

<b>CD Program FY 2019 Application Review</b>	<b>Housing CDBG/HOME</b>	<b>Staff Contact: Suzanne Kelley</b>
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**Summary of Housing Applications**

Applicants submitted eight applications for funding from either the Community Development Block Grant or from the HOME grant fund for fiscal year (FY) 2019. The requests total a little more than \$1.5 million to rehab 193 units, acquire and rehab 10 units and build 3 new units. In FY 2018 the Committee awarded \$1.7 million dollars for housing rehab and construction. At the June 19, 2018 meeting, the CD Committee recommended a target of 42% of CDBG funds to be allocated toward the Affordable Housing category for FY 2019. Specifically, it was recommended that 21% of the funds be allocated for new construction and 21% for homeowner rehab. Staff received only one application for new construction, the majority of applications were for rehab and weatherization.

**Approach to Application Review**

Applications were reviewed for funding eligibility, consistency with the 2015-2019 Consolidated Plan strategies & goals and need. The proposals were reviewed based on the need for the proposed projects, benefits to the community, budget, and project readiness.

**Applications Received**

<b>Code</b>	<b>Proposal Name</b>	<b>Organization</b>	<b>Eligible Activity</b>	<b>Amount</b>
2019-3A	Duluth Property Rehabilitation Program- 55 units	Duluth HRA	Yes	\$480,000
2019-3B	Redruth Rehabilitation Project, Inc- 18 units	ASI- Redruth Accessible Space	Yes	\$ 70,000
2019-3C	Duluth Supportive Housing-Burke Rehabilitation Project-20 units	Duluth Supportive Housing Accessible Space	Yes	\$ 80,000
2019-3D	Duluth Energy Efficiency Program- 50 units	Ecolibrium3	Yes	\$125,000
2019-3E	CLT New Construction- 3 units	One Roof Community Housing	Yes	\$150,000
2019-3F	CLT Acquisition Rehab-Resale- 10 units	One Roof Community Housing	Yes	\$400,000
2019-3G	Specialized Improvement Program-Blight Reduction and Program Coordination- 16 units	Ecolibrium3	Yes	\$150,000
2019-3H	One Roof Duluth Lending Rehab- 40 units	One Roof Community Housing	Yes	\$ 80,000

**Total: \$ 1,535,000**

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**Consolidated Plan Housing Goals to be accomplished by 2019**

Consolidated Plan Goal #1: Affordable Rental Housing

- Improve energy efficiency of rental units
- Assist people to secure housing through affordable rental development
- Rehab multifamily units to meet Healthy Home Standards

Rental Housing	Goal	Met as of 2017 CAPER
Rehab	250	335
Build	300	210

Consolidated Plan Goal #3: Affordable Homeowner Housing

- Assist families to become homeowners by addressing value and/or affordability gaps and by increasing the supply of quality affordable single family housing
- Improve energy efficiency of single family housing units
- Rehab single family units to meet Healthy Home Standards

Home Owner Housing	Goal	Met as of 2017 CAPER
Rehab	725	471
Build	50	30

Consolidated Plan Goal #8: Neighborhood Revitalization

- Address vacant, substandard properties that may or may not be suitable for rehabilitation
- Acquire blighted properties and lots for demolition and redevelopment activities

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**APPLICATION #2019-3A: Duluth Property Rehabilitation Program –Duluth HRA**

Brief Description of Application (including activities and target clientele):

The HRA is proposing to use funds to provide rehabilitation assistance through their various loan and grant programs on 55 units of single family and rental-rehab multifamily units. The rehab activities will improve living conditions for low income people, lower energy costs, eliminate blight and environmental hazards, increase property values, and revitalize core neighborhoods.

Eligible Activity (Identify eligible activity, national objective, and explain):

- National objective: low/moderate income benefit. HRA targets its activities toward low- and moderate-income households. Although the HRA serves all of the CDBG eligible neighborhoods with rehab and environmental assistance, they will target marketing and priority for the Specialized Improvement Areas in the Central Hillside and Lincoln Park neighborhoods.
- Eligible activity: rehabilitation.

