

Crow Wing County HRA
SPECIAL BOARD MEETING AGENDA

5:00 p.m. Tuesday, August 6th, 2019

Crow Wing County Jinx Ferrari Room

(Located on 2nd floor of the Historic Courthouse, 326 Laurel Street, Brainerd, MN)

“Our mission is to support the creation and preservation of affordable housing, economic development, and redevelopment projects towards a more vibrant Crow Wing County.”

AGENDA ITEMS

1. CALL to ORDER
2. ROLL CALL
3. DISCUSSION on 2020 LEVY and HOUSING TRUST FUND (*Attachment 1*)
4. ADJOURNMENT

Next Meeting: Tuesday, August 20, 2019

2019 Officers and Commissioners

Chair – Craig Nathan/District 4 (12-31-20)

Vice Chair – Theresa Goble/District 1 (12-31-22)

Secretary – Sharon Magnan/District 3 (12-31-19)

Commissioner – Michael Morford /District 2 (12-31-23)

Commissioner – Michael Aulie/District 5 (12-31-21)



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Housing & Redevelopment Authority

To: CWC HRA Board Members
 From: Jennifer Bergman, Executive Director, and
 Karen Young, Finance Director
 Date: July 31, 2019
 Re: Discussion on 2020 Levy and Housing Trust Fund

Background

Finance Director Karen Young and I met with County Commissioner Bill Brekken and County Administrator Tim Houle to discuss BLAEDC's funding. During our meeting, they brought up the shortage of workforce and affordable housing. They challenged us to think about ways and programs the CWC HRA could create to address this issue. They suggested considering an increase to the CWC HRA's levy to create programs.

We informed them that the CWC HRA hired Redevelopment Resources in June to study the workforce housing needs in Crow Wing County and provide recommendations to address the shortage; however, this report will not be completed until the end of 2019. Although we will not know what the recommendations are until the end of the year, the discussion was to be proactive and position ourselves to be able to implement recommendations in 2020 if the County Board authorized an increase in the levy.

In addition, BLAEDC gave a presentation to the CWC HRA Board at the July board meeting. Currently, Crow Wing County and the CWC HRA contribute funds to BLAEDC. The request was made to the CWC HRA to consider having the full Crow Wing County contribution come from the CWC HRA.

BLAEDC Funding

Currently, Crow Wing County provides \$44,750 to BLAEDC and \$20,300 to Cuyuna Range Economic Development Inc. (CREDI), and the CWC HRA provides \$21,000 for a total of \$86,050. BLAEDC is asking for an increase to \$112,000 (\$87,000 for BLAEDC and \$25,000 for CREDI). See Attachment 1a.

Housing Trust Fund Background

The Minnesota Legislature created and adopted a Housing Trust Fund (HTF) for Local Housing Development (see attachment 1b), which allows a local unit of government to allocate levy dollars into a Housing Trust Fund that can only be used for: 1) administrative fees; 2) grants, loans, and loan guarantees for the development, rehab, and financing of housing; 3) match other funds from federal, state, or private resources for housing projects; or, 4) provide down payment assistance, rental assistance, and homebuyer counseling services.

The Minnesota Housing Partnership has been coordinating efforts with local units of government to secure \$10 million in appropriations from the Legislature to match local investments. They have not been successful in appropriations, but their work did result in the new statute. They will continue to request appropriations from the Legislature.



Housing Trust Fund Examples

The Red Wing HRA created a HTF in 2015. Within their HTF, they created several programs: homebuyer assistance, owner-occupied rehab, and financial assistance for multi-family housing developments. In addition, they released an RFP to support small site development. The Red Wing HRA is offering a forgivable loan to encourage developers to incorporate two to six rental units on a site, which could be stand-alone residential or mixed-use. (See Attachments 1c–1g)

The Alexandria HRA just created a HTF in July of 2019. They identified four priorities for their HTF: single-family new construction, single-family rehab, rental rehab, and multi-family construction. Since the program was just created, they have not used any of their funds. The Alexandria City Council adopted an ordinance creating a HTF (see Attachment 1h).

CWC HRA Housing Trust Fund

The CWC HRA could consider creating a HTF to address housing needs in Crow Wing County. The statute is relatively vague, but the creation of a HTF is done by ordinance that would need to be approved and adopted by the County Board. The funds allocated to a HTF can only be spent on the four activities listed above.

Budget Implications

Attached are three budget options:

1. A total budget of \$991,500, which includes \$112,000 to BLAEDC, \$150,000 management fee for the Brainerd HRA, and a \$500,000 HTF resulting in a total levy request of \$729,500. (See Attachment 1i.)
2. A total budget of \$766,500, which includes \$112,000 to BLAEDC, \$150,000 management fee for the Brainerd HRA, and a \$250,000 HTF resulting in a total levy request of \$504,500. (See Attachment 1j.)
3. A total budget of \$501,500, which includes \$112,000 to BLAEDC, \$110,000 management fee to the Brainerd HRA, and no HTF. This would result in a total levy request of \$239,500. (See Attachment 1k.)

