



Tried & True, Bold & New

Affordable Housing Tools

Session Overview



Tried & True: Existing Tools



Bold & New: 2023 Legislation: New Funding



New: Property Tax Changes & Tax Increment Financing



Developer Perspective: Affordable Housing Partnerships



Affordable Housing Tools

TRIED & TRUE FUNDING

Funding Partners

- Counties
 - ✓ HOME/CDBG
- Metropolitan Council
- Foundations
- Local Employers
- MN Housing
 - ✓ Several options

Legislative Funding

	FY 2024-2025
Preserve and Create New Homes	\$548.8 million <i>+\$495 million</i>
Increase Housing Stability	\$176 million <i>+\$120 million</i>
Support and Strengthen Homeownership	\$271.5 million <i>+\$267 million</i>
Other Housing Investments	\$69.3 million <i>+\$68 million</i>
Total FY 2024-25	\$1.065 billion

Existing Programs

PRESERVE AND CREATE NEW HOMES – EXISTING PROGRAMS		
Economic Development and Housing Challenge (Challenge)	Funds both multifamily rental and single-family homeownership new construction and redevelopment. Leverages federal, private and local government funds.	\$120.9 million <i>+\$95 million</i>
Workforce Homeownership Program	Provides development resources to increase the supply of homeownership opportunities.	\$60.5 million* <i>+\$60 million</i>
Greater Minnesota Workforce Housing Program	Provides competitive financial assistance to build market-rate and mixed-income residential rental properties in Greater Minnesota.	\$39 million <i>+\$35 million</i>
Housing Infrastructure	Provides loans and grants for rental housing development, manufactured housing community infrastructure and homeownership development.	\$200 million <i>+\$200 million</i>
Public Housing Rehab	Provides resources to improve public housing with a priority on health and safety improvements, including fire suppression systems.	\$87 million** <i>+\$87 million</i>
Manufactured Home Park Infrastructure Grants	Provides grants for manufactured home park acquisition, improvements and infrastructure.	\$17 million <i>+\$15 million</i>
Rental Rehabilitation Loans	Rehabs naturally occurring affordable and federally subsidized rental housing in Greater Minnesota.	\$7.5 million
Preservation (PARIF)	Assists with repair, rehabilitation and stabilization of federally assisted rental housing that is at risk of aging out of federal assistance programs.	\$8.4 million
Rehab Loans (Single Family)	Helps low-income homeowners make basic health and safety improvements to their homes.	\$5.5 million

Low Income Housing Tax Credits (LIHTC)

IRS Program

- Tax Reform Act of 1986
- Section 42 of the Internal Revenue Tax Code

Minimum Affordability Requirement

- 40% of units must be affordable to households earning 60% of area median income (AMI) or less
- 20% of units must be affordable to households earning 50% of area median income (AMI) or less

Low Income Housing Tax Credits (LIHTC)

- Replaces traditional equity
 - ✓ Investors get a tax credit instead of a typical annual return
 - ✓ Investors do not get their contribution back in the future—the tax credit is their return
- Biggest funding source for production of affordable housing
- Often paired with other local funding
 - ✓ TIF
 - ✓ Other local housing funds, including new sales tax funds

City Funding Options?

**Tax Increment
Financing**

Tax Abatement

**Fee Waivers or
Reductions**

**Land: Donation,
Write-Down,
Trust**

**EDA & HRA
Levies**

**Housing Trust
Funds**

**Local Sales Tax
Allocations**

**Regulatory /
Zoning
Flexibility**



Affordable Housing Tools

BOLD & NEW FUNDING

2023 Legislative Session

Historic Housing Bill

- \$1 billion
- Myriad of programs

Tax Bill

- 4d(1) property tax class rate (*change for affordable units*)
- Funding for affordable housing aid for metro
- TIF revisions

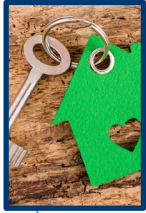
Housing Continuum

More Assistance

Less Assistance



Housing Bill Programs: Housing Continuum



First generation homebuyers' assistance



Economic development & housing challenge program: \$60M



Greater MN workforce housing & development program: \$20M



Manufactured home park infrastructure grants \$16M



Family homelessness prevention: \$55M



Many, many more

Affordable Housing Aid: Metro & Greater MN

Local Affordable Housing Aid (LAHA): 7 County Metro

- Funded by 0.25% Metro Sales Tax
- Tax started October 1, 2023
- First disbursement in 2024
- Populations over 10,000
- Amounts posted ~July 1, 2024

