeowners served and expect to see a significant increase in service rates to Latinx and Asian/Pacific-Islander homeowners due to implementation of a more inclusive outreach strategy.

Budget detail - Low-Level Department Code: 8900230

Account Code (s) for all non-personnel spending and amounts: 801504

American Rescue Plan Act Proposal Round 1

Proposal Title: Minneapolis Homes/Missing Middle

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$2,400,000

Problem Statement: Rising housing prices is putting homeownership out of reach for most low-moderate income households, particularly Black, Indigenous, and People of Color (BIPOC) households. This trend, if continues, will increase the homeownership disparity gap. Additionally, boarded and vacant properties have negative impact on neighborhoods where they exist—decreased property values and increased criminal activities.

Proposed Action Summary: Create perpetually affordable housing units in a currently vacant and boarded missing middle development to serve households below 60% area median income (AMI). Missing middle development is defined as a two to 20-unit development.

Proposed Action Detail: In 2019, the City piloted a Missing Middle program to align with the Minneapolis2040 plan. In late 2020, staff issued a request for proposals to incorporate lessons learned from the pilot. In 2021, staff reviewed the proposals and a development team of City of Lakes Community Land Trust (CLCLT) and Hope Communities submitted the strongest proposal for the acquisition and rehabilitation of a long-term boarded and vacant building. The developer plans to sell all the units for owner-occupancy through a community land trust model—making the units perpetually affordable to households up to 60% AMI. Hope Communities owns adjacent properties to the proposed development project and the partners propose to provide one parking space for each unit in the building through a combination of on-site and adjacent parking.

Developing this property and putting it back on the tax rolls through this strategy is critical. Creating affordable ownership units is an anti-displacement strategy and wealth creation tool for low-wealth households. It provides a sustainable monthly payment at approximately 30% of income and an opportunity to build wealth. A more recent trend is a concern about resident displacement as distressed ownership housing is being purchased and converted to rental with rental rates increasing faster than area resident's incomes. In recognition of the displacement trends in North, Northeast, and South-Central Minneapolis, a preference policy for current or former residents from these communities is in place for 50% of the units created through this program.

Staffing: No additional staff resources would be required. Existing staff resources deployed to the Minneapolis Homes: Financing program would support the proposal.

Equity Impact: Less than 20% of homes sold in Minneapolis were affordable to households below 60% AMI, yet over 70% of BIPOC renters are below 60% AMI. Investing to create additional housing units that are accessible to low-wealth households will better position the City to close the racial disparity gap in homeownership, which in Minneapolis is one of the highest disparities in the nation. Hope Communities has deeply engaged with the neighborhood residents for two decades through the design and implementation of a four-phase development. Approximately 78% of Ventura Village residents have an

income of less than \$50,000 and 72% are BIPOC households according to US Census data. Approximately 70% of CLCLT homebuyers are BIPOC households and the average income level of households served by CLCLT is 50% AMI.

Results: The project will be rehabilitated and sold to seven homebuyers up to 60% AMI. All units will be enrolled in a perpetually affordable housing model that maintains affordability for a 30-year period, renewable upon the resale of each of the condo units. If the typical resale of seven years applies, it is expected the project will serve 30 households with income levels up to 60% AMI every 30 years in perpetuity.

Budget detail - Low-Level Department Code: 8900230

Account Code (s) for all non-personnel spending and amounts: 801504

American Rescue Plan Act Proposal Round 1

Proposal Title: MPHA Scattered Site Construction

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$4,600,000

Problem Statement: Minneapolis Public Housing Authority (MPHA) has a portfolio of scattered site public housing single family rental homes that need significant repair/replacement. The Minneapolis 2040 plan provides an opportunity to increase density on these sites thereby increasing the amount of large family, deeply affordable public housing in locations throughout the city.

Proposed Action Summary: This funding will provide gap financing for MPHA's proposal to assemble approximately 16 scattered sites and replace current structures with modularly constructed higher density (four-unit and six-unit buildings), all 2 and 3 bedroom unit properties, for a total of 84 deeply affordable units.