The Board also requested information on the impact to the tax payer. If the levy was increased to \$729,500, it would result in a tax rate of .734% and equates to approximately \$7.26 on a \$125,000 homestead. If the levy is \$504,500, it would have a tax rate of about .507% and a tax of approximately \$5.02 on a \$125,000 homestead. If the levy was increased to \$239,500, it would result in a tax rate of .241% and a tax of approximately \$2.38 on a \$125,000 homestead.

If the CWC HRA is interested in creating a HTF, the Brainerd HRA would need to add another position in order to take on the additional workload; therefore, Options 1 and 2 reflect an increase to the Brainerd HRA management fee from \$60,000 to \$150,000. Option 3 shows an increase to the Brainerd HRA management fee from \$60,000 to \$110,000. As a result of the Brainerd HRA management fee, the CWC HRA receives the services of an executive director, finance director, accounting specialist, finance assistant, rehab coordinator, and executive assistant. The Brainerd HRA has created several programs in the past six years, including the rehab programs, Scattered Site Replacement Program, and Tax Forfeited Property Program. In addition, we have facilitated several initiatives, including the redevelopment of Brainerd Oaks/Serene Pines/Dal Mar Estates, a housing study, the veterans/service member project, and the workforce housing study.



Recommendation

At the last board meeting, the discussion was to discuss other HTFs, provide information on the tax implications of Crow Wing County property owners, and to make a recommendation.

The three options for the HTF are: 1) Allocate \$500,000 to the HTF; 2) Allocate \$250,000; or, 3) Do not create a HTF. If the CWC HRA decides to create a HTF, the Brainerd HRA does not have the staff capacity to create and administer new programs and we would need to add a full-time position. We would anticipate a rehab specialist position that could assist the rehab coordinator with grant writing, processing applications, etc.

Staff would recommend providing \$112,000 requested by BLAEDC and in exchange enter into a Management Agreement that would require a CWC HRA representative be appointed to the BLAEDC Board and that we receive a copy of BLAEDC's budget annually prior to the authorization of the funding.

Staff would also recommend Option 2 listed above with a levy request of \$504,500 (\$112,000 to BLAEDC, \$250,000 for HTF – of which \$25,000 would be admin, and an additional \$65,000 for the Brainerd HRA to add another staff person to support and create the HTF).



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From: Tyler Glynn
Sent: Monday, July 22, 2019 2:46 PM
To: tim.houle@crowwing.us; 'Jennifer Bergman (jennifer@brainerdhra.org)'; debby.erickson@crowwing.us
Cc: Sheila Haverkamp; Megan Rehbein
Subject: Funding Request email

Tim, Debbie and Jennifer,

Thank you all for your time on Tuesday evening, it was a very nice informational meeting.

Based on the information provided at the conclusion of the Crow Wing County HRA meeting, I came back to the office indicating that the county does not need our formal funding request today (July 22nd), as the Crow Wing County HRA has a special meeting scheduled for August 6th to discuss BLAEDC funding, along with additional funding for consideration. Please let me know if I understood incorrectly, and I will make sure to submit a formal request yet today.

In addition, the CREDI board met last week and would like to submit an increased funding request for consideration.

In preparation for the August 6th meeting, our BLAEDC/CREDI request to CWC and/or CWC HRA is as follows:

BLAEDC Funding Request for 2020 – \$87,000.00 CREDI Funding Request for 2020 - \$25,000.00 Total for BLAEDC/CREDI = \$112,000.00

Thank you again for your support.

Tyler Glynn

Tyler Glynn
Economic Development Officer
Brainerd Lakes Area Economic Development Corporation (BLAEDC)

224 West Washington Street
Brainerd, MN 56401
218-828-0096 – office
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www.growbrainerdlakes.org<<http://www.growbrainerdlakes.org>>

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462C.16 HOUSING TRUST FUNDS FOR LOCAL HOUSING DEVELOPMENT.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given to them.

(b) "Commissioner" means the commissioner of the Minnesota Housing Finance Agency.

(c) "Fund" means a local housing trust fund or a regional housing trust fund.

(d) "Local government" means any statutory or home rule charter city or a county.

(e) "Local housing trust fund" means a fund established by a local government with one or more dedicated sources of public revenue for housing.

(f) "Regional housing trust fund" means a fund established and administered under a joint powers agreement entered into by two or more local governments with one or more dedicated sources of public revenue for housing.

Subd. 2. **Creation and administration.** (a) A local government may establish a local housing trust fund by ordinance or participate in a joint powers agreement to establish a regional housing trust fund.

(b) A local or regional housing trust fund may be, but is not required to be, administered through a nonprofit organization. If administered through a nonprofit organization, that organization shall encourage private charitable donations to the fund.