Statewide Local Housing Aid (SLHA): Non-Metro

- Funded by State via appropriation (*legislative risk*)
- Populations under 10,000 (*MN Housing discretionary grant program*)
- First disbursement in 2023

LAHA & SLHA: Distribution Formula

Share of cost-burdened households

- Census: ACS

Base aid for counties

- Different for LAHA vs. SLHA

Tribal: Shared equally among tribes

- All seven tribes opted “in” during 2023

LAHA & SLHA: Uses

- Emergency rental assistance
- Nonprofit housing providers: supporting their missions
- Rental or ownership projects: broad authority for use
 - “...projects designed for the purpose of construction, acquisition, rehabilitation, demolition or removal of existing structures, construction financing, permanent financing, interest rate reduction, refinancing, and gap financing of housing to provide affordable housing to households that have incomes...”*
- SLHA only: Market rate rental allowed with vacancy less than 5%, letter from business with 20+ employees within 25 miles indicating lack of housing

LAHA & SLHA: Income Limits

Generally, 115% AMI
for ownership &
80% AMI for rental

Nonprofit language
silent on AMI levels

*Preference for 80%
AMI for ownership
& 50% AMI for
rental*

Affordable to local
work force
(undefined)

ADA requirements specifically called out,
layered on to building code

Income Limits

- Required

Area Median Family Income by Household Size

	1	2	3	4	5	6	7	8
80%	69,600	79,520	89,440	99,360	107,360	115,280	123,280	131,200
115%	100,550	114,950	129,300	143,635	155,150	166,650	178,150	189,600

- Encouraged

Area Median Family Income by Household Size

	1	2	3	4	5	6	7	8
50%	43,500	49,700	55,900	62,100	67,100	72,050	77,050	82,000
80%	69,600	79,520	89,440	99,360	107,360	115,280	123,280	131,200

LAHA & SLHA: Administration

- Separate funds
 - ✓ Special Revenue Fund to hold multi-year allocations with separate project tracking within fund (*like a TIF Fund*) – OR –
 - ✓ Special Revenue Fund for each year's allocation (*like a grant fund*)
- All funds must be spent by December 31st of 4th year aid was received
- Reporting due to MN Housing by December 1st of each year, beginning in 2025

LAHA & SLHA: Administration

No.	Date	Entity	Documentation / Notification	Submitted To	Action	Notes
1	By December 1st (starting in 2025)	City/County	1. Documentation of location of any unspent funds distributed 2. Documentation of qualifying project completed or planned	MN Housing	No action if report submitted with no discrepancies	None
					MN Housing sends notification to Department of Revenue and City/County if: 1. Report not submitted 2. Funds not expended within 3 years of receipt 3. Funds spent on non-qualifying uses	None
2	By February 15th (of following year)	MN Housing	Notification of 1. Failure to submit information in No. 1 2. Failure to expend funds within 3 years 3. Funds spent on nonqualifying activity	City/County and Department of Revenue	City/County must provide documentation requested or return unspent funds or funds spent on nonqualifying activities	After 3 consecutive years = Commissioner of Revenue stops distributing funds to City/County
						Commissioner of Revenue can resume distribution in the year following MN Housing certification that documentation has been submitted
3	By May 15th	City/County	City/County must provide documentation requested or return funds not expended within 3 years or return funds spent on nonqualifying activities	MN Housing	Mn Housing accepts documentation or deposits returned funds	Funds to be deposited by June 1st into its housing development fund for use in accordance with the statute
4	By December 31st (of the 4th year = 3 years after receipt of the funds)	City/County	Return of unspent funds	MN Housing	Accept funds	
			Demonstrate why funds can't be expended on a qualifying project due to factors outside of their control		City/county can deposit funds into local Affordable Housing Trust Fund for use on qualifying projects per statute	No guidance yet on what documentation MN Housing will require to demonstrate this

LAHA & SLHA: Affordable Housing Trust Funds

If unable to spend within 3-year window...