Proposed Action Detail: This is a new project in partnership with MPHA to develop small apartment buildings serving families at or below 30% AMI. Of the 84 proposed units, 26 are 2-bedroom units and 58 are 3-bedroom units. In replacing obsolete existing single family homes on some sites, the project will be pioneering the density envisioned by Minneapolis 2040 (net gain of 68 units). Modular construction benefits the project by bringing new units to market 33% faster than traditional construction timelines, which also minimizes the impact of construction on adjacent properties. The buildings will also be sustainable, energy-efficient, and healthy in accordance with Green Communities criteria. There will be no permanent relocation of existing tenants: MPHA will work with tenants on temporary construction relocation options, all housing benefits will continue, and their rent calculations will remain the same. Units are designed with families in mind and will function to meet their needs. MPHA is also partnering with Hennepin County to provide 17 of the units for families exiting homelessness through Coordinated Entry, with the County providing case management services.

This program aligns with current CPED work around addressing and ending homelessness, producing new, deeply and permanently affordable housing, and increasing density.

Staffing: not applicable.

Equity Impact: The City's Strategic Racial Equity Action Plan (SREAP) notes that affordable, safe housing is a crucial foundation for BIPOC communities. Deeply affordable (30% AMI) units for large families are in particularly short supply. The MPHA waiting list for family units has over 8,000 families; over 80% of head of households are persons of color and over 60% are comprised of 2-4 family members. The existing MPHA scattered site portfolio houses over 3,000 residents, over 95% are persons of color and over 80% are Black/African American.

Results: This project will provide 84 newly constructed deeply and permanently affordable units for large families (a net gain of 68 units). It will increase locational choice for extremely low income families and bring new investment to several Minneapolis neighborhoods. The average length of tenancy for

MPHA scattered site units is 6.5 years; over a 30 year period each unit would serve an average of 5 households, or about 420 households total.

Budget detail - Low-Level Department Code: 8900220

Account Code (s) for all non-personnel spending and amounts: 507019

American Rescue Plan Act Proposal Round 1

Proposal Title: Naturally Occurring Affordable Housing (NOAH) Preservation Funding

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$2,000,000

Problem Statement: Post-pandemic housing market uncertainties may present additional opportunities for preservation buyers to acquire NOAH properties as current owners look to sell.

Proposed Action Summary: This funding will increase resources available in two existing NOAH acquisition programs (NOAH Preservation Fund and Small and Medium Multifamily program). Under current program rules, this amount will support acquisition and preservation of 100-200 NOAH units. Funds could also potentially support Opportunity to Purchase transactions.

Proposed Action Detail: This is expansion funding for two existing programs. NOAH properties refer to unsubsidized multifamily, Class C rental housing projects that have at least 20% of the units with rents affordable to households with incomes at or below 60% of the Area Median Income (AMI). Minneapolis has approximately 30,000 Class C units in buildings of 4 or more units, and fewer than 15,000 of these units have rents affordable to households with incomes at or below 60% AMI. Preservation of NOAH properties is a critical issue given the growing overall shortage of affordable housing. NOAH properties will continue to be attractive to local and national speculators, who through the pandemic have been holding cash, and are intent on maximizing cash flow through increasingly higher rents.

Funding must be fungible between the two programs so that staff can flexibly respond to opportunities based on deal specifics.

City partners for the NOAH Preservation Fund: experienced nonprofit housing owner operators, public agencies, the Land Bank Twin Cities and local Community Development Financial Institutions (CDFIs). City partners for the SMMF Program: Twin Cities Local Initiatives Support Corporation (LISC), the Land Bank Twin Cities, experienced mission-driven and/or community-based long-term owners, and tenant organizing and cooperative groups.

Staffing: not applicable

Equity Impact: The City's Strategic Racial Equity Action Plan (SREAP) notes that affordable, safe housing is a crucial foundation for BIPOC communities. BIPOC communities in Minneapolis experience involuntary displacement at a higher rate than white communities, and are disproportionately represented in households experiencing cost burden and severe cost burden. The City relies on property owners to provide stable rental housing situations. By supporting acquisitions of NOAH properties, we can help BIPOC residents access the housing they need.