Subd. 3. **Authorized expenditures.** Money in a local or regional housing trust fund may be used only to:

(1) pay for administrative expenses, but not more than ten percent of the balance of the fund may be spent on administration;

(2) make grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing;

(3) match other funds from federal, state, or private resources for housing projects; or

(4) provide down payment assistance, rental assistance, and homebuyer counseling services.

Subd. 4. **Funding.** (a) A local government may finance its local or regional housing trust fund with any money available to the local government, unless expressly prohibited by state law. Sources of these funds include, but are not limited to:

(1) donations;

(2) bond proceeds;

(3) grants and loans from a state, federal, or private source;

(4) appropriations by a local government to the fund;

(5) investment earnings of the fund; and

(6) housing and redevelopment authority levies.

(b) The local government may alter a source of funding for the local or regional housing trust fund, but only if, once altered, sufficient funds will exist to cover the projected debts or expenditures authorized by the fund in its budget.

Subd. 5. **Reports.** A local or regional housing trust fund established under this section must report annually to the local government that created the fund. The local government or governments must post this report on its public website.

Subd. 6. **Effect of legislation on existing local or regional housing trust funds.** A local or regional housing trust fund existing on July 1, 2017, is not required to alter the existing terms of its governing documents or take any additional authorizing actions required by subdivision 2.

History: 2017 c 94 art 11 s 8

Final

Revised March 21, 2016

1.00 RED WING AFFORDABLE HOUSING TRUST FUND

(1) Purpose and Intent.

There is hereby created and established for the City of Red Wing a fund to be known and denominated as the Red Wing Affordable Housing Trust Fund. This fund shall include a preference for the creation of Workforce Housing units, which shall include moderate, low, and very low income households. The Trust Fund shall be a permanent endowment and continually renewable source of revenue to meet, in part, the housing needs of Moderate, Low Income and Very Low Income households of the City. The Trust Fund is to provide loans and grants to homeowners, and for-profit and non-profit housing developers for the acquisition, capital and soft costs necessary for the creation of new Affordable rental and owner-occupied housing. Preference shall also be given to those projects that ensure that the Assisted Units remain Affordable for the longer period possible. Projects funded by the Trust Fund shall be disbursed throughout the City so no single neighborhood experiences a disproportionate concentration of housing units for Low Income and Very Low Income households.

(2) Definitions.

In this section:

- (a) "Affordable" means a housing unit that has an Affordable Housing Cost.
- (b) "Affordable Housing Cost" means an amount satisfied by:
 1. For owner-occupied housing, a housing payment inclusive of loan principal, loan interest, property taxes, property and mortgage insurance, and homeowners association dues which allows a Moderate, Low Income or Very Low Income household to purchase a home, while paying no more than thirty (30%) of their gross household income; and,
 2. For rental or cooperative housing, a housing payment, inclusive of a reasonable allowance for heating, which allows a Very Low Income household to rent a unit, while paying no more than thirty (30%) of their gross household income.
- (c) "Area Median Income" means the median income for the Goodhue County area adjusted for family size, as published by the United States Department of Housing and Urban Development.
- (d) "Assisted Unit" means a housing unit that is Affordable because of assistance from the Trust Fund.



- (e) "Commission" means the City of Red Wing HRA Board of Commissioners.
- (f) "Workforce Housing" shall mean owner-occupied or rental housing units that are provided to households with at least one member per unit who is gainfully employed at the time of entry into the unit.
 - (i) Workforce housing may be designed for households that make 50% to 115% of AMI but shall be inclusive of all income levels households who meet the definition of gainful employment and can meet the Affordable Housing Cost as defined in Subpart b (1) and (2).
 - (ii) Gainful Employment is defined as an employment situation where the employee receives consistent work and payment from an employer at 30 hours per week or more.
- (g) "Grants Supervisor" means the Red Wing Housing and Redevelopment Authority Executive Director, or his or her designee.
- (h) "Low Income" means gross household income adjusted for family size that is at or below eighty percent (80%) of Area Median Income, but more than fifty percent (50%) of Area Median Income.
- (i) Moderate Income means gross household income adjusted for family size that is at or below 115 percent (115%) of Area Median Income, but more than Eighty percent (80%) of Area Median Income.
- (J) Project may mean a single family house or a multifamily apartment complex, either as owner-occupied property or rental property.
- (k) "Recipient" means any homeowner, for-profit or non-profit housing developer that receives funds in the form of a loan or a grant from the Trust Fund Account. A Recipient may be an individual, partnership, joint venture, limited liability company or partnership, association or corporation.
- (l) "Tax Incremental Financing Equity Participation Payment" means an equity payment received by the City from a developer pursuant to a TIF Development Agreement in which the tax incremental district has been dissolved.
- (m) "Trust Fund" means the Red Wing Affordable Housing Trust Fund.
- (n) "Very Low Income" means gross household income adjusted for family size that is at or below fifty percent (50%) of Area Median Income.

(3) Trust Fund Account; Sources of Trust Fund Moneys.

