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| CD Program FY 2025 Application Review October 1, 2024 | Housing CDBG/HOME | Staff Contact: Lenna Johnson |
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Summary of Housing Applications

Six (6) applications were received for HUD funding for the 2025 (FY) Fiscal Year, funding requests are for the Community Development Block Grant or for the HOME Investment Partnership Program grant fund. The requests total \$1,939,000 for 157 units, or \$12,350.32 per unit. For the 2024 program year, \$2,768,750 was requested for 301 units, or \$9,198.50 per unit, therefore the unit cost was lower in 2024. In FY 2024 the Committee awarded in \$828,113 in CDBG and \$499,732 in HOME dollars for housing rehab and construction, totaling \$1,327,845.

The CD Committee has recommended a target of 35% of CDBG funds to be allocated towards the Affordable Housing category for FY 2025. Although 2025 funding amounts have not been finalized by HUD, the City received \$2,352,496 of CDBG for the 2024 program year; 35% of that amount would equate to \$823,374. HOME allocation and awards have been consistent for the past couple of years, an expectant amount for housing projects would be \$475,000. It is estimated the total CDBG and HOME amounts for housing projects in 2025 would be \$1,298,374.

Approach to Application Review

Applications were reviewed for funding eligibility, consistency with the Consolidated Plan Goals, CD Committee’s Mission, Anti-Poverty Strategy, Equity and Accessibility, Section 3 Requirements, and Imagine Duluth 2035. The proposals were reviewed based on the need for the proposed projects, benefits to the community, budget, and project readiness.

| Code | Proposal Name | Organization | Eligible Activity | Amount |
|-------------|---|----------------------------|--------------------------|---------------|
| 2025-21-HS | Duluth Property Rehabilitation Program- 50 rehab units – 40 owner and 10 rental | Duluth HRA | Yes | \$325,000 |
| 2025-22-HS | CLT Acquisition Rehab-Resale – 8 units | One Roof Community Housing | Yes | \$400,000 |
| 2025-23-HS | CLT New Construction – 17 units | One Roof Community Housing | Yes | \$425,000 |
| 2025-24-HS | DKI Duplexes: Comfort & Joy – 4 units | Divine Konnections, Inc. | Yes | \$200,000 |
| 2025-25-HS | Decker Dwelling New Construction – 60 units Pre-commitment for 2026 | One Roof Community Housing | Yes | \$400,000 |
| 2025-26-HS | Westside Market – 18 units | Family Rise Together | Yes | \$189,000 |

Total: \$1,939,000

APPLICATION #2025-21-HS 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 50 units including 40 single family and 10 rental-rehab multifamily units. The rehab

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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.
- Eligible activity: rehabilitation of housing occupied by low-and-moderate income households and homeowner development.

Application goals/outcomes related to Community Goals:

- 2025-2029 Consolidated Community Development Plan
 - Affordable Housing
 - Neighborhood Revitalization
- Anti-Poverty Strategy Plan
 - Policy 3: Reduce Housing and Utility Costs
 - Policy 4: Increase Affordable Housing Units
- Imagine Duluth 2035
 - Governing Principle #1: Reuse previously developed lands
 - Governing Principle #5: Promote reinvestment in neighborhoods.
 - Housing Polices:
 - Policy 3-Prioritize inclusive housing policies to reflect the city’s social, cultural, economic, and historic diversity and development patterns
 - S4-Prioritize opportunities for permanent affordability, including affordable ownership programs, in neighborhoods throughout the City
 - Policy 4-Improve the quality of the city’s housing stock and neighborhoods
 - S2-Promote curb appeal of neighborhoods, with consideration of elements such as lighting, trees and boulevards, streets and sidewalks, and well-maintained structures
 - S5-Encourage healthy and safe housing that provides high indoor air quality, noise protection, and that is free of hazardous materials and conditions.
 - S6-Consider programs to support contractors, including contractor capacity-building programs to encourage business growth that will be supportive of new housing options
 - Energy and Conservation Policies:
 - Policy 1-Incentivize households and landlords to reduce energy use and increase residential energy efficiency
 - S2-Prioritize residential energy efficiency retrofit programs and projects using housing rehabilitation funds for low to moderate –income residents

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Budget and Project Readiness:

- The proposed budget of \$325,000 would be utilized for Program Services for HRA Staff to administer the Rehab program.
- HRA proposes a goal of 50 housing units; resulting in an average of \$6,500 assistance per household. If the additional leverage is secured, it would result in an investment of \$29,880 per household.
- The application states that the HRA would leverage \$1,169,000 in other public funds. Not all of these funds have not been secured, but have been requested. There are at least \$1 of secured funding for every \$1 requested.
- The cost per unit rehab ranges is \$10,000 to \$30,000 for single-family units depending on the work. The cost for multifamily rehabilitation rehab work ranges from \$10,000 to \$15,000 per unit.
- HRA currently operates this program so there are policies and practices in place to continue service if FY2025 funds are awarded.

APPLICATION #2025-22: CLT Acquisition-Rehab-Resale One Roof Community Housing

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

One Roof requests \$400,000 to acquire and renovate eight (8) properties in various neighborhoods throughout the city of Duluth. The properties will be enrolled into their Community Land Trust (CLT) program to maintain long-term affordability, which is achieved through long term land lease covenants. The proposal focuses on serving solely LMI participants.

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

- Eligible activity: Acquisition, and Rehabilitation of housing occupied by low-and-moderate income households and homeowner development.
- National objective: Activity benefits low-and-moderate income persons. One Roof targets its activities toward low- and moderate-income households and provides opportunity for homeownership for residents earning 80% of AMI or less.

Application goals/outcomes and relation to Community Goals:

- 2025-2029 Consolidated Plan
 - Affordable Housing – increase the number of affordable units for LMI people
 - Neighborhood Revitalization – renovating older homes with deferred maintenance
- Anti-Poverty Strategy
 - Policy 3: Reduce Housing and Utility Costs – homes sold at approximately 25% below market value and greater energy efficiency through specific renovation activities

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- Policy 4: Increase Affordable Housing Units – homes developed will be sold through Community Land Trust Program which places 99-year affordability restrictions on the property
- Policy 6: Increase Homeownership – after rehabilitation of existing homes, One Roof sells the homes to LMI individuals or families, 90% of whom are first time homebuyers.
- Imagine Duluth 2035
 - Governing Principle #1: Reuse previously developed lands – acquisition and rehabilitation of existing residential properties in Duluth
 - Governing Principle #5: Promote Reinvestment in neighborhoods – diversifying residential opportunities that fit the neighborhood’s character
 - Housing Policies:
 - Policy #2: Provide affordable, attainable housing opportunities – homeownership for LMI buyers
 - Policy #3: Prioritize inclusive housing policies to reflect the city’s social, cultural, economic, and historic diversity and development patterns
 - Strategy #4-Prioritize opportunities for permanent affordability, including affordable ownership programs, in neighborhoods throughout the city.
 - Policy #4: Improve the quality of the city’s housing stock – rehabilitation of residential properties with deferred maintenance for resale to LMI participants
 - Policy #5: Expand a variety of housing opportunities throughout the city – provide Community Land Trust homeownership opportunities across city in Core Investment Areas and New Investment Areas

Budget and Project Readiness:

- The proposed budget of \$2,800,000 for FY 2025 would be for the acquisition and rehabilitation of properties, which equates to \$350,000 per unit in total funds. The \$400,000 in funds being requested would equate to \$50,000 per unit
- The application states that One Roof would leverage \$2,400,000 in other secured funds, therefore there is more than \$1 secured per \$1 requested.
- One Roof is up to date in its Community Housing Development Organization (CHDO) status.
- This application would be eligible for HOME funding.
- One Roof currently operates this program so there are policies and practices in place to continue service if FY2025 funds are awarded.

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APPLICATION #2025-23: CLT New Construction- One Roof Community Housing

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

One Roof requests \$425,000 to construct seventeen (17) homes. The properties will be enrolled into their Community Land Trust (CLT) program to maintain long-term affordability, which is achieved through long term land least covenants. The proposal focuses on serving solely LMI participants.