Application goals/outcomes and relation to Consolidated Plan:

- Goal #1, Affordable Rental Housing
- Goal #3, Affordable Owner Occupied Housing
- Goal #8: Neighborhood Revitalization
- Proposed Service Goal: 55 housing units will be rehabbed and remain affordable

Budget and Project Readiness:

- Currently the applicant is finishing their 2016 CDBG and 2016 HOME contracts. In the summer of 2018, they started work on their 2017 CDBG contract. There is a concern about timeliness of completing contracts.
- The proposed budget of \$480,000 for FY 2019 would be for Program Services for HRA Staff to administer the Rehab program, which includes providing staff support for other housing services.
- The application has a goal of 55 housing units; therefore, this project would qualify as having a Substantial Impact in that CDBG funds would provide \$8,727.72 assistance to a household. If the additional leverage is secured, this project would continue to qualify as having a Substantial Impact because the assistance would be at \$18,818.18 per household.
- The application states that the HRA would leverage \$550,000 in other public funds. These funds have not been secured, but are being requested. The funding ratio would be 2-1:1.
- The cost per unit ranges \$9,000 to \$25,000 for single family units depending on the work. The cost for Emergency Single Family Rehabilitation ranges from \$5,000 to \$10,000. The cost for multifamily rehabilitation work ranges from \$10,000 to \$15,000 per unit, depending on the work.

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**APPLICATION #2019-3B: ASI Redruth- Redruth Rehabilitation Project**

Brief Description of Application (including activities and target clientele):

The Redruth Apartments were built in 1992 and the existing siding is original. Water has been penetrating the siding for approximately two years, therefore replacing the siding would help mitigate the deterioration on the sheathing and plywood, preventing further water problems. The Redruth Apartments provide 18 accessible, affordable units for very low income senior adults with traumatic brain injuries, physical disabilities and mobility impairments. The apartments are located at 6801 Redruth St, in the West Duluth Neighborhood. These apartments are at full capacity; the current waiting list is 109 people.

Eligible Activity (Identify eligible activity, national objective, and explain):

The project meets the national objective of LMI-Housing as after rehabilitation, it will remain housing for LMI people. Rehabilitation of rental housing, specifically siding is an eligible activity in the Rehabilitation category.

Application goals/outcomes and relation to Consolidated Plan:

The project indirectly meets the Consolidated Plan Goal #1 to improve housing through improving energy efficiency and meeting Healthy Home Standards. Proposed Service Goal: 18 housing units

Budget and Project Readiness:

- The applicant has received CDBG funding in the past, staff has no issues to report.
- The project will need to acquire building permits, follow proper procurement processes, pay prevailing wages, and complete the Environmental Review.
- The total budget is \$70,000, with all the funding being requested as CDBG funds. This project would qualify as having a Maximum Impact in that CDBG funds would provide \$3,888.88 assistance to a household
- The applicant is not proposing any other funding source. The funding ratio is <1:1.
- Due to the long waiting list and comments from the Duluth Human Rights Officer, staff is aware that there is high need in Duluth for this type of housing.

**APPLICATION #2019-3C: Duluth Supportive Housing- Burke Rehabilitation Project**

Brief Description of Application (including activities and target clientele):

ASI proposes to repair the parking lot, replace the flooring, and build a canopy for rain protection for the Burke Apartment building. This 11-year-old apartment complex provides 20 accessible, affordable units for very low income adults with traumatic brain injuries, physical disabilities and mobility impairments. The Burke Apartments are located at 720 Maple Road, in the Duluth Heights Neighborhood. These apartments are at full capacity; the current waiting list is 141 people.

Eligible Activity (Identify eligible activity, national objective, and explain):

The project meets the national objective of LMI-Housing as after rehabilitation, it will remain housing for LMI people. Rehabilitation of rental housing which includes replacing the flooring, repairing the parking lot, and adding a structural canopy to improve safety are eligible activities.

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Application goals/outcomes and relation to Consolidated Plan:

The project indirectly meets the Consolidated Plan Goal #1 to improve housing through improving energy efficiency and meeting Healthy Home Standards. Proposed Service Goal: 18 housing units

Budget and Project Readiness:

- The project will need to acquire building permits, follow proper procurement processes, pay prevailing wages, and complete the Environmental Review.
- The total budget is \$80,000, with \$70,000 being requested as CDBG funds and \$10,000 coming from their reserves. This project would qualify as having a Maximum Impact in that CDBG funds would provide \$3,888.88 assistance to a household. The funding ratio is <1:1.
- Due to the long waiting list and comments from the Duluth Human Rights Officer, staff is aware that there is high need in Duluth for this type of housing.