- Demonstrate why beyond LGU's control
- Funds must be transferred to Affordable Housing Trust Fund (AHTF)
- Transfer to AHTF considered expended
 - ✓ Must ultimately follow spending guidelines
- MN Housing guidance forthcoming

Affordable Housing Trust Funds

Can hold LAHA &
SLHA

MN Statute
462C.16

AHTF created by
ordinance or Joint
Powers
Agreement

May be
administered by
nonprofit

Also funded by
donations, bonds,
grants, LGU,
investments &
levies

10 percent limit for
administration

Reports annually &
on website

\$300,000 match
available from
State

Tax Bill: TIF Changes

- Special legislation in 2023 will help many cities
- Ehlers can assist with understanding & application



Property Tax Bill: 4d(1) Class Rate Adjustment

Change to how first \$100,000 of value is treated:

IF 20% of units affordable at 60% AMI or below,
THEN Class rate is 0.25% for all value

Prior Law	Value	Class Rate	Tax Capacity	City Tax Rate	City Taxes Paid
Market Rate	\$200,000	1.25%	\$2,500	40%	\$1,000
Affordable at 60% AMI - 4d	\$0 - 100,000	0.75%	\$750	40%	\$300
	\$100,000 - 200,000	0.25%	\$250	40%	\$100
				Total	\$400

New Law	Value	Class Rate	Tax Capacity	City Tax Rate	City Taxes Paid
Market Rate	\$200,000	1.25%	\$2,500	40%	\$1,000
Affordable at 60% AMI - 4d(1)	\$200,000	0.25%	\$500	40%	\$200

4d(1) Qualification Criteria

- Property qualifies if 20% of units:
 - ✓ Section 8
 - ✓ LIHTC
 - ✓ Department of Agriculture rental assistance under 521(a)
 - ✓ Rent & income restrictions under terms of financial assistance provided to rental housing property by federal, state, or local units of government (*minimum 20% at 60% AMI or below*)
- Right to approve requests if 2% of tax capacity in 4d(1) properties for pay 2024

4d(1) Class Rate Change vs. Housing TIF

- Fewer housing TIF districts will be created
- New 4d(1) is TIF-like subsidy for qualifying units
 - ✓ Subsidy lasts for as long as units qualify
 - ✓ Can contract for nominal financial assistance to qualify for 4d(1)
- Certain projects will still require TIF

Implementing LAHA & SLHA

LAHA & SLHA can take place of TIF district.

**Follow
standard
process for
other
subsidy
requests**

- Subsidy policy development and/or modification
- Developer application, with deposit
- *Pro forma* review to determine level of assistance
- Project review against LGU goals
- Recommendation on assistance level & structure
- Development agreement, lookback/clawback

Implementing LAHA & SLHA, continued...

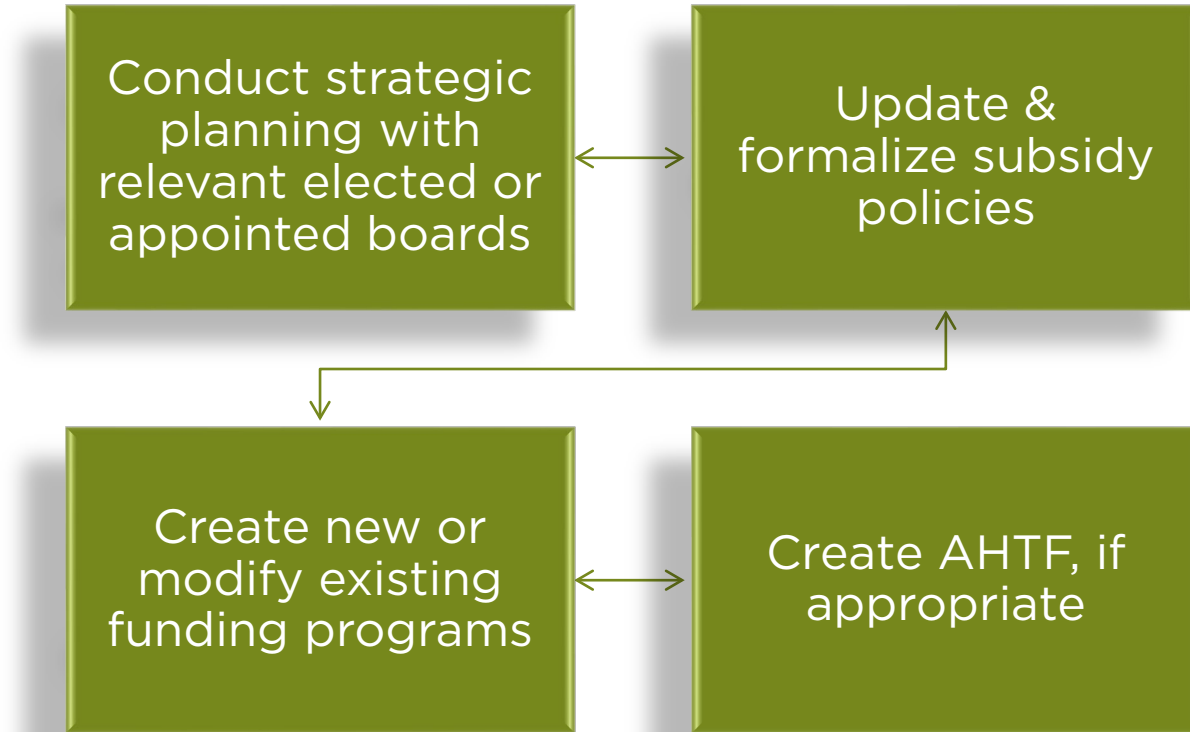
Develop new or modify existing city programs