NOAH preservation helps to reduce housing disparities among affected groups by expanding locational choice and access to decent, safe, affordable housing. The SMMF program is specifically designed to support acquisition of small-scale buildings throughout the entire city, and disposition strategies prioritize expansion of community-based ownership. Whenever possible, the City works with program

partners to sell SMMF properties through processes that give priority to developers, investors, and community-based organizations with ties to the neighborhoods where they are purchasing property.

Results: Additional resources will allow these programs to operate at increased scale, leading to the opportunity for 100-200 additional units to be acquired for long term preservation. The number of units and location of units are tracked. When possible, tenant demographics are collected (post-acquisition).

Budget detail - Low-Level Department Code: 8900220

Account Code (s) for all non-personnel spending and amounts:

American Rescue Plan Act Proposal Round 1

Proposal Title: Supportive Housing for Persons Experiencing Homelessness

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$2,500,000

Problem Statement: There is a severe shortage of housing that is affordable to individuals with incomes at or below 30% AMI with services available to support the health and housing stability of residents. The City needs new housing models for people who are experiencing homelessness, including low barrier and supportive housing.

Proposed Action Summary: Funds will be used to support acquisition and/or rehab of housing, either in one location or scattered site, to serve people who are transitioning out of homelessness.

Proposed Action Detail: Through this initiative, the City will contract with providers who will acquire existing property that could be quickly converted to supportive housing to serve persons experiencing homelessness. This is a continuum strategy that will free up space in new, low barrier shelter. At least one non-profit provider has a current proposal to acquire 29 units that requires immediate City action to support. This 29-unit property would provide low barrier, supportive housing to persons experiencing homelessness and would potentially create new space in existing low barrier shelter.

The proposed funding would support this project and other projects that would be similarly situated to come online within a short timeframe to assist with helping people transition out of homelessness.

This proposal aligns with department and City goals to create new types of deeply affordable housing in the housing continuum in order to meet the needs of persons experiencing homelessness. The City would partner with experienced homelessness response and/or housing providers who would own and operate the housing.

Staffing: This will be implemented with existing CPED staff.

Equity Impact: Black, Indigenous and People of Color households experience homelessness at a rate that is disproportionate to their share of the population in Minneapolis and Hennepin County. According to the 2018 Wilder Research study on homelessness, 49% of single adults experiencing homelessness in Hennepin County identified as Black or African American, but only 13.8% of the population in Hennepin County is Black or African American according to the U.S. Census. Similarly, according to Wilder Research, 15% of people experiencing homelessness identified as American Indian, while only 1% of the population of Hennepin County identifies as American Indian.

Results: This investment will create new housing units for people who were previously homeless. We will work with project partners to track data on initial occupancy and to measure outcomes.

Budget detail - Low-Level Department Code: 8900220

Account Code (s) for all non-personnel spending and amounts: 801500

American Rescue Plan Act Proposal Round 1

Proposal Title: Women's Shelter

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$2,000,000

Problem Statement: Hennepin County, in partnership with the non-profits that operate shelters and people with lived experience of homelessness identified the need for a stand-alone emergency shelter in order to provide appropriate emergency shelter for individuals who identify as women who are experiencing homelessness.

Proposed Action Summary: Funds will be used to acquire a property for the site of a new, 30-bed emergency homeless shelter for people who identify as women.

Proposed Action Detail: In 2019, Hennepin County set out a new vision of lowering barriers, improving outcomes and increasing capacity within the single adult shelter system. Specific recommendations were created in partnership with the non-profits that operate shelters and people with lived experience of homelessness. The Hennepin County Board of Commissioners approved funding in late 2019 for five of the recommendations, including a small-scale (30 bed) stand-alone emergency shelter individuals identifying as women.

Funding commitments from Hennepin County allowed the women's shelter to open at an interim location (the Catholic Charities St Joe's campus) in the winter of 2020, operating in accordance with CDC guidance on COVID-19 and best practices including operating on a 24-hour basis daily. The County is now in the process of identifying a permanent location.

