



REQUEST FOR ACTION

Funding the Home Ownership Creation Program - Fee Reimbursement Path with Economic Vitality funding

MEETING DATE:

May 4, 2026

ORIGINATING DEPT:

Community Development

AGENDA SECTION:

Consent Agenda

PRESENTER:

Taryn Edens

Action Requested:

Adopting a Resolution approving the allocation of Economic Vitality funding for the Home Ownership Creation Program - Fee Reimbursement path to support the creation of owner-occupied housing.

Report Narrative:

The Council approved the Fee Reimbursement Pilot Program on February 23, 2022, with the first application approved on May 2, 2022. The pilot reimbursed up to \$20,000 in City-paid fees for owner-occupied units priced at \$350,000 or less. It was funded with \$500,000 in one-time holistic budget stability dollars and has supported 75 for-sale units. This original funding source is now nearly exhausted.

On April 22, 2024, the Council approved the Home Ownership Creation Program, which replaced the pilot and established two eligibility pathways:

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
 - ii. 50-100: 60%
 - iii. 100-150: 30%
 - iv. 150-200: 20%
 - v. 200-250: 15%
 - vi. >250: 10%
 - Allow for staff to approve reimbursements administratively
 - Upfront subsidies eligible through large-scale proposals will continue to come to the Council for approval
 - Home is restricted from renting for a period of time

In the April 2024 action, the Council also identified Economic Vitality funds from the Sales Tax Extension as the future funding source for program continuation. Because the original holistic budget stability allocation is nearly exhausted, staff is requesting Council approval to shift the fee reimbursement pathway to Economic Vitality funding until a new allocation—up to \$997,000—is fully expended.

This would allow staff to continue approving qualifying applications under the existing guidelines and

support fee reimbursements for up to an additional 150 owner-occupied units. Although the maximum reimbursement is \$20,000 per unit, actual reimbursements average \$6,000–\$7,000 per unit, with a \$500 administrative fee deducted per application. All reimbursements remain subject to funding availability and departmental review.

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 affordable housing.

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 Olmsted County Housing Needs Assessment
- Focus and drive Housing Access - City 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 through furthering socioeconomic equity. The Olmsted County 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, applicants must submit information to ensure the reimbursed funds benefit the end user. Furthermore, recipient dwellings are unable to rent their homes for five years after reimbursement.

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.

May 2, 2022: Council Meeting - Approved fee reimbursement for one unit.

May 16, 2022: Council Meeting - Amendments to Fee Reimbursement Pilot Program approved, including blanket approval of subdivision applications.

September 12, 2022: Study Session - Fee Reimbursement Pilot Program update and recommendations.

October 17, 2022: Council Meeting - Fee Reimbursement Pilot Program extended through 2023.

November 2, 2022: Council Meeting - Approved fee reimbursement for eight units.

November 14, 2022: Council Meeting - Approved fee reimbursement for 24 units.

June 5, 2023: Council Meeting - Mayowood Phase II approved waiving \$272,959 in City fees.

April 22, 2024: Council Meeting - Approved the Home Ownership Creation program.

Fiscal & Resource Impact:

The Council last approved this pilot program to be funded with \$500,000 of holistic budget stability funding. All funding allocated is nearly exhausted.

Funding support is provided on a first-come, first-served basis. The maximum fee reimbursement amount to be awarded is determined by eligibility, but not to exceed \$20,000 per unit. Projects qualifying for up-front subsidies are not limited to maximum award amounts, but rather determined based on the independently proposed project and the discretion of the Community Development Department, with

Council approval.

\$997,000 is the proposed allocation going forward, with a recommendation of utilizing the Economic Vitality fund, a sales tax-funded project, as the funding source. This could support the creation of an estimated 150 for-sale homes (based on funding utilization previously).

Alternative Action(s):

No alternative actions are suggested at this time. Denial of proposed funding and program guidelines results in a delay in supporting the creation of owner-occupied units.

Prepared By:

Taryn Edens

Attachments:

[Cover Page](#)

[Resolution - Funding the Home Ownership Creation Program - Fee Reimbursement path with Economic Vitality funding](#)