- Allowable uses are different than TIF

Financing options for LAHA & SLHA

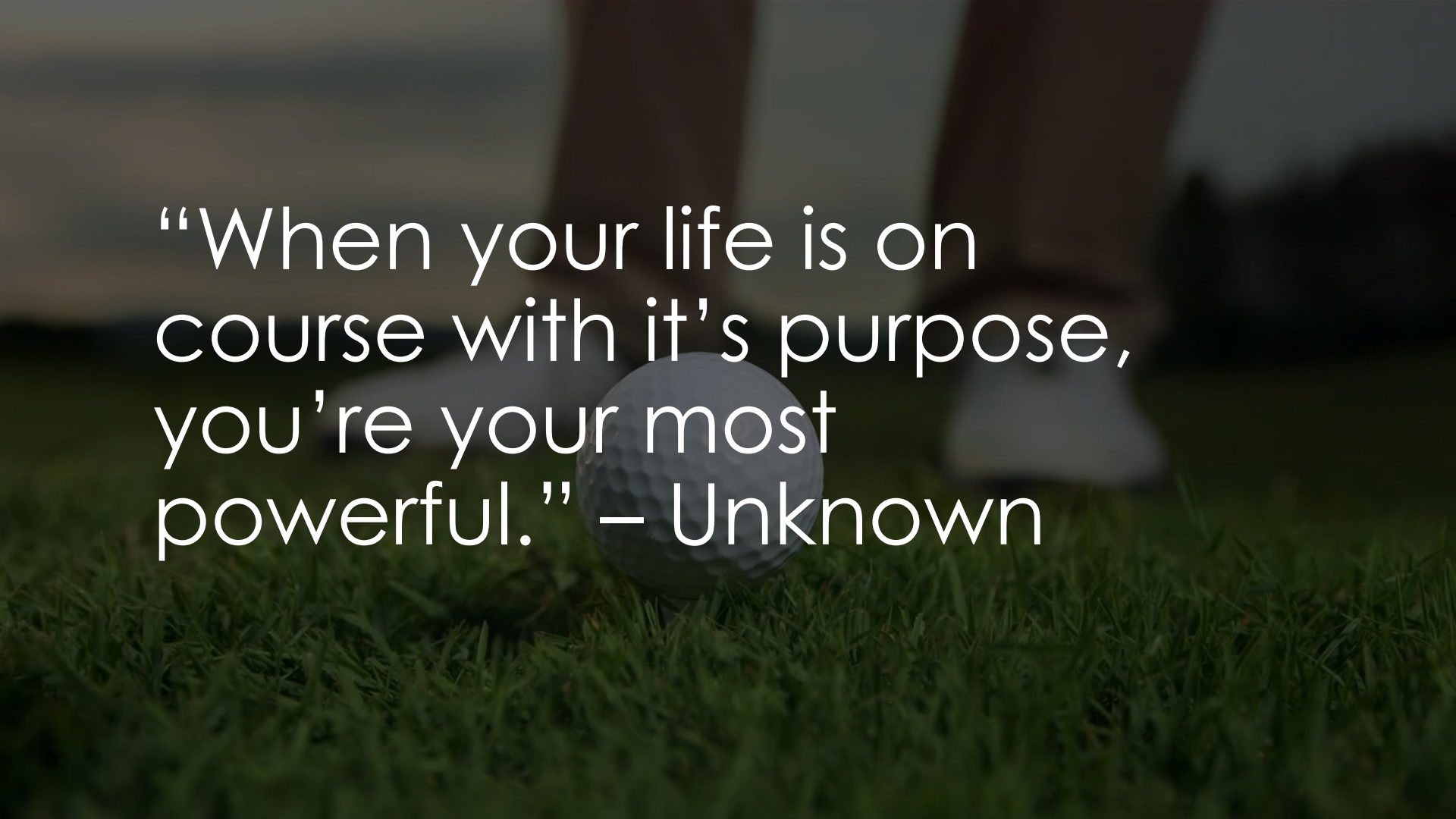
- Internal borrowing
- PAYGO
- Bonds

Funding Implementation Summary: All Tools





Presentation to: Ehlers Seminar

A photograph of a golf course with a white golf ball in the foreground on a green. In the background, the lower legs and feet of a person are visible, suggesting they are about to hit the ball. The image is dimmed to serve as a background for the text.