**APPLICATION #2019-3D: Ecolibrium3- Duluth Energy Efficiency Program**

Brief Description of Application (including activities and target clientele):

Ecolibrium3 will coordinate weatherization rehabilitation improvements for 50 dwelling units so that these units will be more energy efficient.

Eligible Activity (Identify eligible activity, national objective, and explain):

- National Objective: Benefiting low and moderate (L/M) income persons – the DEEP program focuses on those at 80% or less of AMI who struggle with energy poverty.
- Eligible Activity: Rehabilitation - This program works directly with LMI homeowners to assist with conservation and weatherization in their homes by providing improved insulation, new windows, and modification of HVAC equipment among other improvements.

Application goals/outcomes and relation to Consolidated Plan:

- Goal #1: Affordable Rental Housing
- Goal #3: Affordable Homeowner Housing
- Proposed Service Goal: 50 housing units that will have been weatherized and remain affordable

Budget and Project Readiness:

- Ecolibrium3 has received funds in the past for this program.
- Budget request: \$125,000 for staff, administration, materials, and supplies.
- Total budget: \$350,000; secured: \$155,000. The funding ratio is 2-1:1.
- This project would qualify as having a Maximum Impact in that CDBG funds would provide \$2,2272 in assistance. The total funding would qualify as having a Substantial Impact in that funds would provide \$6,363 per a household.

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**APPLICATION #2019-3D: CLT New Construction – One Roof Community Housing**

Brief Description of Application (including activities and target clientele):

One Roof is requesting \$150,000 in funds to construct three single family dwelling units that will be available for low-moderate income households.

Eligible Activity (Identify eligible activity, national objective, and explain):

- National objective: low/moderate income benefit. One Roof targets its activities toward low- and moderate-income households.
- Eligible activity: Construction of Housing

Application goals/outcomes and relation to Consolidated Plan:

- Goal #3, Affordable Home Owner Housing
- Proposed Service Goal: 3 housing units for affordable ownership

Budget and Project Readiness:

- The total proposed budget for FY 2019 is \$861,000 for the construction of 3 dwelling units, which equates to \$287,000 per unit. CDBG funds would be \$50,000 per unit. The scoring criteria would classify this as Minimal Impact.
- The application states that One Roof would leverage \$711,000 in other public funds, none of these funds have been secured. The funding sources for the leverage including Minnesota Housing Finance Agency, Greater Minnesota Housing Finance, and Federal Home Loan Bank. The majority of the funding will come from the home buyer via through their bank financing. If all the funding sources are secured, the funding ratio will be >2:1.
- One Roof is up-to-date in its Community Housing Development Organization (CHDO) status and they have received CDBG and HOME funding in the past.

**APPLICATION #2019-3F: CLT Acquisition-Rehab- One Roof Community Housing**

Brief Description of Application (including activities and target clientele):

- One Roof requests \$400,000 to acquire and renovate ten (10) blighted properties. The properties will be entered into their Community Land Trust (CLT) program to maintain long term affordability. The proposal is focused on serving solely LMI participants.

Eligible Activity (Identify eligible activity, national objective, and explain):

- National objective: low/moderate income benefit. One Roof targets its activities toward low- and moderate-income households.
- Eligible activity: Construction of Housing

Application goals/outcomes and relation to Consolidated Plan:

- Goal #3, Affordable Home Owner Housing
- Goal #8: Neighborhood Revitalization
- Proposed Service Goal: 10 housing units for affordable ownership

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Budget and Project Readiness:

- The proposed budget of \$2,290,000 for FY 2019 would be for the acquisition and rehabilitation of blighted properties, which equates to \$229,000 per unit in total funds. The scoring criteria would classify this as Minimal Impact. The \$400,000 in HOME funds would equate to \$40,000 per unit, which would be considered a Moderate Impact.
- The application states that One Roof funding would leverage \$1,890,000 in other public funds, the sources for the leverage including Minnesota Housing Finance Agency, Greater Minnesota Housing Finance, and Federal Home Loan Bank. The majority of the funding will come from the home buyer via through their bank financing. If all the funding sources are secured, the funding ratio will be >2:1.
- One Roof is up-to-date in its Community Housing Development Organization (CHDO) status.

