



Request for Action

TO: Housing & Redevelopment Authority

FROM: Kim Clausen, Community Development Coordinator

MEETING DATE: September 10, 2018

SUBJECT: HRA Housing Plan

SUMMARY OF REQUEST:

John Cameron has been working to raise financing for the next phases of development of the old K-Mart site. The state tax credit application process is extremely competitive and he has not been able to obtain the necessary financing. His application will be more competitive if it addresses a need of the local housing plan. Minnesota Housing has a template for these Qualified Action Plans and he has requested the HRA work with him to describe any existing or anticipated housing plans.

Staff has drafted a preliminary narrative for some of the components and is seeking feedback from the HRA on the plan.

Requested Action:

Provide feedback on the development of a Qualified Allocation Plan for use in state tax credit applications.

Complete the following table with the required attachments (map, and page number references).

REQUIRED	REQUIREMENT	DESCRIPTION (Include references to initiative or plan by including page #s)
Describe the objectives of the initiative or plan, including affordable housing as a key strategy	The initiative or plan should respond to a <i>crisis or opportunity</i> for the community to pursue various community, economic, educational or transit oriented objectives for the target geography. The initiative or plan must be larger in scope than the proposed housing development itself and include affordable housing.	
Describe the boundaries of the targeted geographic area (include a map)	Geographic boundaries of the targeted geographic area are identified by the plan or initiative. Qualifying plans or initiatives in small communities may encompass the entire community or regions, though the plan's targeted geographic area should be a subset of the community or region.	
Describe stakeholder List and role	Include a list of various local stakeholders and their role.	
Provide a timeline of current implementation activities	Include dates for milestones or steps of the initiative or plan that have been: <ul style="list-style-type: none"> • Completed, and • Underway, and/or • Planned Provide key dates for implementation steps including activities that run past the anticipated selection date.	
Describe public or private investment	Outline key investments, in kind, or other financial contributions that have been made or are pending. Investments should include activities other than the proposed housing development itself. Include dates.	

Qualified Allocation Plan

1. Describe the objectives of the initiative or plan, including affordable housing as a key strategy. The initiative or plan should respond to a crisis or opportunity for the community to pursue various community, educational or transit oriented objectives for the target geography. The initiative of plan must be larger in scope than the proposed housing development itself and include affordable housing.

The Faribault Housing and Redevelopment Authority (HRA) was established in 1970 pursuant to Faribault City Council Resolution No. A 3242. The HRA's power are established in Minnesota Statutes, Chapter 469. The purpose of the HRA is to:

- Provide a sufficient supply of adequate, safe and sanitary dwellings in order to protect the health, safety, morals and welfare of the city;
- Clear and redevelop blighted areas;
- Remedy the shortage of housing for low and moderate income residents;
- Redevelop blighted areas in situations in which private enterprise would not act without government participation or subsidies.

Community Vision 2040

In 2015, after extensive data analysis, numerous public input sessions and community meetings, the Faribault City Council approved the Community Vision 2040. This Community Vision identifies six priority areas with specific goals and initiatives aimed at improving the quality of life for residents, businesses and visitors. These six priorities include:

- Thriving economic development
- Excellent schools and high quality education
- Pride in our community
- Public safety
- A vibrant downtown
- Access to nature, leisure and the arts

The priority of Economic Development includes initiatives to ensure we have the necessary supportive infrastructure, including housing, jobs, industry, retail and services.

Goal 4: Develop a Comprehensive Plan that provides a strong link between economic development and other components of the community, including land use, housing, natural and cultural resources, transportation, and utilities.

Initiative	Ongoing	Short Term	Medium Term	Long Term
A. Determine community needs to get to desired economic goals and outcomes and to ensure a vibrant mix of housing, jobs, industries, retail, and services.		✓		
B. Update the City's Unified Development Ordinance to support the Comprehensive Plan.		✓		

Currently, the City is in the process of updating its Comprehensive Plan to reflect the 2040 Vision, with housing as an important component of the Plan.