“When your life is on
course with it’s purpose,
you’re your most
powerful.” – Unknown



This is my Dad, and he's the reason I got into real estate development, specifically affordable housing...



JO COMPANIES: Introduction

- ▶ JO Companies, LLC is a Black-owned, mission driven urban in-fill real estate development company that specializes, and partners with communities, and municipalities to develop high-quality affordable housing that's sustainable, and that will be around for generations to come. Other development areas includes: Workforce Housing (80% AMI), Senior Housing, Land Acquisition, Repurpose assets, Senior Housing, Senior Housing, Market Rate, and Mixed-use.
- ▶ After spending over 17 years in corporate America within sales and leadership roles, Johnny left to become an entrepreneur and pursue his passion for real estate. Johnny's passion and motivation for real estate and housing development was inspired and fueled by his late father's experience. Johnny experienced and saw first-hand how the lack of affordable quality housing affects its residents and their families.
- ▶ Since 2017, JO Companies has been able to build a real estate development pipeline for new construction affordable housing valued at \$200MM.
- ▶ Closed on New Construction Financing for **The Hollows** - TDC \$18.6MM in 2021.
- ▶ Closed on New Construction Financing for **Wangstad Commons** - TDC \$24.8MM in 2023.
- ▶ Currently working on The Heights Redevelopment with **Sherman Associates**, and **Twin Cities Habitat**. JO Companies is delivering 199 units of Affordable Housing with a TDC of \$76.6MM in Q4 of 2024
- ▶ **Finance & Commerce** "The Power 30: Developers for 2023"
- ▶ The Hollows was a finalist for the Community Impact Award at the **ReScape Awards in spring 2023**.
- ▶ The Hollows was a finalist for the Project Award in the Affordable Housing - Urban category.
- ▶ JO Companies, LLC was a finalist for the Company/Developer of The Year Award category.
- ▶ Both nominations are from the Minnesota Real Estate Journal Awards in spring 2023.

Partnerships:



Recently closed - Wangstad Commons

- ▶ 3606 61st Avenue North, Brooklyn Center
- ▶ 54 units; four stories; Workforce family housing at 30 - 60% AMI
- ▶ \$24MM TDC funded by nine development sources including 9% low-income tax credits, TIF and others.
- ▶ 16 Units dedicated to Supportive Housing 29%
- ▶ Project Amenities
 - ▶ Underground/Surface Parking
 - ▶ Fitness Center
 - ▶ Community Room
 - ▶ On Transit Route
 - ▶ On-site Property Management
 - ▶ Adjacent to Wangstad Park
 - ▶ Balconies
 - ▶ In-Unit Washer/Dryer



WANGSTAD
COMMONS

WANGSTAD
COMMONS



WINDSTAD
Vestibule

ONE WAY 

DORAN

WANGSTAD
COMMONS
A COMMUNITY BY
CUMMINS

WANGSTAD COMMONS
A COMMUNITY BY
CUMMINS
1000 Commons Blvd
Wilmington, NC 28403
www.wangstadcommons.com





1-4 BEDROOM
APARTMENTS

**WANGSTAD
COMMONS**
coming
JANUARY 2025

DEVELOPED BY



COMPANIES













GREEN CONTAINER

HN HOLLENBACK AND NELSON
763-862-7525

8043

The Hollows - Overview

- ▶ 520 Payne Avenue, Saint Paul
- ▶ Vacant and HRA owned since '96
- ▶ 62 units; Four-Story Workforce Housing at 60% AMI; Five Units at 30% AMI
- ▶ Approximately \$18.7MM TDC funded by 13 development sources including low-income 4% tax credits, tax exempt bonds, TIF and others.
- ▶ Project amenities:
 - ▶ Underground/Surface Parking
 - ▶ Fitness Center
 - ▶ Community Room
 - ▶ On Transit Route
 - ▶ On-site Property Management
 - ▶ Dog Park
 - ▶ Solar Panels
 - ▶ Package Room