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

- National objective: Activity benefits low-and-moderate income persons. One Roof targets its activities toward low- and moderate-income households and provides opportunity for homeownership for residents earning 80% of AMI or less
- Eligible activity: Construction of housing occupied by low and moderate-income households

Application goals/outcomes and relation to Community Goals:

- 2025-2029 Consolidated Plan
 - Affordable Housing – increase the number of affordable units for LMI people
 - Neighborhood Revitalization – construction of infill housing within neighborhoods throughout city
- Anti-Poverty Strategy
 - Policy 3: Reduce Housing and Utility Costs – homes sold at approximately 25% below market value and greater energy efficiency through specific renovation activities
 - Policy 4: Increase Affordable Housing Units – homes developed will be sold through Community Land Trust Program which places 99 years of affordability restrictions on the property
- Imagine Duluth 2035
 - Governing Principles
 - #1 Reuse previously developed lands – increasing density to better utilize existing infrastructure
 - #5: Promote Reinvestment in neighborhoods – diversifying residential opportunities that fit the neighborhood’s character
 - Housing Policies:
 - #1: Increase density in and around the Core Investment Areas
 - #2: Provide affordable, attainable housing opportunities – homeownership for LMI participants
 - #3: Prioritize inclusive housing policies to reflect the city’s social, cultural, economic, and historic diversity and development patterns
 - Strategy #4-Prioritize opportunities for permanent affordability, including affordable ownership programs, in neighborhoods throughout the city.
 - Policy #4: Improve the quality of the city’s housing stock – construction of residential properties for resale to LMI participants

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- Policy #5: Expand a variety of housing opportunities throughout the city – provide Community Land Trust homeownership opportunities across city

Budget and Project Readiness:

- The \$425,000 in HUD funds being requested would equate to \$25,000 per unit.
- The proposed budget of \$6,720,000 for FY 2025 would be for the construction of seventeen (17) properties, which equates to \$395,000 per unit in total funds.
- The application states that One Roof funding would leverage \$6,295,100 in other assistance including Minnesota Housing Finance Agency and private lending.
 - There is over \$1 secured per \$1 requested.
- One Roof is up to date in its Community Housing Development Organization (CHDO) and Community Based Development Organization (CBDO) status.
- This application would be eligible for HOME and/or CDBG funding.
- One Roof currently operates this program so there are policies and practices in place to continue service if FY2025 funds are awarded.

APPLICATION #2025-24: DKI Duplexes: Comfort & Joy – Divine Konnections, INC

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

- Divine Konnections, Inc. (DKI) proposes to construct two duplexes. Each duplex will be sold to an LMI first generation homebuyer who has received stabilization services from DKI’s supportive housing program for young BIPOC mothers and is ready for homeownership. Each duplex will include a 1-bedroom apartment that the LMI homeowner will be able to rent an LMI household as a source of income.

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

- National objective: Limited clientele activities - Have income eligibility requirements which limit the activity exclusively to low and moderate income persons
- National objective: Housing activities - An eligible activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households
- Eligible for CDBG and/or HOME funding: Single-family (duplex) housing construction and rental development

Application goals/outcomes and relation to Consolidated Plan:

- This project would result new construction of 4 affordable housing units (2 owner-occupied, 2 renter-occupied).
- Consolidated Plan 2025-2029 goals:
 - Affordable Housing
 - Neighborhood Revitalization
 - Increase Incomes
- Anti-poverty strategy:
 - Policy 4: Increase Affordable Housing Units

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- Policy 6: Increase Homeownership
- Policy 7: Create sustainable Independence
- Imagine Duluth 2035:
 - Governing Principle #1 Reuse previously developed lands.
 - Governing Principle #10 Take actions that enhance the environment, economic, and social well-being of the community.
 - Governing Principle #13 Develop a healthy community
 - Governing Principle #14 Integrate fairness into the fabric of the community
 - Housing Policy #2: Provide affordable, attainable housing opportunities
 - Housing Policy #4: Improve the quality of the city’s housing stock and neighborhoods

Budget and Project Readiness:

- Budget request: \$200,000 CDBG or HOME for construction of two duplexes
- Total budget \$1,240,000; secured: \$85,000. Less than \$1 has been secured for every dollar requested.
- This project would result in 4 affordable housing units (2 owner-occupied, 2 renter-occupied). \$50,000 per unit in CDBG/HOME funds and \$310,000 per unit in total funds.
- Divine Konnections received CDBG and ESG funds in 2023 and 2024, and are in compliance with spending the funds.
- DKI will need to work closely with city staff to ensure long-term affordability and owner/tenant income requirements are met. Some requirements for CDBG and HOME are different.

