

LIHTCs Bring Affordable Housing to Affluent Minnesota Neighborhood

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In Minnesota, children and adults 24 and younger are the most likely population to be homeless, according to the 2015 Minnesota Housing Study, a statewide study on homelessness. This includes children with their parents (35 percent) and minors and young adults on their own (16 percent).

St. Paul, Minn.,-based Beacon Interfaith Housing Collaborative is working to solve this crisis. It is developing an affordable, supportive housing development in the prosperous Minneapolis suburb of Edina, Minn., with a target population for suburban young adults ages 18 to 21 who are homeless.

The property, 66 West, is taking over a former TCF Bank building. Beacon will repurpose the existing 18,000-square-foot building and build a 14,000-square-foot addition. The development will include 39 studio apartments with supportive services onsite. Rent will be \$675 per month; with tenants paying no more than 30 percent of the area median income (AMI) on rent as all units receive project-based Section 8 vouchers. The property will also include a community area on the first floor with a computer room, fitness room and common room with a television as well as supportive services offices.

Lee Blons, executive director at Beacon Interfaith Housing Collaborative, an interfaith collaborative of congregations committed to ending homelessness through housing, shelter programs and public advocacy, said having communal space is important for this population as these formerly homeless young adults can often feel very alone. The community space brings tenants out of their apartments and interacting with one another, Blons said.

Blons anticipates the average resident will stay at 66 West for up to 18 months. Blons said that because this younger population has a much lower rate of chemical dependency and other physical and mental health needs, their stay is much shorter than older populations of homeless individuals.

Blons said that homeless youths often become distrustful of adults. As a result, Beacon is "designing programs to engage and attract youths rather than enforcing rules," said Blons. 66 West will help residents get their general educational development (GED) certificates and improve independent living skills such as cooking, cleaning and opening a bank account.

Blons said the city of Edina played a vital role in the development of 66 West. The city amended its zoning ordinance to allow construction of 66 West. The ordinance also allows for future affordable housing development in the area. "Due to Beacon's work with neighboring congregations, hundreds of residents turned out to support this," said Blons. Blons was very excited about this because, "66 West is the first affordable rental housing development built in Edina since 1991."

James Hovland, mayor of Edina, said that he and the City Council had the responsibility of approving a comprehensive plan change and a zoning change to accommodate the development of 66 West. "The vote was unanimous," said Hovland. "The city believed in the project enough to not only change our comprehensive plan but our zoning code to allow for the project to occur."

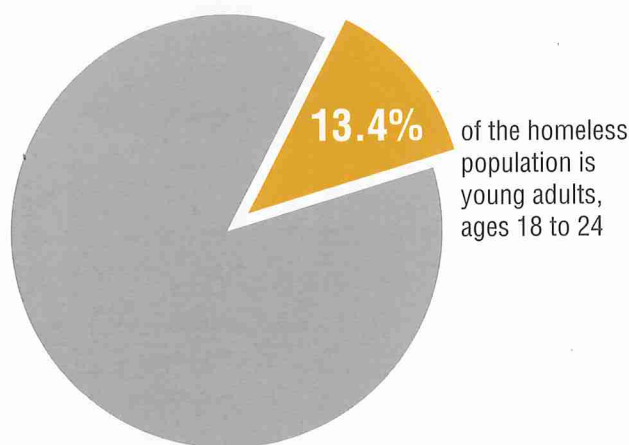
"It is a nascent step in our goal of achieving more units of affordable housing in our community," said Hovland. "It also fulfills the need of providing for young people a

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very beautiful and secure place to call home, at a very affordable cost, as they work to get themselves on their feet and moving forward in a positive direction in life.”

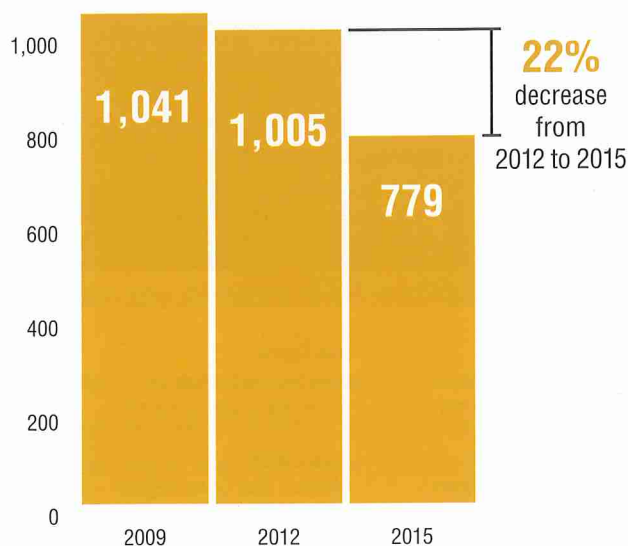
Minnesota's Young Adult Homeless Population in 2015 Ages 18 to 24



9,312 one-day count of homeless population in October 2015.