City ARP funds will be used for acquisition costs for the permanent location. Previously committed City Emergency Solutions Grant COVID response dollars may be used for rehabilitation if needed. County staff, at direction of the County board, are actively exploring options to maintain the current level of operational funding (at \$1m per year) for this program.

Staffing: Funds will be implemented by existing CPED staff.

Equity Impact: Black, Indigenous and People of Color households experience homelessness at a rate that is disproportionate to their share of the population in Minneapolis and Hennepin County. According to the 2018 Wilder Research study on homelessness, 49% of single adults experiencing homelessness in Hennepin County identified as Black or African American, but only 13.8% of the population in Hennepin County is Black or African American according to the U.S. Census. Similarly, according to Wilder Research, 15% of people experiencing homelessness identified as American Indian, while only 1% of the population of Hennepin County identifies as American Indian.

Results: Hennepin County maintains regular data on shelter usage and exits from shelter into permanent housing.

Budget detail - Low-Level Department Code: 8900220

Account Code (s) for all non-personnel spending and amounts: 801500

American Rescue Plan Act Proposal Round 1

Proposal Title: Affordable Homeownership Preservation Grant Program

Goal Area: Housing/Homelessness

Implementing Department: Regulatory Services

2021 Dollar Amount: \$200,000

Problem Statement: Very low income, and other at risk homeowners (seniors, people with disabilities, and veterans) are often at risk of losing their homes due to expense of resolving housing code issues and other deferred maintenance. Regulatory Services has work with these homeowners to address underlying concerns, but does not have funding to contribute for repairs.

Proposed Action Summary: Regulatory Services proposes to extend and expand the current pilot project between our Homeowner Navigation Program and Habitat for Humanity, to provide micro-grants and assistance with repairs to vulnerable homeowners. Regulatory Services would give the funds to Twin Cities Habitat for Humanity, who would distribute the funds to qualified homeowners.

Proposed Action Detail: This program expands on a current partnership between Regulatory Services, neighborhood groups, and Twin Cities Habitat for Humanity. Neighborhood groups donated funds for the initial partnership. The partnership does not have sustained funding.

An expanded program would include additional funds to help vulnerable owners address code violations, avoid citations, repair identified interior code concerns and avoid condemnation/displacement. Twin Cities Habitat for Humanity would continue to act as the General Contractor on projects, either completing the work with trained staff and volunteers or subcontracting to licensed trade contractors as appropriate, alleviating the homeowner from those duties. Cases will continue to be referred by the Inspections Services Division and Council offices or neighborhood groups.

This program provides critical capacity for repairs so that homeowners aren't displaced. We anticipate capping contributions at \$30,000 for each homeowners, though most are far less. We anticipate helping 50-75 homeowners with this funding. Low income homeowners represent a hidden segment of the housing spectrum including older adults living on fixed incomes, military veterans, single parent households, and BIPOC households. In every case, the home they own is the most affordable housing option available to them. In many cases, loss of the home would mean homelessness as well as the loss of generational wealth afforded by homeownership.

Staffing: Regulatory Services staffs Homeowner Navigators who refer qualified clients to this program. No additional staff are being requested.

Equity Impact: Many homeowners qualifying for the Homeowner Navigation Program are BIPOC, and without this program, may lose their homes and the generational wealth gained by homeownership.

Results: Regulatory Services tracks participants in our Homeowner Navigation program. Homeowners assisted by this program will solve code issues placing their home at risk of condemnation. Code violations are tracked by address. The department does not collect demographic information.

Budget detail - Low-Level Department Code:

Account Code (s) for all non-personnel spending and amounts: (this can be changed during implementation if needed)

8351000-504000

American Rescue Plan Act Proposal Round 1

Proposal Title: Assist Homeowners at Risk of Foreclosure

Goal Area: Housing and Homelessness

Implementing Department: CPED

2021 Dollar Amount: \$1,500,000

Problem Statement: Extremely low-income homeowners are at significant risk of displacement when there are changes to income that effect the sustainability of mortgage payments or significant deferred maintenance needs for their home.

