

## Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: September 25, 2007  
To: Council Member Lisa Goodman, Chair, Community Development Committee

**Subject:** Collaborative project between the City of Minneapolis and Hennepin County to contract with Greater Metropolitan Housing Corporation working with Hennepin County Sentence to Service Construction Crews to develop new homes in Minneapolis to be sold for owner occupancy.

### Recommendation:

1. Authorize CPED staff to enter into an agreement to collaborate with Hennepin County, Greater Metropolitan Housing Corporation and Hennepin County Sentence to Service Program to construct new homes through the Home Ownership Program on sites conveyed to the City from Hennepin County Taxpayer Services and execute all necessary documents.
2. Authorize CPED to acquire three properties (3223 – 22<sup>nd</sup> Avenue South, 2640 – 14<sup>th</sup> Avenue South and 3518 – 4<sup>th</sup> Street North) from Hennepin County Taxpayer Services for \$1 each for inclusion in the Home Ownership Program.

**Previous Directives:** None

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Approved by: Charles T. Lutz, Deputy CPED Director _____
Elizabeth Ryan, Director, Housing Policy & Development _____
Presenters in Committee: Edie Oliveto-Oates, Senior Project Coordinator

### Financial Impact

- No financial impact
- Action requires an appropriation increase to the Capital Budget \_\_\_\_\_ or Operating Budget \_\_\_\_\_
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

### Community Impact

Neighborhood Notification Notice was sent to the affected neighborhoods on September 12, 2007.

**City Goals:** A SAFE PLACE TO CALL HOME - *Housing, Health and Safety* - In five years all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

**Sustainability Targets:** Creation of Affordable Housing Units

## **Supporting Information**

Hennepin County has determined that the criminal justice system is the fastest growing segment within Hennepin County government and that recidivism for offenders released from prison in the State of Minnesota is over 40% and 65% nationally. More than 95% of STS Homes Program participants have not returned to the criminal justice system and have gone on to become productive income earners, putting their newly-learned trade proficiency to work to support their families.

As a result of these findings, Hennepin County Board of Commissioners passed the attached resolution. In the resolution, they directed the Department of Community Corrections to expand the STS Homes program to train more offenders to be carpenters, and respond to the increasing demand from private sector contractors/developers and local government entities. They also directed the Department of Taxpayer Services to assist the Department of Community Corrections and its STS Homes program in identifying tax forfeited properties, and to provide whatever assistance is necessary to construct or remodel residential housing on those properties.

Subsequently, Community Planning and Economic Development (CPED) staff were approached by representatives of Hennepin County Taxpayer Services to develop a collaborative effort to accomplish this goal. Initial discussions identified Greater Metropolitan Housing Corporation (GMHC), due to their experience working with the STS Homes program, to construct the homes included in the program.

At this time, Taxpayer Services has identified three structures in their inventory to be included in this program. The properties are 3223 – 22<sup>nd</sup> Avenue South, 2640 – 14<sup>th</sup> Avenue South and 3518 – 4<sup>th</sup> Street North. It is anticipated that the existing structures will be demolished and a new approximately 1650 square foot, two-story single family home will be constructed on the sites.

Hennepin County Taxpayer Services proposes to convey the property to the City of Minneapolis and write-off all of their costs, including the appraised value of the property but have requested reimbursement for their legal expenses to clear title. The County has provided cost sheets indicating that they estimate their financial contribution to the program will exceed a 1 to 1 match for the city's contribution. The City will act as a pass through of the property to GMHC who, working with STS, will develop the new homes. As part of the development subsidy, the City will pay all post forfeit special assessments against the property and the cost of demolition.

Based on a sample pro-forma provided by GMHC for a standard home of this size constructed under their current program with STS, staff has estimated that there exists a development gap of approximately \$33,000 per home (see attached pro-forma). CPED staff estimates that the cost to the City to develop these three new homes will be approximately \$100,000 and has identified funding for this program from the Home Ownership Program. The Home Ownership Program is an existing City Council approved program that is in partnership with the Greater Metropolitan Housing Corporation.

Staff seeks approval to enter into an agreement to collaborate with Hennepin County, Greater Metropolitan Housing Corporation and Hennepin County Sentence to Service Program to construct new homes through the Home Ownership Program on the sites conveyed to the City from Hennepin County Taxpayer Services and execute all necessary documents. Staff further seeks approval to acquire the three sites from Hennepin County for \$1 each for inclusion in the Home Ownership Program.