APPLICATION #2025-25: Decker II – One Roof Community Housing

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

One Roof is requesting a Pre-Commitment of the 2026 HOME funds to be used to leverage funds to build an affordable rental project on Decker Road, which will serve 60 extremely low-to low-income households. This development will be for 60 units, which will designated 18 units for households that are at 30% AMI and 6 units will be for high-priority homeless individuals. The pre-commitment of funds is necessary to the Minnesota Housing application process that will be submitted in July 2025.

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

- National objective: low/moderate income benefit
- Eligible activity: Construction of Rental Housing

Application goals/outcomes related to Community Goals:

- 2024-2029 Consolidated Plan
 - Homeless Services
 - Affordable Housing
- Anti-Poverty Strategy Plan
 - Policy 4: Increase Affordable Housing Units
- Imagine Duluth 2035
 - Governing Principle #5: Promote reinvestment in neighborhoods.

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- Governing Principle #14: Integrate fairness into the fabric of the community
- Housing Policies:
 - Policy 2-Provide affordable, attainable housing opportunities
 - Policy 3-Prioritize inclusive housing policies to reflect the city’s social, cultural, economic, and historic diversity and development patterns
 - S1-Plan for a mix of housing types in all neighborhoods, available to a variety of income levels, including a prioritization for housing with ADA accessible design.
 - Policy 4- Improve the quality of the city’s housing stock and neighborhoods_

Budget and Project Readiness:

- Budget request: \$400,000 HOME funds to assist with new construction. The purpose of requesting these funds at this time is to use them at match to secure additional funds in a competitive process. The request is for 2026 HOME funds, not for the 2025 HOME funds in this application cycle.
- Total budget \$25,197,628. Minnesota Housing will announce the funding awards in December 2025. If awarded, the \$400,000 will be allocated out of the 2026 HOME budget.
- Per capita for HOME funds is \$6,667 per unit; per capita for the total budget is \$2,609,728 per unit
- One Roof Community Housing has successfully managed other construction CDBG/HOME contracts and is up-to-date in its Community Housing Development Organization (CHDO) status.
- If Minnesota Housing grants the funds for this project, construction is expected to begin in 2026/2027.

APPLICATION #2025-26: Westside Market – Family Rise Together

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

- FRT proposes to acquire site, demolition the existing building, and prepare the site for a future housing development with 18 affordable units for LMI individuals and households who are unhoused, who are families with children, and who are exiting incarceration.

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

- National objective: Housing activities - An eligible activity carried out for the purpose of providing or improving permanent residential structures which, upon completion, will be occupied by low- and moderate-income households
- Eligible for CDBG and/or HOME funding: Site preparation for affordable housing development.

Application goals/outcomes and relation to Consolidated Plan:

- This project is to prepare a site for development, with the future plan to develop 18-units of affordable housing.

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- Consolidated Plan 2025-2029 goals:
 - Affordable Housing
 - Neighborhood Revitalization
 - Homeless services
- Anti-poverty strategy:
 - Policy 4: Increase Affordable Housing Units
- Imagine Duluth 2035:
 - Governing Principle #1 Reuse previously developed lands.
 - Governing Principle #10 Take actions that enhance the environment, economic, and social well-being of the community.
 - Governing Principle #13 Develop a healthy community
 - Governing Principle #14 Integrate fairness into the fabric of the community
 - Housing Policy #2: Provide affordable, attainable housing opportunities
 - Housing Policy #4: Improve the quality of the city’s housing stock and neighborhoods

Budget and Project Readiness:

- Budget request: \$189,000 total; \$146,750 CDBG, \$42,250 HOME for pre-development costs including acquisition, demolition of a building, and preparing the site for new construction.
- Total budget \$189,000. No funding has been secured yet and the project is reliant solely on HUD funding.
- After the site has been prepared for new construction, FRT proposes to build 18 units of new housing. Pre-development costs: \$10,500 per unit in CDBG/HOME funds and in total funds.
- FRT has not received funding for housing development but has received economic development funds in the for the past few years. FRT is working with city staff to ensure compliance with HUD economic development requirements.
- FRT will need to work closely with city staff to ensure long-term affordability and tenant income requirements are met. Some requirements for CDBG and HOME are different.
- HUD funds for site preparation require a legally binding commitment agreement to build the proposed housing after site preparation. FRT will need to provide more details to ensure the development is feasible and financing can be obtained for construction.