

HOME OWNERSHIP PROGRAM FOR EQUITY (HOPE)

FREQUENTLY ASKED QUESTIONS: PART ONE

Last updated Dec 14, 2022

Q1. Why is the City looking to develop these vacant parcels as housing?

A: As identified in the 2040 Comprehensive Plan's Housing Chapter, preserving a measure of affordability in the owner-occupied housing market is an important asset to housing market stability and the community's overall livability. In 2015, the median property value in Golden Valley was \$265,300; for 2023, it's projected to be \$411,000. This type of increase in housing value can price out working-class families or the elderly who are on a fixed income.

Q2. What is the process for determining which vacant parcels should be developed?

A: In 2021, the City adopted a Public Land Disposition Ordinance to better manage lands held by the City, especially those without an existing or intended role serving a governmental service. Vacant lands held by the City come in a wide range of sizes, shapes, and with their own physical or infrastructure challenges. The City in its first Inventory of lands identified 15 vacant properties with some redevelopment potential; however, this list could shrink or expand over time as City's goals or needs change. The Land Disposition Ordinance does prioritize the development of affordable housing with those pieces of land that do not serve a City-purpose and which are suitable for building.

Q3. Why can't the vacant parcels be used as parks?

A: Golden Valley's park system, including community and neighborhood parks, nature areas, wetlands, ponds, and open spaces are located throughout the city to maximize the number of residents who are near a recreational area. As identified in the 2040 Comprehensive Plan's Parks and Natural Resources Chapter, the City will evaluate opportunities to add to or improve existing park locations so that each neighborhood is adequately served with appropriate recreational facilities. The parcels identified for development are in neighborhoods where residents have access to existing parks. Some vacant parcels that are not suitable for housing or another government use such as stormwater management may be retained as open space or eventually converted into the park system.

Q4. What is "affordable" housing when talking about ownership versus rental units?

A: The HOPE program will provide homes that would target affordability for households making 60 to 80 percent of Area Median Income (AMI). An 80 percent AMI household makes \$94,600 per year, while a 60 percent AMI household is around \$71,000. While these new units will not manage to get at deep affordability levels due to the costs involved with constructing a home, these units will be income restricted for 20–40 years or even 99 years, ensuring long-term affordability.

Q5. How will HOPE assist in reducing racial disparity in homeownership in Golden Valley?

A: Minnesota, including Golden Valley, has one of the worst racial disparities in homeownership in the nation. HOPE prioritizes organizations that have demonstrated success in building relationships of trust with Black, Indigenous, and people of color communities. For example, over 80 percent of Twin Cities Habitat for Humanity and 70 percent of Greater Metropolitan Housing Corporation's home buyers are Black, Indigenous, and people of color.

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Q6. How were development partners selected?

A: Over the summer of 2022, Golden Valley circulated a Request for Qualifications (RFQ) to housing developers in the Twin Cities for the first round of parcels identified for the HOPE program. This RFQ set out funding priorities and project selection standards such as, “demonstrate organizational capacity to successfully complete housing projects” and “feature high-quality construction and universal design” among others. From this RFQ, two partners were selected to move forward, Twin Cities Habitat for Humanity and Greater Metropolitan Housing Corporation, both of whom have a long body of work in the Twin Cities suburban communities.

Q7. Will there be an opportunity to provide comment on the public record about these development projects?

A: For all parcels identified for the HOPE program, the City is planning to provide advanced notification and educational sessions for residents. In addition, some properties, especially those that were previously highway right-of-way held by MnDOT, will require platting and zoning approvals from the City Council. These types of approval actions will require public hearings at both Planning Commission and City Council, and public comments will be included with the record of those approvals.

Q8. What impact will these homes have on area property values?

A: These homes are estimated to cost around \$500,000 to build, and while subsidized to be made affordable, these subsidies are not considered by the County Assessor when establishing a valuation for the entire property. These homes after construction should be assessed along with the underlying land similarly to other residential properties in Golden Valley.

Q9. If the HOPE homes cost \$500,000, how will people with low to moderate incomes afford them?

A: The non-profit developers will apply for County, State, and Federal grants to subsidize construction costs and make the homes more affordable. Non-profit affordable housing organizations like Twin Cities Habitat for Humanity receive generous donations from community members committed to stabilizing families in affordable housing. The home buyers may also be eligible for down payment assistance which would help to make the homes affordable to households earning 60 percent of Area Median Income, around \$71,000.

For questions or more information, contact Golden Valley Housing and Economic Development Manager Cherie Shoquist at cshoquist@goldenvalleymn.gov.

HOME OWNERSHIP PROGRAM FOR EQUITY (HOPE) FREQUENTLY ASKED QUESTIONS: PART TWO

Property Values

Q1. How will these homes effect neighboring residential property values?