Hennepin County, Minnesota

RESOLUTION NO. 07-5-220

[2007]

Locked

The following Resolution was offered by Commissioners Johnson, Steele, seconded by Commissioner Stenglein:

WHEREAS, the criminal justice system is the fastest growing segment within Hennepin County government, and

WHEREAS, Hennepin County has an ongoing directive to all of its departments to work smarter and more efficiently with taxpayer dollars and in the delivery of all county services and programs, even in the face of growing needs, and

WHEREAS, the highly successful Sentence to Service Homes Program was developed by Hennepin County Community Corrections in 2000 as an innovative, restorative justice model designed to provide participating offenders with a marketable skill in high demand by contractors and developers, and

WHEREAS, Sentence to Service Homes Program participants are trained to become carpenters by accomplished carpentry supervisors hired through the Minneapolis Building Trades Union, and

WHEREAS, there is a growing demand within Hennepin County to build and remodel residential homes on tax forfeited properties, and

WHEREAS, last year Sentence to Service Homes crews worked on homes for Habitat for Humanity, as well as providing carpentry labor for the City of Minneapolis and the Greater Metropolitan Housing Corporation in the construction of affordable new homes for low and moderate-income residents throughout Hennepin County, and

WHEREAS, recidivism for offenders released from prison in the State of Minnesota is over 40%, and 65% nationally; but less than 5% for participants in the Sentence to Service Homes Program, and

WHEREAS, each re-offending felon costs Minnesota taxpayers \$28,000 a year to imprison, plus the cost of social programs to care for their families while they are incarcerated, and

WHEREAS, more than nineteen of every twenty Sentence to Service Homes Program participants have not returned to the criminal justice system and have gone on to become productive income earners, putting their newly-learned trade proficiency to work to support their families, and

WHEREAS, the Sentence to Service Homes Program generates an income stream through revenue-producing partnerships, and compensates county taxpayers for a majority of its operational costs, and

WHEREAS, discussions with Sentence to Service Program coordinators have determined that this planned expansion of the program will have a net additional costs to county taxpayers of \$0.00, with no major expenditures to initiate and operate the program expected and existing personnel available to help staff and administer the program, and

WHEREAS, the Sentence to Service Homes Program is considered one of the most successful offender reentry programs in the nation because it provides participants with a marketable skill, allows for full reintegration into the workforce immediately upon release, and inspires them to forge new links within their community as contributing members of society,

BE IT RESOLVED, that the Department of Community Corrections is hereby directed to expand the STS Homes program to train even more offenders to be carpenters, and respond to the increasing demand from private sector contractors and developers, and local government entities, and

BE IT FURTHER RESOLVED, that the Department of Taxpayer Services be directed to assist the Department of Community Corrections and its STS Homes program in identifying tax forfeited properties, and to provide whatever assistance is necessary to construct or remodel residential housing on those properties, and

BE IT FURTHER RESOLVED, that the Department of Community Corrections transition the Adult Corrections Facility and its Industry Program to accommodate said expansion of the STS Homes program.

**City of Minneapolis/Hennepin County/GMHC/Sentence to Service  
RESIDENTIAL PRO FORMA**

***Hennepin County STS Program***

**Building Type: 2-Story Single Family Aprox. 1650 SF**

**Construction Costs**

(a.) base price	\$94,000	
(b.) STS Crew Labor	\$30,000	
(c.) Sewer / Water Installation	\$6,000	
(d.) GMHC lumber package	\$44,000	
(e.) GMHC cabinets and tops	\$6,000	
(f.) GMHC security system	<u>\$1,200</u>	
<b>(1.) Total Construction Costs (a - h)</b>		<b>\$181,200</b>
<b>(2.) Contingency</b>		<b>\$2,000</b>
<b>(3.) Demolition and site prep./specials, etc. (Pd by City)</b>		<b>\$25,000</b>

**Soft Costs**

(a.) Financing interest (3.5 % for est. 6 months)	\$2,718	
(b.) Property taxes	\$0	
(c.) Insurance	\$450	
(d.) Title and recording	\$1,000	
(e.) Legal fees	\$0	
(f.) Points construction/mortgage loans	\$0	
(g.) Closing costs	\$850	
(h.) Appraisals	\$325	
(i.) Utilities	\$600	
(j.) Property management (est. 3 months)	\$600	
(k.) Printing / Advertisement Fees	<u>\$500</u>	
<b>(4.) Total Soft Costs (a - k)</b>		<b>\$7,043</b>
<b>(5.) Developer fee</b>		<b>\$10,000</b>
<b>(6.) Acquisition from Hennepin County</b>		<b>\$1</b>
<b>(7.) Marketing (3.5% of appraised value)</b>		<b><u>\$7,000</u></b>
<b>(A.) Total Development Costs (1 - 8)</b>		<b>\$232,244</b>
<b>(B.) Appraised Value (Sales Price)</b>		<b>\$200,000</b>
<b>(C.) Net Income or Deficit (B - A)</b>		<b>-\$32,244</b>