- (a) There is also hereby established a Red Wing Affordable Housing Trust Fund Account, to be maintained by the Red Wing Housing and Redevelopment Authority (HRA). All funds received by the HRA on behalf of the Trust Fund shall be deposited in the Trust Fund Account. Principal and interest from loan



repayments, and all other income from Trust Fund activities, shall be deposited in the Trust Fund Account. All interest earnings from the Trust Fund Account shall be reinvested and dedicated to the Trust Fund Account.

(b) The Trust Fund shall consist of funds derived from the following, but not limited to:

1. Private cash contributions designated for the Trust Fund;
2. Payments in lieu of participation in current or future affordable housing programs;
3. Matching funds from a federal affordable housing trust fund;
4. Principal and interest from Trust Fund loan repayments and all other income from Trust Fund activities.
5. Budgeted payments made by the HRA Tax Levy fund as approved by City Council.
6. Matching funds from a State affordable housing trust fund or a State program designated to fund an Affordable Housing Trust Fund.
7. Employer based funds and matches.

(c) The Trust Fund may consist of funds derived from any other source, including but not limited to the following, subject to approval by the City Council, upon notification from the Finance Director that funds are available.

1. Amounts from the Operating Budget equivalent to City fees collected from dedicated uses related to housing, such as reinspection fees;
2. Tax Incremental Financing Equity Participation Payments;
3. Any other appropriations as determined from time to time by action of the City Council.

(4) Trust Fund Distributions.

(a) The Trust Fund is to function as an endowment fund to fund loans and grants in accordance with this Section. The Trust Fund program shall be administered by the HRA Executive Director. No disbursements may be made from the Trust Fund Account without the prior recommendation of the HRA Commission and authorization by the City Council.

(b) Disbursements from the Trust Fund Account shall be made as loans or grants to assist Recipients in the creation of Assisted Units. Recipients may use the funds to pay for: capital costs, including but not limited to the actual costs of



rehabilitating or constructing Assisted Units; preserving affordable units; demolishing or converting existing non-residential buildings to create new Assisted Units; real property acquisition costs; and professional service costs, including but not limited to, those costs incurred for architectural, engineering, planning and legal services which are attributable to the creation of Assisted Units.

- (c) Trust Fund moneys may not be used for operating expenses of any program, or supporting services such as childcare or any other social program.
 - (d) At least 25% of the funds eligible for disbursement annually shall be used to create Assisted Units for Low Income households.
 - (e) Funding for Rental Assisted Units shall be available only to households whose gross income, adjusted for family size, is at or below eighty percent (80%) of Area Median Income at time of entry into the unit.
 - (f) Owner-occupied Assisted Units shall be available to households who are Moderate, Low Income or Very Low Income.
 - (g) The HRA Commission shall periodically review the terms of assistance, and structure these terms to encourage the longest period of affordability possible.
 - (h) Loans or grants from the Trust Fund shall be used to develop Assisted Units within a project. The Trust Fund may assist up to one hundred percent (100%) of the units within a building or development of one (1) to nine (9) total units, up to fifty percent (50%) of the units within a building or development of ten (10) to fifteen (15) units, and up to twenty-five percent (25%) of the units within a building or development of sixteen (16) or more units.
 - (i) Assisted Units shall be distributed throughout the building or development so as to avoid a disproportionate concentration in any one area.
 - (j) The HRA Commission shall give preference to projects not located in any Tax Incremental District whose project expenditure period has not expired.
 - (k) Notwithstanding the stated purpose in subsection (1) herein to create the Fund as a continually renewable source of revenue, the Commission may, in its discretion, recommend that disbursements from the Trust Fund Account may be made as grants at any time that the Trust Fund Account balance exceeds \$50,000. The Commission will revisit this amount from time to time to ensure that the objectives of the AHTF are being met and the amount is set at the proper level to achieve the objectives.
- (5) HRA Commission's Powers and Responsibilities.
- (a) The Commission shall have the following powers and duties as regards to the Trust Fund:



1. Recommend policies, goals and objectives for the Trust Fund program to the Mayor and the City Council;
 2. Review project funding requests and recommend to the Mayor and the City Council all disbursements from the Trust Fund;
 3. Investigate and recommend to the Mayor and City Council additional sources of money for deposit to the Trust Fund Account; and
 4. Publish and distribute requests for proposals and notices of funding availability.
- (b) All projects considered for funding will be reviewed prior to HRA Commission action by the HRA staff, and the Executive Director shall submit to the Commission comments and recommendations.
- (c) The Commission shall within thirty (30) days following the close of each fiscal year prepare and submit an annual report to the City Council on the activities undertaken with funds from the Trust Fund. The report shall specify the number and types of units assisted, the amount loaned per Assisted Unit, the amount of state, federal and private funds leveraged, the geographic distribution of Assisted Units and a summary of statistical data relative to the incomes of assisted households, including their monthly rent or mortgage payments, and the sales prices of owner-occupied Assisted Units.
- (6) Term of Affordability.
- (a) The minimum term of affordability for any Assisted Unit shall be fifteen (15) years. The Commission shall give preference to those projects that ensure that the Assisted Units remain Affordable for the longer period possible.
 - (b) Assisted Units shall be deed restricted to ensure long term affordability.
 - (c) The HRA will utilize loan agreements with the recipients of the Trust Fund. The loan agreement will clearly state the conditions and requirements for recipients use of Trust Fund monies, including the term of compliance, transfer or sale requirements and other requirements as specified.
 - (d) In those cases where an Assisted Unit is sold or transferred, or where an Assisted Unit is no longer Affordable, the initial Recipient of assistance from the Trust Fund shall be obligated to repay to the Trust Fund the original loan amount, plus a pro-rated percentage of the appreciated value of the Assisted Unit as determined by the Commission.
 - (e) The HRA Staff and Commission shall enforce all debt and lien instruments to the fullest extent of the law. The Commission may recommend to the City Council, debt settlement offers, if it is determined to be in the best interest of the City.