A: The value of one home in a neighborhood does not impact property values. The proposed homes will cost approximately \$500,000 to build and the estimated land value is approximately \$200,000. While there are many homes near the Meander Rd and Circle Down properties with values near or above \$1 million, there are also several homes in the \$500,000 - \$700,000 value range.

Q2. How will fears like increased noise from the freeway negatively impacting home value and ability to sell be alleviated?

A: Staff plans to work closely with builders on the sites closest to freeways and rail lines to ensure that noise mitigation is top of mind in planning out these sites and homes to the benefit of both the homeowners and neighbors. Where buffer vegetation can be maintained in place, retention will be prioritized over replacement. On sites that are already open to these noise impacts, staff hopes new plantings can help to improve the existing circumstances while still providing high quality affordable housing.

Financial and Valuation

Q3. How did the assessor/City come up with the values?

A: The properties are currently owned by the City and are tax exempt, thus the County Assessor has not established values. The City consulted the County Assessor and realtors to establish an estimated market value per square foot of the vacant land at \$18-\$20 per square foot. The value of the vacant parcels is estimated to be \$200,000 or more. The homes are estimated to cost approximately \$500,000 to build. New construction homes often are appraised using the cost method while appraisers may use the sales method to value existing homes. The cost method looks at the value of land plus the actual cost to build it. Because the developers will not begin planning for construction until 2023, it is too early for a formal appraisal. The County Assessor will not determine the fair market value until the homes are built. For more information on fair market value: www.hennepin.us/residents/property/assessment

Q4. What would happen if the city sold these for market rate homes?

A: The new developer would determine what type of home to build within current planning and zoning standards. Resources from the sale of the land, approximately \$200,000, would not be enough to purchase and rehab a home in Golden Valley. The 2022 median sales price in Golden Valley is \$425,500. There would be a lost opportunity to provide an additional affordable housing unit in the City that will remain affordable under the Community Land Trust model for 99 years.

Q5. Who is responsible for the taxes?

A: The homeowner is responsible for the taxes. The mortgage payments will include principal, interest, taxes, and insurance.

Q6. Are the taxes based on the full land-house market rate?

A: The taxes will be based only on the value of the home under the Community Land Trust (CLT) model. CLT establishes initial affordability by removing the market value of the land from the mortgage equation. A CLT typically purchases an existing or recently developed owner-occupied home currently for sale and then sells just the home, and not the land, to a low-to-moderate-income household. The CLT retains ownership of the land and enters into a 99-year Ground Lease with the leaseholder-homeowner at a nominal fee. Removing the land value from the mortgage equation reduces the mortgage, down payment, and closing costs. A CLT also ensures permanent affordability.

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Q7. How does the model build wealth for BIPOC homebuyers in the program?

A: A Community Land Trust (CLT) leaseholder-homeowner receives benefits similar to non-CLT homeowners such as the ability to build equity, utilize federal mortgage interest, and property tax deductions. It also includes the ability to transfer the lease interest and home to their heirs.

There are a number of benefits to purchasing a house through a CLT.

- **Affordability** – CLT homes are more affordable than those purchased on the open real estate market, yet provide the same sense of stability and community.
- **Mortgage** – Consistent housing payments allow the homeowner to build equity, receive federal tax interest and property tax deductions, and offer an inheritance to heirs.
- **Community** – The 99-year Ground Lease ensures that CLT homeowners will have the support of a CLT organization and their community through voting, volunteering, and becoming a Homes Within Reach committee or board member.
- **Support** – CLT homebuyers have the support of CLT staff and other homeowners, including resources for financial problems and foreclosure prevention.
- **Stability** – Homeownership is central to family life, strong communities, and overall economic growth.

Quality of Life for Residents

Q8. Concerns that green spaces and vegetative noise buffers will be lost when replaced by a home.

A: On Circle Down, some vegetation on the site closest to the local roads was removed within the last few years. While other vegetation within the building footprint would need to be removed, it is unlikely any additional vegetation would need to be removed further back within the site and adjacent to Highway 100. Along Meander, site preparation would require the removal of a large amount of the existing trees and shrubs. On Douglas, current plans are not expected to interfere with the large tree near the adjacent lot.

Q9. Concerns about large trees replaced by smaller ones.

A: Development typically involves the removal of trees. A formula within the City Code prescribes the number of new (smaller) trees that must be planted to compensate for the loss of more mature trees. Staff will also work with builders to prioritize retention of mature trees where feasible, as they are also of benefit to potential home owners on these lots.

Q10. Concerns about people living in such close proximity to trains (many idle at the location) or to highway noise.

A: The train tracks and the highways are pre-existing conditions and potential homebuyers will have the opportunity to make their own cost benefit analysis as current residents have.

Q11. Concerns about losing green spaces as a dog and kid play area. These were attractive to many in buying homes in the area, especially because neither is extremely close to a city park.

