



Date: July 29, 2024

To: Michael Kerski

From: Julie Siegert

RE: Local Affordable Housing Aid – Single Family Owner Rehab

Background

In 2023, the Minnesota Legislature approved historic levels of new state funding for housing, including a first-ever tax dedicated to affordable housing. The new 0.25% Metro Area Sales and Use Tax for Housing provides a separate funding source called Local Affordable Housing Aid (LAHA) to counties in the 7-county metro and cities with a population over 10,000. Counties and Cities were notified of the amount of funds they are receiving in July of 2024. The first payment was made earlier this month and the second payment will be made in the fall of 2024.

Projected LAHA amounts are based on data prepared by legislative staff using 9 months of sales tax collected with the amounts distributed based on the number of cost burdened households in the community. Cost-burdened data will be updated annually with most recent census data. The aid amounts received for 2024 by Counties and Cities are based on 5 months of sales tax collected.

County	2021 Population	Cost burden	Projected Aid (9 months)	2024 Actual Aid (5 months)
Scott County	153,199	11,888	\$3,675,328	\$1,903,375.92
City				
Shakopee	45,593	3,572	\$374,612	\$212,327.70
Savage	32,516	2,777	\$291,237	\$146,432.90
Prior Lake	27,832	2,139	\$224,327	\$109,824.67

Proposal

The City of Shakopee desires to utilize the LAHA funds for the preservation of existing owner-occupied homes in need of rehabilitation. The CDA is capable of developing and administering an owner-occupied rehab program on behalf of the City.

The following are high-level criteria for the program:

- Deferred loan, 0% interest payable upon refinance or sale of the property. Repaid loan funds will be re-used in the program to create a revolving loan fund to provide additional deferred loans in Shakopee.

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- Loan Amounts
 - \$35,000 max
 - \$15,000 min
- Homeowner Qualifications
 - Household income is 80% or below the Area Median Income (HUD definition)
 - Owner-occupied
 - Current on property taxes
 - Pre-2000 home
- Eligible uses
 - Priority of the funds will be to correct deficiencies that affect the health, safety and welfare of the occupants and to improve the energy efficiency of the units.
 - Examples of projects include windows, roof, HVAC, radon mitigation.
 - Ineligible use examples include decks (not related to safety deficiencies), room additions, detached garages, outbuildings, fireplaces.
- Work scopes will be written by the CDA alongside the homeowner
- CDA will work with the homeowner to procure bids and consult during the project
- City permit closeout will be required before final payment

Joint Powers Agreement

The City and the CDA will enter into a Joint Powers Agreement for the administration of the LAHA funds. The following are some general terms to be included:

- The CDA will act on behalf of the City of Shakopee to receive and administer LAHA funds according to the Act in the City of Shakopee
- The CDA will regularly consult with the City of Shakopee regarding progress and use of LAHA funds for qualifying projects
- The CDA will maintain complete and accurate records of funds received and disbursed.
- The CDA will ensure timely expenditure of funds under the Act
 - For funds not spent by December 31 in the third year following the disbursement, can deposit into the Housing Trust Fund
 - Funds in the Housing Trust Fund would continue to be spent in the City of Shakopee
- The CDA will prepare an annual report to Minnesota Housing, required starting December 1, 2025
- The CDA will repay funds, if required

Consideration of an Administrative Fee

Currently the LAHA Act does not allow for use of the funds for administration. The CDA would request that the City permit up to 10% of the funds to be used towards the capital rehab needs of CDA owned rental units in the City, which is an eligible use of the funds. The CDA currently owns 236 rental units in the City.