(7) Exception Authority.

- (a) The City Council may make exceptions to any part of this memorandum if it is determined to be in the best interest of the City.





RED WING HOUSING & REDEVELOPMENT AUTHORITY

428 WEST FIFTH STREET, RED WING, MN 55066

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**Red Wing
Housing and Redevelopment Authority**

**Affordable Housing Trust Fund
Homebuyer Assistance Program**



Program and Polices:
Revised August 2018

Our Mission

To provide quality, affordable, sustainable housing and community redevelopment programs utilizing resources that develop public and private partnerships.

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Purpose and Background

Funding

Funding for this program is made available through the Red Wing Affordable Housing Trust Fund (AHTF). The AHTF Memorandum approved by the HRA and City has a preference for funding opportunities for workforce housing. At least one member of the applying household must be employed as full-time. At this time, approximately 20% of the AHTF is being made available to eligible applicants for homebuyer assistance. For the Years 2017 and 2018, the allocation shall be \$60,000.

The purpose of the program is to assist low and moderate-income workforce families with the purchase of affordable housing in the City of Red Wing. This program will provide financial assistance to households who have income at or below 115% of the area median income. This program's intention is to empower Red Wing households who are on the cusp of homeownership but need financial assistance to secure a home loan from a lender. Eligible households can receive up to \$9,000 for homebuyer assistance based on need.

The homebuyer assistance will act as a soft second loan at zero percent interest. This means that the borrower will not need to make monthly payments on this loan. The loan is not forgivable. It must be paid back by the homeowner upon the sale of the house, vacating the house as a primary residence, or at the expiration of the 30-year term.

The program is effective September 2017 and will continue until the \$60,000 allocation of funds is dispersed. Applicants are encouraged to apply for loans funded through Minnesota Housing Finance Agency (MHFA) Home Buyers Programs, the USDA Rural Development Housing programs and HUD FHA programs. These programs are often available through local lenders or mortgage brokers.

Program is subject to change.

Eligibility Criteria

A. Maximum Income:

To be eligible for the Red Wing HRA Homebuyer Assistance Program, the total household income must be at or below the income limits* based on household size:

| Household Size | Maximum Income |
|----------------|----------------|
| 1 | \$62,560 |
| 2 | \$71,530 |
| 3 | \$80,500 |
| 4 | \$89,355 |
| 5 | \$96,600 |
| 6 | \$103,730 |

*115% income limits are based on HUD income limits and are subject to change. (Revised August 2018)

All household members over the age of 18 will have their income reviewed to determine *household* eligibility even if all members do not sign the mortgage.

Households must initially be at or below the maximum income at time of closing; however, income will not be monitored after loan closing.

The agency will certify annually that the household resides in the house.

B. Mortgage Qualification

Have prior contact with a lender and secure their conditional approval for a mortgage. Letter from the lending institution. It must state that your home mortgage application is accepted by the lender contingent on a homebuyer assistance that is at or below \$9,000.

C. Home Buyer Training

At least one household member must attend a Home Stretch (NSP approved) Homebuyer education course and provide us with a copy of the completion certificate. Courses can be located at: <http://www.hocmn.org/en/index.cfm>

D. Credit Score

Applicant must have a credit score of 620 or higher and lender will provide confirmation that the credit score meets the requirement. If the HRA must perform a credit check, there is a non-refundable \$25 fee per adult on the application.

E. Budget

Create an accurate household budget (free assistance is available from <http://www.hocmn.org> under 'other services' and 'credit repair'). It will need to show ability to repay home mortgage.

F. Processing Fees

For applicants who receive the Homebuyer Assistance Program there will be a processing fee of \$100. The processing fee can be paid up front or subtracted from the final loan amount at closing. Applicants are also responsible for the all filing fees at the court house and any cost regarding a title search.

G. Purchase Agreement

Applicant must have a signed purchase agreement for the property. The property must meet the requirements as noted below. If the house is in question to any of the items below please contact HRA staff before submitting an application. If applicable, the HRA will not inspect any houses until a purchase agreement is signed.