Source: 2015 Minnesota Homeless Study, Novogradac & Company LLP

Change in Young Adult Homeless Population 2009 to 2015, Ages 18 to 21



Source: 2015 Minnesota Homeless Study, Novogradac & Company LLP

At press time, construction of 66 West was about 50 percent complete. Construction began in July 2016 and Blons expects to get the certificate of occupancy May 1.

Resident Services

Simpson Housing Services will provide resident services at 66 West. It will have four people working onsite, each specializing in one of the following categories: education, leadership, employment and holistic health. “This is our first time working with this population. We are developing new sets of programs for this age group,” said Steve Horsfield, executive director of Simpson Housing Services. Horsfield said his goal is to, “partner with residents to identify areas of need and find a solution.” In doing so, he said it is vital to build a relationship with each resident.

Simpson Housing Services, which also works in coordination with Beacon at an affordable housing development for single mothers under 25 in the Twin Cities, is celebrating its organization’s 35th anniversary this year. “We are a representation of the community’s will to do something about the crisis of homelessness,” said Horsfield. “We are looking to bridge the gap and connect residents who have experienced homelessness to the mainstream community.”

Blons said that funding supportive services costs about \$500,000 per year and is being raised from foundations and individuals. Hennepin County made a one-time grant of \$75,000. Beacon will seek funding from the state of Minnesota Homeless Youth Act and additional funding from Hennepin County, said Blons. She added that financing ongoing supportive services is one of the greatest challenges in supportive housing.

Financing

As the syndicator, Minnesota Equity Fund (MEF) placed \$3.3 million in 4 percent low-income housing tax credit (LIHTC) equity into a multi-investor fund operated by Cinnaire. “The 66 West development hit on all aspects,” said Warren Hanson, president and CEO at Minnesota Equity Fund. “We have a priority for supportive

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housing for the homeless and particularly for homeless youth and children. This premier youth homelessness development is located in a high opportunity community in the midst of many neighborhood services and public amenities, with access to good jobs, a major hospital and other services.” Hanson also likes this development because, “the mayor and entire city of Edina were very supportive of affordable housing for homeless youth in the area.” Hanson has high praise for the nonprofit Beacon Interfaith Housing Collaborative development team, which he touted as “mission-driven at its core” and “best of class” as an owner operator, with unique program partnerships with scores of area congregations.

Minnesota Housing Finance Agency (MHFA) provided the \$2.9 million 4 percent LIHTC allocation and issued \$5 million in housing infrastructure bonds. “Projects apply for both 9 and 4 percent low-income housing tax credits. We determine what credit works best,” said Wes Butler, assistant commissioner of multifamily housing at MHFA. He said that 66 West scored well on its LIHTC application for many reasons. First, it is located in an area of opportunity, the affluent suburb of Edina, said Butler. He added that the property also scored well because it is close to jobs, retail and major public transit. “For this target population, jobs and transit are very important,” said Butler. Butler was excited to see this development being built in Edina as he said it is important to, “integrate affordable housing” across the metro region.

“Housing infrastructure bonds are a unique affordable housing finance mechanism created by the state of Minnesota to increase affordable housing resources,” said Blons. “One of the priorities has been supportive housing for those that have been homeless. The creation of housing infrastructure bonds was supported through a statewide housing advocacy coalition [called] Homes for All.”

Other sources of funding for the development of 66 West include \$10,500 in energy rebates from Xcel Energy, \$140,000 in sales tax rebates from the state, \$202,000

in donations from Edina Community Lutheran Church and other private funds, \$227,000 in private funds from the Family Housing Fund and \$273,000 in Affordable Housing Program (AHP) funds from the Federal Home Loan Bank of Des Moines. 66 West also received a \$400,000 grant from the Metropolitan Council Local Housing Incentives Account, \$550,000 in tax increment financing (TIF) from the city of Edina, \$800,000 in HUD HOME, Affordable Housing Incentive Fund (AHIF) money and Transit Oriented Development (TOD) funds from Hennepin County, and a \$900,000 grant from Metropolitan Council Livable Communities Demonstration Account (LCDA)-Transit-Oriented Development (TOD). ♦

66 West

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- ♦ \$140,000 in sales tax rebates from the state of Minnesota
- ♦ \$75,000 one-time grant from Hennepin County to finance the supportive services
- ♦ \$10,500 in energy rebates from Xcel Energy