



**ECONOMIC DEVELOPMENT AUTHORITY**

<b>AGENDA SECTION</b>	<b>BUSINESS ITEMS</b>
<b>MEETING DATE</b>	<b>05/05/2025</b>

<b>ITEM:</b>	<b>Gap Funding Request 4243 5<sup>th</sup> St NE</b>	
<b>DEPARTMENT:</b>	Community Development	<b>BY/DATE:</b> Mitchell Forney, 5-1-25

**BACKGROUND:**

Community Development staff recently met with representatives from Habitat for Humanity to continue building a collaborative relationship and explore opportunities for future partnerships. During this meeting, Habitat shared an update on their current project at 4243 5th Street NE—a new single-family home development in Columbia Heights. While construction is progressing, Habitat is facing a financing gap due to the accelerated timeline and limited access to traditional funding sources.

In response, Habitat has asked whether the Economic Development Authority (EDA) would consider contributing financial support to help close a portion of this gap and ensure the project's successful completion. To provide a full picture, Habitat has shared an updated project pro forma, which is attached to this memo. The pro forma outlines a total estimated gap of \$120,000, including a \$90,000 development gap and a \$30,000 affordability gap. The affordability gap reflects the assumption that the future homeowner will earn just below 80% of the area median income (AMI). However, since Habitat typically serves households earning between 50% and 80% AMI, the final affordability gap may grow depending on the income of the eventual buyer. Habitat is requesting \$75,000 in assistance from the EDA to help bridge the development portion of the funding gap. While this request would not cover the entire shortfall, it would provide critical support to keep the project within Habitat's general financing goals.

In response to staff questions about the funding shortfall, Habitat explained that the opportunity to develop the Columbia Heights site emerged quickly, limiting their ability to apply for traditional funding sources such as HOME, CDBG, or other public grants. Additionally, ongoing uncertainty in federal funding has affected their broader pipeline of projects, compounding the challenges for this specific development. Without local support, Habitat would need to absorb the full deficit internally, which could limit their capacity for future work.

Should the EDA choose to provide the requested \$75,000, staff would recommend utilizing the pooled tax increment financing (TIF) balance from the C-8 District, the same source used for the acquisition and demolition of the property. The funds would be loaned to the City's Scattered Site TIF District, which would then issue a grant to Habitat for Humanity. This arrangement would be formalized through either an amendment to the existing redevelopment agreement or a new grant agreement. The Scattered Site TIF District would repay the loan over time using future TIF revenue.

Staff recommends moving forward with the \$75,000 funding request. Habitat's ask is well below the full gap, and the EDA's stated goals include partnering with Habitat on future projects. Even after this contribution, approximately \$140,000 would remain in the C-8 District fund, enough to support potential purchase-rehab projects in 2025 or 2026. As additional repayments are made into the C-8 District, the City could also consider supporting future tear-down and rebuild projects.

At this time, staff is seeking the EDA's general guidance on the proposal. If the EDA is supportive, staff will return at the next meeting with the appropriate agreements and documentation to execute the grant and facilitate the transfer of funds.

**ATTACHMENT(S):**

- 1. 4243 5<sup>th</sup> St NE Pro Forma**