A: The purpose of the Home Ownership Program for Equity is to make properties available to low to moderate income homebuyers. The City has determined that these parcels are appropriate for homeownership development over being retained as open space or converted into the park system. The parcels identified for development are in neighborhoods where residents have access to existing parks within a quarter mile.

Q12. The city does not currently maintain these properties (adjacent neighbors do to some extent) and feel that the city's argument that the city is removing itself from obligations to maintain them as ridiculous.

A: The purpose of the Home Ownership Program for Equity is to make properties available to low to moderate income homebuyers and is not about the responsibility to maintain the properties as open space.

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Environmental Standards

Q13. Neighbors don't benefit from "green" housing being built.

A: The decision to build homes to "greener" building standards would primarily benefit the home owner by reducing energy and maintenance costs. Green homes may also carry a higher valuation with the Assessor's Office, similar to other home improvements.

Q14. Trees: Concerns about loss of large trees and replacement by smaller, less buffering landscaping.

A: See numbers 8 and 9 above.

Q15. Wildlife: Concerns about wildlife displacement.

A: Tree replacement requirements and maximum lot cover and impervious surface limits will mean that the lots cannot be overdeveloped, and while some loss of habitat is expected as with any construction, the City still has over 1,100 acres of parks and open space to support wildlife.

Alternate Build Sites

Q16. Why not build these homes on excess commercial properties and unused parking lots?

A: The City's Comprehensive Plan envisions single family homes in residential areas. The HOPE program is just one aspect of the City's housing efforts. The City is examining mixed use development in underutilized areas in and around the downtown for higher-density housing, as there remains a shortage in all types of housing within the city given the local and regional demand. The commercial real estate market in Golden Valley is also in high demand.

Circle Down Specific Questions

Q17. Neighbors have seen two variations of proposed building areas. What is really buildable on the lot and will variances be needed?

A: There is sufficient room on the lot to construct a home. The exact dimensions would be determined by the design proposed by the builder. If a variance is requested, the standards for consideration of approval would be no different than for any other lot in the city.

Q18. What will building so close to the freeway mean for those who live in the house in terms of noise and exposure?

A: Many other homes along Ottawa Ave and Sunset Ridge already sit closer to the freeway or the entrance ramp than the new building. Staff will work with the builder to ensure high quality windows and other materials are used to mitigate sound disturbance for the new owner. Potential homebuyers will have the opportunity to make their own cost benefit analysis in terms of noise and exposure as current residents have.

Meander Specific Questions

Q19. Wasn't the Meander property set aside for stormwater detention?

A: The Meander property was to be used for stormwater retention purposes. There are concerns about adding impervious surfaces and what that means for water mitigation. Though originally set aside for stormwater purposes, City engineering staff subsequently determined this lot was not suitable for this purpose. Any impervious surfaces added to the lot would be limited by the requirements of the City Code for single-family zoned properties. No additional water quality treatment or rate control would be needed.

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Q20. Is the lot buildable with the proximity to rail lines and electrical lines and need for variances?

A: Golden Valley Zoning code does not set specific setback for rail lines. The City does require 10' of horizontal separation between overhead utilities and swimming pools. This distance is consistent with OSHA standards which require 10' of distance between workers and equipment and overhead lines. The portion of the overhead line and a buffer that falls within the 208 Meander parcel is covered by an existing private utility easement that prohibits structures within it. The City reviewed the easement with Xcel Energy, the utility owner, and determined that the lot is still a buildable lot.

Given the overhead utilities and rail line, it is possible that the builder may seek variances from zoning code, although staff has not yet discussed designs for 208 Meander. A variance such as a front yard setback reduction may allow the potential home to be located further from overheads to the rear of the property.

Q21. Does the lot comply with the decisions made about lot size during the subdivision rules revision process?

A: The lot was previously legally platted and does not require subdivision. It is of a conforming size in terms of area and width for R-1 lots. It is possible, depending on the home design selected by the builder, that a setback variance may be requested. The standards for consideration of approval would be no different than for any other lot in the city.

Public Hearing and Timeline for Development

Q22. When will there be a public hearing and what is the timeline for development?

A: The State will announce funding awards after the December 15, 2022 Minnesota Housing Board meeting. The developers will meet with City staff in early January to determine the timeline for development. It is likely that there will be a public hearing regarding the rezoning and platting on the Meander and Circle Down properties at a Planning Commission meeting in February or March of 2023. The Douglas property does not need rezoning or platting and does not require a public hearing or Planning Commission approvals.

Developers plan to complete the approval process in order to break ground in the summer of 2023 and complete construction by the fall of 2024.

Staff will provide updates on the timeline as available directly to interested parties who have shared their email and by posting on the HOPE page on the City website.

For questions or more information, contact Golden Valley Housing and Economic Development Manager Cherie Shoquist at cshoquist@goldenvalleymn.gov.

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