H. Property Requirements

- All properties must meet Section 8 Existing Housing Quality Standards; if a FHA House inspection has been completed it will meet this requirement as long a copy of the inspection is provided to the HRA.
- All properties constructed before 1978 must pass a visual inspection of lead paint hazards. This must be completed by qualified HRA staff. If a property fails a visual inspection, a formal lead inspection at the cost to the owner, will be required. Any unstable surfaces (including chipped or peeling paint) will need to be remediated before the HRA will consider the property eligible.
- House must be 'move-in' condition (no major construction or repairs needed prior to move-in).
- House must be primary residence of applicant(s).
- House must be located in the city of Red Wing.
- House must receive city water and sewer services (no private wells or septic systems).

- House must be suitable size for family size.
- House must have an appraised value equal to or greater than all loans.

I. Priority

- Applications will be processed in order we receive them.
- Applications will be funded as they are completed and approved.
- You DO NOT need to be a first time homebuyer to receive funding.
- The HRA will stop accepting applications once the HRA receives enough applications to utilize the \$60,000 allocation.
- Funding is subject to availability.

J. Household Contribution

Applicant must contribute a minimum of \$1,000 of their own funds toward the purchase of the home (earnest money can make up part or the entire requirement).

Loan Details

A. Interest Rate and Terms

The maximum AHTF loan amount will be up to \$9,000.

The household's monthly house payment cannot exceed 32% of the gross income.

Applicant must contribute a minimum of \$1,000 of their own funds toward the purchase of the home (earnest money can make up part or the entire requirement).

The interest rate will be set at 0% for the length of the term. The term is for 30 years or for as long as the original homebuyers owns and resides in the home. Loan is due in full upon sale of the house or when the owner moves out.

The loan may be transferred to another homeowner, at the time of sale; if they are income qualified and verified through the Red Wing HRA.

B. Lending Institutions

You can use any lending institution of your choice.

Lending Institutions do not have to be located in Red Wing, MN.

Minnesota Housing Finance Agency offers First time homebuyer programs through local lenders. Local lenders who are currently participating in one or more first-time homebuyer program include:

- Associated Bank 222 Bush St
- Merchants Bank, 2835 South Service Drive
- Well Fargo, 401 Plum Street

For the most up to date list of local lenders who participate in a Minnesota Housing First-time homebuyer programs please go to:

<http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1360799177096&pageName=External%2FPage%2FEXTIFrameLayout>

Other Requirements

The applicant must meet the following requirements:

- 1) "Workforce Housing" shall mean owner-occupied or rental housing units that are provided to households with at least one member per unit who is gainfully employed at the time of entry into the unit.
- 2) (i) Workforce housing may be designated for households that make 50% to 115% of AMI but shall be inclusive of all income levels households who meet the definition of gainful employment and can meet the Affordable Housing Cost as defined in Subpart b (1) and (2).
- 3) (ii) Gainful Employment is defined as an employment situation where the employee receives consistent work and payment from an employer at 30 hours per week or more.
- 4) Applicant does not own other real estate, such as lakeshore property, farmland or residential property. The only exception is commercial property that generates income for payment of the house loan.
- 5) Applicant does not have ample resources to make the loan without down payment assistance.
- 6) Lender indicates the applicant will not receive the loan without down payment assistance.

C. Repayment Agreements

The borrower(s) is required to sign a Note and Mortgage in order to receive homebuyer assistance. Assistance will be provided in the form of an interest free loan payable upon sale of transfer of the property. Full repayment of the principal is due upon the sale, maturity or other transfer of the property or when the buyer no longer occupies the property as the principal residence.

Checklist for Applicant

To apply for this program the applicant will need to submit:

- A completed application with all signatures
- An accurate household budget, preferably created with assistance from a 3rd party
- Verification for a NSP homebuyer education course – a printout of upcoming class reservation or a NSP certificate that is less than 2 years old
- A check for \$25 per adult household member for credit report(s), if applicable.
- A letter from lender stating conditional approval for a mortgage based on a down payment amount of \$9,000 or less
- Purchase agreement for selected property
- \$1,000 to be used as equity for the applicant's purchase.

****This list is for a complete application.****

Partial applications will not be accepted.

What to Expect

Once completed applications are received and reviewed:

- 1) Staff will review documents.
- 2) Staff will contact lender.
- 3) Staff may request to meet with the applicant(s).
- 4) If applicant meets all eligibility guidelines the HRA will issue a conditional approval of Homebuyer Assistance.
- 5) HRA staff must receive all documents before approving loan (including Homebuyer Education Course certificate).
- 6) Two weeks prior to the closing date, the lender will send all necessary documentation required to the HRA. Upon receipt of the required documents, the HRA will prepare a check in the amount requested on the Homebuyer Assistance Request Form. Lenders should note that the Red Wing HRA must receive the completed Claim Form in order to initiate the financing process. Lenders should allow at least 10 days from receipt of the Claim Form to process a check.
- 7) Following the closing, the lender will be responsible for immediately forwarding copies of the warranty deed, one copy of the Second Mortgage and the original Note to the HRA. The lender is responsible for recording the Second Mortgage with the Goodhue County Recorder's Office and forwarding the recorded document to the HRA.

