H.3

CITY OF ROCHESTER MINNESOTA

REQUEST FOR ACTION

Home Ownership Creation Program - The American Cooperative of Rochester Recommendation

MEETING DATE:
July 20, 2026

ORIGINATING DEPT:
Community Development

AGENDA SECTION:
Reports and Recommendations

PRESENTER:
Taryn Edens

Action Requested:

Adopting a Resolution approving the contribution of $1,900,000 to The American Cooperative of Rochester development to support the creation of 95 owner-occupied senior cooperative homes via the Home Ownership Creation Program.

Report Narrative:

The Council approved the Home Ownership Creation Program on April 22, 2024. The program supports the creation of for-sale housing in two ways:

1. Ensuring the maximum sale price is affordable to households earning 115% of the area median income (AMI) or below. This path provides a maximum reimbursement amount of $20,000.
2. Supporting proposals creating high volumes of homes with upfront subsidies. Proposals must include a portion of units meeting the maximum sale price affordable to households earning 115% AMI based on the number of proposed units as follows:
    - Number of proposed units: portion of 115% AMI units
    - 50-100: 60%
    - 100-150: 30%
    - 150-200: 20%
    - 200-250: 15%
    - More than 250: 10%

Council Action is requested to approve a contribution of $1,900,000 from Economic Vitality Funding via the Home Ownership Creation Program to support the creation of 95 for-sale dwellings at the American Cooperative of Rochester Development. The development proposes that all units of the homes to be priced below $452,800, ranging in price between $188,500 and $439,000 after the contribution was applied to a price reduction for each home. Thus, 100% of the 95 units are priced to meet the required number of 115% AMI units. The proposed development is financed through HUD, specifically through a HUD 213 Loan. A HUD Section 213 loan is a form of Federal Housing Administration-insured financing that supports the construction or rehabilitation of cooperative housing, where residents purchase shares in a nonprofit corporation rather than individual units. These loans come with stricter long-term requirements, including regulated resale of coop shares, minimum financial performance standards, and HUD oversight to ensure the project remains stable, affordable, and compliant over time.

The development will house a five-story building. The building will include two elevators and underground heated garage parking. The overall design of the building is intended to require low maintenance, such as a mix of siding materials and a rubber membrane flat roof with ballast rock. Units range in size from 1,000 square feet to 1,934 square feet. The target market for this project is seniors (62 or older at the time of the project), and the property is restricted for occupancy by seniors.

This contribution is recommended, noting the agreement and development include:

- All units record a Common Interest Community Declaration (CIC), and abide by the Bylaws, and an Occupancy Agreement. The CIC and Bylaws restrict the sale of the share of each home to 4.5% annual compounded appreciation, subject to the HUD loan with a term of 40 years, thus offering a higher standard than previous developments in which resale restrictions are included
- The CIC and Occupancy Agreement require owner-occupancy
- The project will be completed within two years of the commencement of the Development, no later than December 31, 2029, with the option to extend an additional year.
- A mix of dwellings at different sales prices to encourage diversity in price points and income levels

This development is recommended as it will result in a high volume of housing production, support housing diversity, and provide a unique housing solution for seniors that maintains a high level of affordability.

Priorities & Foundational Principles:

Affordable Living
Economic Vibrancy & Growth Management

Policy Considerations & DEI Impact:

The City strives to promote and provide diverse and affordable housing options for residents. The City of Rochester Home Ownership Creation Program specifically addresses these goals by supporting the development of for-sale housing, in turn increasing our community's inventory of housing options and creating pathways for growing generational wealth.

Funding awards will support the overall policy goals of the Home Ownership Creation Program as outlined below:

Support the development of owner-occupied affordable housing - 2025 Maxfield Olmsted County Housing Needs Assessment

Support Housing Access- Council Priority

Support all people having fair and equal access to adequate, affordable housing, now and in the future - Comprehensive Plan: 2040 Plan To Succeed

This program supports the community alignment of diversity, equity, and inclusion by furthering socioeconomic equity. The Maxfield Housing Needs Assessment identified several housing gaps in our community, one being the need to create more owner-occupied housing units. Though many solutions are needed to support our housing needs, the creation of owner-occupied units builds wealth for generations to come.

The potential negative impact on socioeconomic equity of this program is the possibility of reimbursed funds not being used to benefit the end users. To mitigate this risk, processes are used to ensure the number and price of homes created meet the requirements of the agreement, ensuring long-term affordability of the Economic Vitality Affordable Units through a Common Interest Community Declaration, Occupancy Agreements, and requiring the developer to submit information to ensure the funds benefit the end user through a reduction in the price of the home. Furthermore, recipient dwellings are unable to rent their homes.

Prior Legislative Actions & Community Engagement:

December 6, 2021: Council Meeting - 2022-2025 Affordable Housing proposed investment initiatives

approved.
February 23, 2022: Council Meeting - Fee Reimbursement Pilot Program authorized.
April 22, 2024: Council Meeting - Home Ownership Creation Program authorized.
June 10, 2024: Study Session - Economic Vitality Update.
July 15, 2024: Council Meeting - Home Ownership Creation Program - Prairie Ridge approved.
April 7, 2025: Council Meeting - Home Ownership Creation Program - Westbury approved.
October 10, 2025: Council Meeting - Home Ownership Creation Program - London Brook Ponds approved.

Fiscal & Resource Impact:

Funding is committed to the developer at certain checkpoints during development but is considered an up-front subsidy. The amount to be awarded averages to approximately $20,000 per unit. The Economic Vitality Fund is the funding source for this program.

Alternative Action(s):

Alternative actions include reducing the amount awarded, recognizing this will in turn impact the final sales price of the homes.

Prepared By:

Taryn Edens

Attachments:

Presentation - Home Ownership Creation Program American Cooperative of Rochester

Agreement - Affordable Housing Agreement

Application - The American Cooperative of Rochester

Resolution - The American Cooperative of Rochester