



REQUEST FOR GRAND RAPIDS EDA ACTION

AGENDA DATE: July 14, 2022

STATEMENT OF ISSUE: Consider approval of a resolution supporting an 8-unit owner occupied community land trust single-family housing development.

PREPARED BY: Rob Mattei, Executive Director

BACKGROUND:

Since the fall of last year, staff has been working on redevelopment concepts for the former Forest Lake School property, now owned by GREDA. We have enlisted the assistance of the Greater Minnesota Housing Fund (GMHF) in that effort to look at a model similar to the past successful redevelopment of the former Middle School site, over a decade ago, into affordable, owner-occupied, single family homes.

Through these efforts, we have examined infrastructure needs and costs to serve approximately 24 single-family home sites, and we have obtained budget numbers, from a variety of contractors, for homes that are identical to those built for the Middle School project. Furthermore, we have compared those build costs to what homes would need to be priced at for a family earning approximately 100% of the area median income.

We have determined that, at this point, the gap between the increased cost to build these modest homes and what is an affordable purchase price for these working families, is too great to cover with the traditional programs offered by GMHF, Minnesota Housing Finance Agency (MHFA) and City TIF.

On a more positive note, a coalition of housing entities, including the Itasca County HRA, KOOTASCA Community Action and One Roof Community Housing recently have developed a proposed project that can potentially bring additional resources to bare to kick off the creation of some affordable owner-occupied housing at the GREDA Forest Lake School site.

The coalition is proposing to purchase eight home sites from GREDA and develop owner-occupied homes, four in year one and four more in year two. The proposed development will be structured as a community land trust (CLT), administered by One Roof Community Housing, a Duluth based CLT.

Under a CLT model, a family or individual purchases a house that sits on land owned by the CLT, thus the purchase price is more affordable because the homeowner is only buying the home and not the land. The homeowner leases the land from the CLT in a long-term, usually renewable, lease. Through the purchase of the home, the buyer agrees that when they eventually sell the home, the price is restricted to keep it affordable in perpetuity, however, they may be able to realize appreciation from improvements they make while they live in the house.

This proposed project has come to us with a short timeline for the GREDA's consideration. Applications for gap funding through the MHFA Community Homeownership Impact Fund are due on July 14. The ICHRA is preparing to submit for this project and has requested the City consider the use of TIF and to provide the sewer and water utility connections. As is always the case with MHFA funding, an endorsement and financial support from the community are necessary to be competitive.

The preliminary estimate for the infrastructure, engineering, and construction of sanitary sewer, water and alley construction, which would serve not only the 8 sites for this project but also approximately 16 more home sites on the GREDA property, is \$789,000. The preliminary list of funding sources for this include:

- American Recovery Plan Act (ARPA) City allotment \$408,000
- IRRRB \$300,000
- City PIR \$81,000

As stated within the draft resolution, GREDA's commitment to the project would be to consider the sale of 8 single family home sites, at a price of \$5,800/lot.

As you may recall, prior to GREDA receiving title to the former Forest Lake School property it was owned by the City, which resulted from a land swap with ISD #318. The assigned value of the Forest Lake School in that exchange was \$133,555. The price of \$5,800.00 per site is roughly based on that value divided by approximately 24 lots, which is more precisely \$5,565.00. It is our intent that MHFA will view the price of \$5,800 per lot as a discounted price and a contribution to the project by GREDA.

For the City to consider the approval of TIF, ICHRA will apply to the City, if they are successful with their MHFA application, and the normal TIF process will follow.

We anticipate that MHFA awards will be made in December, but in some cases that has carried over until January or February.

RECOMMENDATION:

REQUIRED ACTION:

Adopt a motion approving a resolution supporting an 8-unit owner occupied community land trust single-family housing development.