Exception Authority—the HRA may consider applications that do not meet the exact criteria because of circumstances beyond the control of the applicant.

Affirmative Marketing

Although funding for the program limits the number of participants, marketing efforts will comply with requirements of fair housing and any entity engaged in marketing and implementing this Red Wing AHTF program must not discriminate against households who may be included in protected classes. Furthermore, every effort must be made to engage in inclusionary marketing and to use the HUD fair housing logo whenever feasible. The logo appears on the cover of this guide.

Program Contact

Contact Randal Hemmerlin, at (651) 301-7028 at the Red Wing HRA for more details. Applications can be picked up from the Red Wing HRA between the hours of 9a.m. and 3:30p.m. or they can be downloaded from <http://www.redwinghra.org/>



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Red Wing Housing & Redevelopment Authority

428 West Fifth Street
Red Wing, MN 55066

Telephone & TDD (651) 388-7571
FAX (651) 385-0551

Website: www.redwinghra.org

To: Red Wing City Council
From: Randal Hemmerlin, Executive Director, HRA
Meeting Date: January 28, 2019
Agenda Item 8D

Title – *Agenda Item 8D, Request by HRA to allocate \$57,000 of the Affordable Housing Trust Fund (AHTF) money to the AHTF Homebuyers Assistance Program for use in 2019 or until used up.*

Purpose – *Staff requests City Council consideration of allocating \$57,000 of the AHTF cash reserves to the Homebuyers Assistance Program. The AHTF Memorandum agreed upon by the City and HRA Board of Commissioners requires that the City Council approve the allocation of funds before their use.*

Recommended Action – *HRA Staff, the AHTF Advisory Committee and HRA Board recommend allocating \$57,000 to the Homebuyers Assistance program for use in 2019 or until the allocation is used up.*

Attachments –

- None

Alignment with Strategic Plan – *The proposal falls under one of the four HRA's 2014 Strategic Plan strategies: Maintain existing and expand new public-private sector housing opportunities.*

The proposal meets the City's Strategic Plan Strategy Three: Community Vitality: Excel as a place to where people of all aged want to live and work. Spearhead initiatives that lead to sustainable population and economic growth, a well-trained future workforce, and an innovative, diversified employment base.

Goals and Action Steps B. Partner with the HRA to ensure residents of all incomes has proper housing for every stage of life;

Background – *The Homebuyers Assistance Program is seeing good participation. Merchants Bank has made four of the five loans closed with USDA Rural Development making one loan with a Habitat for Humanity house (new construction).*

Our approval to application ratio is five loans approved, one loan pending, to five applications withdrawn/denied since October 2017. (Five approved: 10 applied with one application pending).

*The HRA has lent out just under \$45,000 (\$44,495.30) to the Homebuyers. This leveraged about \$667,000 in loan funds for nearly a **\$15 lender funds to \$1 AHTF funds** ratio. Each*



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homebuyer has to put in at least \$1,000 of their own equity in the program. All borrowers meet the workforce housing condition of one member working at least 30 hours per week. One loan approved was for a condominium in downtown, the other four houses were single family detached. The range of sales was from \$60,000 to \$220,000 with the median being \$130,000.

All borrowers must attend a Homebuyers Education program.

Presently, we have three inquiries and one application pending. The application in process looks feasible. If this application is funded our initial allocation of \$60,000 will be just over \$6,000 remaining, not enough to make another \$9,000 loan.

Analysis:

The AHTF was initiated in 2015 with funding beginning in 2016. We receive \$100,000 per year from the HRA Tax Levy fund. We have \$186,842 at Associated Bank in a checking account and \$91,698.44 in a CD at Merchants Bank at the end of 2018. We have received \$1,359.07 in interest earned with the CD.

The following table shows the funds in the AHTF and requested uses:

| Sources for 2019 | Dollars |
|---|------------------|
| End of December 2018 | \$278,540 |
| 2019 Tax Levy Contribution | \$100,000 |
| Total Sources | \$378,540 |
| Uses for 2019 | Dollars |
| Home Rehab funds, if approved | \$ 72,000 |
| Homebuyers Assistance Allocation, if approved by City Council | \$ 63,000 |
| Small Site MFH Development, if approved | \$150,000 |
| Total Uses | \$285,000 |
| Remaining Balance | \$ 93,540 |

The above table indicates we will have ample funds available to consider funding the Homebuyers program with an allocation of \$57,000 additional funds for 2019. With just over \$6,000 in the existing allocation, the additional \$57,000 will allow us to make seven loans to homebuyers in 2019. Without this additional allocation, the Homebuyers Assistance Program will no longer be able to make any loans. At our AHTF Advisory Committee, John Parkes of Habitat for Humanity stated that they intend to have homebuyers apply for three AHTF loans in 2019.