**APPLICATION #2019-3G: Specialized Investment Area Partnership – Blight Reduction and Program Coordination- Ecolibrium3**

Brief Description of Application (including activities and target clientele): Ecolibrium3 will serve as the neighborhood convening organization in Lincoln Park working with residents and businesses to spearhead redevelopment of the neighborhood. Ecolibrium3 will also provide assistance in the Hillside neighborhood to assist with the property baseline identifying the needed improvements. Specific activities will include identifying and removing 6 blight properties, rehabilitation 10 units, decreasing the number of vacant/blighted properties by 30%, and increasing the housing quality score by 25%.

Eligible Activity (Identify eligible activity, national objective, and explain):

- National objective: Low/moderate income benefit. The proposed activity will primarily serve residents of the City-established Lincoln Park SIA and will provide assistance to residents in the Hillside SIA.
- Eligible activity: Public Information HUD Matrix Code 21C- “providing information to residents in the implementation of CDBG-assisted activities”
- Eligible activity: Blight Removal- \$120,000 in CDBG funds will be used for demolition for 6 units.
- Eligible activity: Rehabilitation- rehabbing 10 single family housing units.

Application goals/outcomes and relation to Consolidated Plan:

Goal 1, Affordable Rental Housing, & Goal 2, Affordable Homeowner Housing- providing referrals and assisting homeowners. Goal 3, Neighborhood Revitalization: benchmarking a net decrease of 30% of vacant/blighted properties within the SIA as measured from September 2017 to September 2020. Depending on the nature of the demolition, it may not be considered a Housing Activity, but it is a HUD Eligible Activity.

Budget and Project Readiness:

- Budget request: \$150,000, which would equate to \$9,375 per unit, which would be a Substantial Impact.

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- Total budget: \$258,000; secured: \$83,000 from other public sources from LISC and Corporation for National and Community Service. The total budget would also have a Substantial impact at \$17,812. Funding ratio would be at <1:1.
- The application states that \$2,000 would be used per rehab and \$20,000 would be used for demolition.
- Ecolibrium3 will partner with Duluth HRA and Comfort Systems for this project. Ecolibrium3 has already begun data collection for a baseline analysis of the SIA.
- The housing units in the project will not be received CDBG funding from other agencies.

**APPLICATION #2019-3H: One Roof Community Housing – One Roof Duluth Lending Rehab**

Brief Description of Application (including activities and target clientele):

- One Roof Community Lending will continue its current program of providing low-interest loans, forgivable loans, and deferred loans for the rehabilitation of single family owner-occupied and multi-family rental units in Duluth to low-to-moderate income individuals, focusing on healthy homes and energy conservation.

Eligible Activity (Identify eligible activity, national objective, and explain):

- National objective: low/moderate income benefit. One Roof targets its activities toward low- and moderate-income households. In addition, One Roof will specifically conduct outreach activities focused on both Specialized Improvement Areas in the Central Hillside and Lincoln Park neighborhoods.
- Eligible activity: rehabilitation.

Application goals/outcomes and relation to Consolidated Plan:

- Goal 1, Affordable Rental Housing: The Rental Rehabilitation Deferred Loan program assists owners of rental properties in the rehabilitation financing process; these rental units are then subject to affordability agreements during the terms of the loans.
- Goal 3, Affordable Homeowner Housing: The Rehabilitation Loan Program provides deferred loan financing to very low-income homeowners. Funds from the RLP are used to conduct improvements that affect housing safety, habitability, and/or energy efficiency.
- Goal 8, Neighborhood Revitalization: all of One Roof’s lending programs support the revitalization of neighborhoods through housing improvement.
- One Roof will assist in the rehabilitation of 32 single family homes and 8 rental units.

Budget and Project Readiness:

- Budget request: \$80,000 of CDBG funds, which equates to \$2,000 per unit.
- Total program budget: \$1,315,400; the matching funds have not been secured. The match funds include \$1,150,000 from Minnesota Housing Finance Agency and \$85,400 in Program Fees. If all the funding is secured, the funding ratio would be >2:1, the total investment in each unit would be \$32,885, which would be a Moderate Impact.
- One Roof has received CDBG and HOME funding in the past.