Proposed Action Summary: The City proposes providing deeper investment in rehabilitation or in affordability gap for homeowners at risk of displacement due to unsustainable mortgage payments or significant deferred maintenance needs. An average of \$70,000 investment will be made to stabilize existing homes in Minneapolis.

Proposed Action Detail: This program is a new initiative of the Minneapolis Homes: Financing program, which includes pathways to intervene in displacement trends to stabilize existing homeowners and tenants through acquisition and rehabilitation financing. City of Lakes Community Land Trust has piloted a program design since 2007 through its Project: Sustained Legacy initiative to support existing homeowners with rehabilitation and refinancing of mortgage debt to achieve an economically sustainable, healthy home. The average income of households served was 35% AMI and 75% were seniors.

With income challenges facing many households due to the COVID-19 pandemic and the impending lift on the moratorium on foreclosures, staff anticipate there will be a need to provide a significant safety net of policies and debt restructuring investments to avoid a foreclosure crisis like Minneapolis experienced from 2008-2012. Staff propose this initiative, which is closely modeled after the CLCLT program, to provide an average of \$70,000 to support existing homeowners through a perpetually affordable housing model. Eligible models include CLCLT's model, the City's 2% annual compound interest model, or a new co-operative or shared equity model that maintains affordability for a 30-year period, renewable upon each property sale. The program is intended as an option of last resort for households that cannot be sufficiently served by the foreclosure prevention or emergency homeownership assistance programs funded by the City in response to COVID-19.

Response to the economic impact of COVID-19 is evolving. In the event that new programs, policies, or protections at the local, state, or federal level reduce need to support existing homeowners through this initiative, staff recommend the investment is converted to stabilization funding to assist current renters with the purchase and rehabilitation of homes on the open market, as described in the proposal "housing stabilization – land trust and perpetual affordable housing models".

Staffing: No additional staff resources would be required. Existing staff resources deployed to facilitate the Minneapolis Homes Financing program would support this proposal.

Equity Impact: This program is an essential component of preserving affordable homeownership housing in Minneapolis. The program is focused on assisting homeowners who are most vulnerable to

displacement with maintaining a healthy, economically sustainable home. BIPOC homeowners are more likely to be cost burdened and to live in homes with significant rehabilitation needs, due in part to discriminatory lending practices that devalued BIPOC and in part to income disparities that disproportionately effect BIPOC households. Investments made to maintain a sustainable housing payment and well maintained home will serve generations of low-wealth homebuyers and provide access opportunities to homeownership that are simply not found in the current Minneapolis housing market; in 2018 only 1% of homes were affordable to a household at 30% of AMI according to sales data from the Minneapolis Association of Realtors. The program is available city-wide.

Results: Assuming an average investment of \$70,000 per household, approximately 20 households below 50% of area median income will be served initially through the program. All homes served will be enrolled in a perpetually affordable housing model to maintain affordability for a 30-year term, renewable upon each property sale. Using the standard resale for other perpetually affordable homes it is assumed homes will sell to a new buyer every seven years. As a result, in 30 years a total of approximately 85 households will be served, repeating every 30 years in perpetuity due to the equity sharing formula of perpetually affordable housing.

Budget detail - Low-Level Department Code: 8900230

Account Code (s) for all non-personnel spending and amounts: 801504

American Rescue Plan Act Proposal Round 1

Proposal Title: Encampment Response

Goal Area: Housing and Homelessness

Implementing Department: Health / Office of Emergency Management

2021 Dollar Amount: Total Amount: \$1,000,000

Health Outreach: \$500,000, Health

Hygiene Stations: \$65,000, Health

PPE and Outreach Supplies: \$100,000 Health

Equipment/Storage/Site Mitigation: \$335,000 OEM

Problem Statement: Due to COVID and the subsequent increase in the number of homeless encampments there is an increased need to provide porta potties, handwashing stations, used syringe boxes, hygiene kits, PPE and drinking water. These provisions help prevent the spread of infectious diseases including COVID, Hepatitis and HIV, fund community outreach partners, mitigate impacts of encampments and provide a safe and secure storage place for personal items.