2. Describe the boundaries of the targeted geographic area. Geographic boundaries of the targeted geographic area are identified by the plan or initiative. Qualifying plans or initiatives in small communities may encompass the entire community or regions, though the plan’s targeted geographic area should be a subset of the community or region.

The 2040 Vision and Comprehensive Plan encompass the entire city limits of Faribault. However, many efforts have been centered around 2 particular census tracts that were eligible for Opportunity Zone (OZ) Funding. The Governor selected census tract 70707 for participation in the OZ, but tract 709.02 is also an area in need of housing and redevelopment. See the attached descriptions from the OZ application.

3. Describe stakeholder list and role. Include a list of various local stakeholders and their role.

Local stakeholders include:

Stakeholder	Role
Faribault HRA	Outreach/implementation/development partner
City Council	Policy and land use decisions
Rice County HRA	Outreach/implementation/development partner
Three Rivers Community Action Center	Outreach/implementation/development partner/service provider
Chamber of Commerce/Business/Industry	Workforce expansion is contributing to the need for more housing
South Central College	Provide training to the construction industry and drive need for housing
Faribault Diversity Coalition	Outreach to underserved communities to understand their housing needs

4. Provide a timeline of current implementation activities. Include dates for milestones or steps of the initiative or plan that have been completed, underway and/or planned. Provide key dates for implementation steps including activities that run past the anticipated selection date.

In anticipation of new housing development the HRA recently commissioned a vacancy rate study for Faribault, as well as the surrounding communities of Northfield and Owatonna. This analysis shows that Faribault has a less than 1% vacancy rate, and establishes the communities’ eligibility for the new Economic Development Workforce Housing TIF Program.

In addition, Rice County recently completed a county-wide Housing Study that demonstrates the need for more affordable housing.

5. Describe public or private investment. Outline key investments, in kind, or other financial contributions that have been made or are pending. Investments should include activities other than the proposed housing development itself, including dates.

New rental housing has been constructed in the community using public/private partnerships. A new senior/assisted housing complex was just completed in 2018, which included \$100,000 in tax abatement assistance. Also in 2018, six new rental housing units were completed in downtown, with \$120,000 in assistance from the HRA. These units included the redevelopment of historic buildings, some of which were vacant for several years, and some of which were converted from other uses.

Please complete the Principles, Collaboration and Opportunity Funds sections below