The Hollows - RAP/CCP

- ▶ \$270,000 in environmental costs related to RAP/CCP development and implementation:
 - ▶ Design and installation of vapor mitigation system, contaminated soils removal and foundations/debris removal.
- ▶ Clean-Up funding from:
 - ▶ Minnesota Brownfields
 - ▶ DEED
 - ▶ Ramsey County ERF - \$214K
Awarded summer 2022





The Hollows without balconies





The Hollows - Challenges

- ▶ Closed during the height of the pandemic
- ▶ Construction commenced mid-winter
- ▶ Extraordinary and unforeseen environmental needs; clean-up funds critical to ensuring financial feasibility and project amenities
- ▶ First-time LIHTC developer
- ▶ Every bank/investor said no
- ▶ Volatile Construction Pricing: Lumber, Material Price Increases
- ▶ Neighborhood Support
- ▶ Rate locked the day before closing
- ▶ Lead time/Supply Chain Challenges: Transformer





The Hollows - Successes

- ▶ Locked in a 4.225% Interest Rate
- ▶ Reached construction completion ahead of construction schedule
- ▶ Built The Hollows under budget
- ▶ Created over 225 construction jobs during construction, and 3 permanent jobs
- ▶ Partnered with BIPOC/Women-Owned Development Partners: **Doran Companies, Renewable Energy Partners, T. Scherber**
- ▶ 93% Leased up as of January 2024 ahead of lease up schedule
- ▶ The Hollows is stabilized, and received 8609 and eligible to claim Low-Income Tax Credits
- ▶ All 62 balconies were purchased due to support from ERF Award from Ramsey County















4.8 ★★★★★ 14 reviews ⓘ



Sarina Xiong

1 review



★★★★★ 3 months ago

Great modern apartment for a good price as well! Next to the fire station but it's surprisingly not a bother at all. I love that they have cameras facing the back lot and front as well & there are multiple doors that require a key to enter. My first apartment & I'll definitely be reconsidering my lease to stay for another year as I love the in unit washer/dryer & and modern look of the apartment. Even though the back parking lot does get full sometimes, I like that there is public St.Paul parking across the street. The staff/maintenance are good at responding as well. Definitely a nice, affordable, & pet friendly apartment building!



Response from the owner 3 months ago

Thank you for taking the time to leave a review Sarina! We're glad to hear that you are enjoying The Hollows and the amenities. We appreciate your feedback and we look forward to having you as a tenant for another year!




The Heights

- ▶ **Twin Cities Habitat for Humanity, JO Companies and Sherman Associates** are partnering to deliver 1,047 new homes to the Greater East Side of Saint Paul in the Northern Hayden Heights neighborhood.
- ▶ **Job creation.** The Heights 112 acre redevelopment will create 1,000 living-wage jobs with new commercial developments facilitated by the Saint Paul Port Authority over the next 6-10 years - employing and providing opportunities for small and diverse businesses and contractors.
- ▶ **Housing solutions.** Across 25 acres a unique mix of housing solutions designed to sustain a robust multi-cultural community of residents - including affordable ownership and market rate and affordable family, workforce and senior rental housing, including deeply affordable (30% AML).
- ▶ **Investment.** The Heights will leverage \$430MM (TDC) in private equity, non-profit fundraising and public support from the City of Saint Paul, Ramsey County, the Metropolitan Council, State and federal investment resources.
- ▶ **Budgets and timelines.** Construction for The Heights will span from 2024 through 2030.









What can cities do to help Affordable housing developers be successful?

- ▶ Tax Breaks: By increasing affordability requests, offer developers tax breaks
- ▶ Donate Land: Reduces the gap, and more than likely the developer can find a solution on the tax liability on the land with investor.
- ▶ Create Incentives: Incentivize the developer to want to invest in your city!
- ▶ Relax on zoning and reduce red tape: Can cut into the process of reaching the closing table. “not-in-my-backyard” mindsets often block or raise the cost to build multifamily, affordable housing, etc.
- ▶ Partner with the private sector: Facebook, Amazon, and Salesforce
- ▶ Be open to working with emerging developers without a track record, but they have a vision, an all-star development team, and business plan.
- ▶ Access to TIF, Pooled TIF, Loans, Grants, resources & tools that fill gaps, and bring affordable housing deals to the closing table.



Your Presenters



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