Proposed Action Summary: This funding will support for the provision of and servicing of hygiene stations (porta potty, handwashing, syringe litter). Fund community outreach partners, through an RFP process, to provide health related outreach to homeless individuals with a particular focus on encampments. Develop and implement a plan that will allow the City to ensure people experiencing homelessness are able to keep personal items safe and secure if an encampment is closed. Provide micro grants to our Outreach partners so that they can purchase supplies for distribution and equip City Homeless Response Coordinators with supplies that they can distribute as they visit the various encampments.

Proposed Action Detail:

Equipment/Storage/Site Mitigation: This money would give existing staff the capacity to do some plan and execute a storage option for people experiencing homelessness. Staff, along with community partners, would research the options, determine feasibility and pilot some ideas. In the initial year the dollars would cover planning and a pilot an approach. Additionally, site mitigation funding will allow the City to abate the negative impacts of encampments in priority areas through prevention.

Health Outreach: A grant received from the Minnesota Department of Human Resources allowed us to provide funding to two organizations for provide outreach specific to preventing the spread of HIV. With this money we would expand this process to include additional organizations and additional health issues. We would develop and implement a RFP process (perhaps in conjunction with the Community Health and Safety Fund) to distribute grants ranging in size from \$50,000-\$100,000 to 5-10 organizations who specialize and focus on providing public health related outreach to homeless individuals in particular those in encampments.

Hygiene Stations: When COVID started in winter/spring of 2020 the Health Department recognized that with the shutdown there were no public restrooms available and that this was negatively impacting our

homeless population. Consistently since April of 2020 we have been providing these services to the numerous homeless encampments and to other locations that warranted a public facility when none were available. These dollars would allow us to provide and maintain hygiene stations (porta potty, handwashing, syringe litter) at or near encampments (we currently have 20 porta potties and handwashing stations placed and 25 syringe boxes) that number at least 5 people in number.

PPE and Outreach: Starting in June of 2020, using grant funds made available by the MN Department of Human Services we purchased and provided PPE, hygiene kits and drinking water. At that point these items were distributed by way of our Outreach partners and by the Homeless Outreach person in MPD. We will use the dollars (approx. \$75,000) to provide micro grants to our Outreach partners by way of a short application process. These grants ranging in size from \$2,500-\$7,500 will go to those organizations in Minneapolis that actively provide outreach to encampments. Approximately 10-15 organizations will be supported by these dollars. They will be able to use the dollars to purchase supplies that they use in their outreach including hygiene supplies, drinking water, and PPE. We will disallow the purchase and distribution of tents with these dollars. In return, Outreach partners will need to provide us with number of individuals served and a detailing of items purchased. Secondly, we will equip our own Homeless Response Coordinators (2 in Health and 1 in CPED) with hygiene supplies, drinking water and PPE that they can distribute as they visit the encampment. Approximately \$25,000 will be spent to purchase the supplies necessary for our staff to provide to individuals in encampments.

Staffing: No staffing needs. Existing Homeless Response Coordinators will complete this time limited project.

Equity Impact: Homelessness, like so many other issues, are experienced disproportionately by people of color. In Minnesota, while African Americans make up 6% of the population, they represent 37% of the homeless population; and American Indians while 1% of the population, they represent 12% of the homeless community.

Results: Those living outside will have access to hygiene services decreasing the risk of and spread of infectious disease. Used syringe boxes will decrease the potential for harm to those in and around encampments providing a safe location to dispose of needles instead of letting them lie around. As part of the RFP and award process we will create a reporting requirement. Organizations will need to report to us how the funding was used, how many people served (and associated demographics), what type of services provided, and outcomes. The product resulting from this effort will be a plan for providing storage space to unsheltered homeless individuals. This will be an item or a place where folks can store their personal items that is safe and secure. Homeless individuals will receive the supplies needed to stay safe, particularly those living in encampment settings. This will decrease the spread of COVID and other infectious disease. Quantity of supplies distributed and number of individuals impacted will be tracked.

Budget detail - Low-Level Department Code:

Account Code (s) for all non-personnel spending and amounts: (this can be changed during implementation if needed)