Principles	Explain how the following principles lead you to your 1st, 2nd and 3rd rank choices:
Needs of the low-income community and other partners serving the zone including data about the unemployment rate, high poverty rate and low median income	This census tract includes three mobile home parks. Two of the parks consist of individually-owned mobile homes on leased land. The third park consists of mobile homes on owner occupied parcels. It also includes a large concentration of older (pre-1950) housing stock. In addition to residential uses, this area includes the major commercial/retail corridor of the community, including two deteriorating shopping malls. The median household income for this census tract is \$44,754, compared to \$50,481 for Faribault and \$63,217 for the State. 24% of the people in this tract have an income below the poverty level in the last 12 months, compared to 17.3% in Faribault. Unemployment is relatively low, at 2.4%, compared to an unemployment rate of around 4% for the State (all statistics based on the 2012-2016 American Community Survey 5-year Estimates).
Potential for positive impact to further equity and inclusion	There is significant potential for projects to further equity and inclusion. In this tract 15.7% of the population is black, compared to 5.7% of the population for the State. 22.6% of the tract is Hispanic/Latino compared to 12.4% for Faribault and 5% for the State. The presence of the mobile home parks presents an opportunity for targeted programs within the census tract to include diverse groups of people in potential projects. One of the highlights from the City's recent Vision 2040 Initiative is the recognition of the significant diversity within the community and the need to include, strengthen and support our diverse cultures.
Commitment(s) to support the zone by industry, education, nonprofits and governments including ongoing collaborations (i.e. promise zones, empowerment zones and renewal communities)	The City of Faribault has developed working relationships with industries, South Central College, nonprofits, and others to strengthen the community. Our strong relationships will allow us to further collaborate on development in this Opportunity Zone. The City is in the process of developing a Comprehensive Plan that focuses, in part, on development in the subject census tract. We are currently working with our partners to strengthen this area of the community.
Development possibilities within the zone in the next 5 years including affordable and workforce housing and economic development	This census tract encompasses one of the primary redevelopment areas, and gateways, for the City of Faribault. Multiple efforts are underway to spur development in this area. One of the initiatives involves housing development. The Faribault Housing and Redevelopment Authority (HRA) has identified the need for additional rental housing. A market study was completed that showed that the vacancy rate for the City of Faribault was less than 2-percent. To increase the supply of housing in order to meet the needs, the HRA has been working to attract developers (market-rate and affordable) to the City. To support this type of development, the HRA has identified parcels of land, some of which are located within this census tract, have worked with the property owners to market the sites, and have done all of the due diligence required to utilize the Economic Development TIF designation for market-rate housing development (as allowed by MN State Statutes). Further more - the City of Faribault has just embarked on a Comprehensive Plan update. The plan includes a special area study for this gateway - looking at how to enhance the retail/commercial corridor, and also the economics of this type of redevelopment. The plan has started. The planning process will look at the land use mix, specific redevelopment sites, funding sources, and implementation steps.
Engagement with organizations who have indicated an interest in creating Opportunity Funds	The City of Faribault promotes meaningful community engagement throughout all aspects of the community. The City has developed a strong relationship with diverse entities that may contribute to the creation of an Opportunity Fund. The City has a very strong foundation on which to leverage its relationships with others to build a successful Opportunity Fund.
Businesses and emerging businesses with investment potential in the zone	As stated previously, this census tract includes some of the primary commercial/retail corridors in our community, including Walmart, two shopping malls, grocery and convenience stores, as well as manufacturing facilities and retail stores. Both shopping mall areas are in need of redevelopment to revitalize the areas and attract new residents and visitors.

<p>Potential positive impact the zone could have on the most distressed communities</p>	<p>Depending on the projects, potential positive impacts could include strengthened families and community connections, increased job opportunities, revitalized commercial areas with goods/services that will benefit local residents, increased sense of community pride, encouragement of other investments within and surrounding the zone.</p>
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<p>Outline how you collaborated and received input from community, nonprofit, industry and business partners as well as the residents of the communities most in need of investment in making your recommendations.</p>	<p>Rice County reached out to the only community within all of Rice County that was identified as having a Census Tract within the 250 lowest income tracts, and also one census tract within the 491 eligible tracts. Working together - lenders, community leaders, the Faribault Housing and Redevelopment Authority (HRA) representatives, and Economic Development Authority (EDA) representatives were contacted to discuss the impact that an Opportunity Zone would have on the community and how these zones could support ongoing efforts to increase investment in certain areas. These groups voiced support and provided input on the types of projects that they would see occurring specifically within the identified census tracts. Furthermore, the City of Faribault City Council passed Resolution 2018-048, A Resolution Supporting the Designation of Qualified Census Tracts as Opportunity Zones (attached) - directing Staff to work in collaboration with Rice County to prepare an application for consideration.</p>
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<p>The promise of Opportunity Zones can only be met if Opportunity Funds are created that deploy private investment into Opportunity Zones. We strongly encourage you to reach out to any entities (i.e. community banks, foundations, CDFIs, CDCs) that may be working to create an Opportunity Fund as you create your priorities. While this is very early in the process, please share with us any entities you have reached out to about creating Opportunity Funds for Opportunity Zones in your region.</p>	<p>The City of Faribault has a strong working relationship with a variety of public and private entities. The City regularly meets with its partners to identify opportunities to strengthen investment in the community. The City coordinates with financial institutions, foundations, nonprofits and others to help promote a variety of opportunities in the subject census tract. For example, the City worked closely with someone who had a goal to develop a janitorial training center and a small engine repair training center that caters to the special needs of Somali-Americans. The City helped coordinate efforts with others (such as the Rice County Small Business Development Center, the Workforce Center, South Central College, realtors, and others) to help this individual explore the feasibility of developing the training center in the subject census tract. In short, the City of Faribault has a strong foundation on which to build an Opportunity Zone and leverage the City's relationships with others to create an Opportunity Fund to strengthen opportunities in the subject census tract.</p>
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Please select from your census tracts ranking among the 250 lowest income census tracts, listing 1/3 of them as your first choice.

Census Tract Number (11 Digits)	Discussion (if any)
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This census tract encompasses one of the primary redevelopment areas, and gateways, for the City of Faribault. Multiple efforts are underway to spur development in this area. One of the initiatives involves housing development. The Faribault Housing and Redevelopment Authority (HRA) has identified the need for additional rental housing. A market study was completed that showed that the vacancy rate for the City of Faribault was less than 2-percent. To increase the supply of housing in order to meet the needs, the HRA and has been working to attract developers (market-rate and affordable) to the City. To support this type of development, the HRA has identified parcels of land, some of which are located within this census tract, have worked with the property owners to market the sites, and have done all the of due diligence required to utilize the Economic Development TIF designation for market-rate housing development (as allowed by MN State Statutes). Furthermore - the City of Faribault has just embarked on a Comprehensive Plan update. The plan includes a special area study for this gateway - looking at how to enhance the retail/commercial corridor, and also the economics of this type of redevelopment. The plan has started. The planning process will look at the 70902 land use mix, speific redevelopment sites, funding sources, and implementation steps.

Are there tracts outside of the 250 lowest income tracts that you would advocate should be included as Opportunity Zones and Why? List each tract outside of the 250 lowest income tracts that you propose including, and indicate if you would include it with your 1st choice tracts, 2nd choice tracts or 3rd choice tracts.

If the proposer is choosing a contiguous tract over a low-income census tract or a tract not on the list of 250, please clearly document and outline the reasons for excluding a low-income census tract and any and all possible remediation the proposer has done or will do to ensure the population in the excluded census tract is engaged and was considered in the proposal.

Census Tract Number (11 Digits)	Priority (1/2/3 Choice)	Justification (see instructions above)
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70700

This tract includes the city's downtown area, the city's historic preservation district, river corridor, and the hospital and educational corridor. The downtown area is a priority for the City - as identified in the City's 2040 Vision. These historic building require investment in order to maintain the old structures - but often valuations of the buildings do not reflect the necessary building upkeep costs or the income streams that the building generate. Many property owners are "underwater" making the required building maintenance difficult financially, further contributing to the deterioration of the downtown. The downtown also has a high vacancy rate for storefronts. To help spur investment, in October 2016 the City Council authorized a new forgivable loan program to encourage property owners to make investments in their building, to bring their properties into compliance with the adopted property maintenance code. The City has also invested in a Downtown Master Plan - which will kick off in March 2018, with its completion anticipated for late summer 2018. The Downtown Master Plan will identify redevelopment/development opportunities, evaluate the economics for the downtown (including the economic feasibility of the recommendations), and identify public realm improvements that will contribute to the overall redevelopment of this area. The City also spent nearly 2 years working with a developer on the redevelopment of the Old Public Works Site, located within this tract. The site is located on the Straight River, immediately adjacent to the downtown. The site was formerly a city dump - and is considered a brownfield. Phase I and Phase II work has been completed on the site - but the developer ultimately backed out due to rising costs for the redevelopment. This site has great potential for redevelopment - taking advantage of the riverfront and providing additional recreational/housing opportunities - but requires financial resources to make the redevelopment feasible. Other redevelopment opportunities exist within the school campus area. Shattuck-St. Mary (SSM) campus is located within the census tract. They have identified at least 2 development projects that could be spurred with the Opportunity Zone creation (see attached letter of support).