- **AHTF Advisory Committee/Board of Commissioners involvement and input:** The AHTF Advisory Committee met on January 2 and gave a favorable recommendation to the HRA Board of Commissioner to allocate \$57,000 to the Homebuyers Assistance Program. The HRA Board of Commissioners met on January 8 and approved allocating the \$57,000 to the Homebuyers Assistance Program and recommended that the request be sent to the City Council for final approval.





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- **Proposed implementation plan and timeframe:** *2019 and until funds are used up in loans.*
- **Resident involvement and input:** *None*
- **Positive impacts on people (*including specific populations*), neighborhoods, & environments, AND strategies to lessen the potential negative effects and strengthen the positive effects:**
Qualified workforce households will be able to use these \$9,000 deferred, non-forgivable loans to more easily qualify for mortgage credit to be able purchase affordable housing in Red Wing. Besides, providing housing for a family, this program helps employers maintain their workforce, creates stability for families and may increase school enrollment.
- **Alternatives** –*City Council can deny the allocation and the HRA will no longer be able to process Homebuyer Assistance Loans to workforce families once the current allocation is used up.*
- **Recommended Action:** *HRA Staff, the AHTF Advisory Committee and the HRA Board of Commissioners make a favorable recommendation to the City Council to approve the allocation of \$57,000 from the AHTF reserves to be used for loans in the AHTF Homebuyers Assistance Program.*

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Red Wing Housing & Redevelopment Authority

428 West Fifth Street
 Red Wing, MN 55066
 TDD/TTY 7-1-1

Telephone (651) 385-7571
 FAX (651) 385-0551
 www.redwinghra.org

March 12, 2019

To: Red Wing HRA Board of Commissioners
 From: Randal Hemmerlin, Executive Director
 Re: Request for Action on \$72,000

Background:

The AHTF Advisory Committee met on August 2, 2018 and gave a favorable recommendation to the HRA Board of Commissioners on the use of the \$72,000 as leverage funding to apply toward a MN DEED Small Cities Development Program (SCDP) grant for the rehab of 12-13 owner occupied houses. This recommendation was forwarded to both the HRA Board of Commissioners and City Council and approved as an action item. The amount was later reduced to \$30,000 as we were advised by MN DEED we did not need \$72,000 for our size of an application. During the process of the actual application, MN DEED advised us to drop the housing rehab portion of our application totally, as it was considered marginally competitive and would not be funded. We have ceased that portion of the SCDP grant application.

Analysis:

In Target Area A and B, we have up to ten surveys of housing that could use rehab work. Target Areas A and B follow Highway 61 from West Avenue to about Jefferson Street (northern border) to 7th Street along the Bluff (southern border) See map below. We know of one house in particular that should be fixed up as the City Inspector has identified it as a problem property.

Proposal:

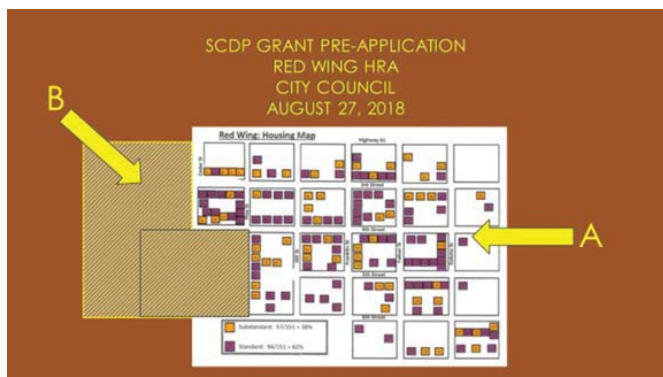
Utilize the \$72,000 as Owner Occupied Rehab funds in a program similar to the program that a SCDP grant would allow for rehab. We do not want to convert the funds into Small Cities Program Income funds but rather utilize the funds as AHTF Owner Occupied Rehab Program. The following would apply:

- \$24,000 maximum deferred loan with lien on property
- 0% Interest
- 10 year term
- Forgivable after 10 years (Prorate the amount by 10% per year upon sale of property, renting property or abandonment).
- Professionally completed project (No do-it yourself).

We would use loan documents similar to the SCDP program but modified for AHTF.

CEDA would process the applications for 12% administration fee (same as SCDP).

Target Areas A and B:





Red Wing Housing & Redevelopment Authority

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TDD/TTY 7-1-1

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Red Wing HRA Board of Commissioners
Owner Occupied Rehab
March 12, 2019
Page Two of two

Budget Impact:

The following table shows the 2019 funds in the AHTF and requested uses:

| Sources for 2019 | | Dollars |
|---|--------------------------|------------------|
| End of December 2018 | | \$278,540 |
| 2019 Tax Levy Contribution | | \$100,000 |
| | Total Sources | \$378,540 |
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| Homebuyers Assistance Allocation, if approved by City Council | | \$ 63,000 |
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| | Total Uses | \$285,000 |
| | Remaining Balance | \$ 93,540 |

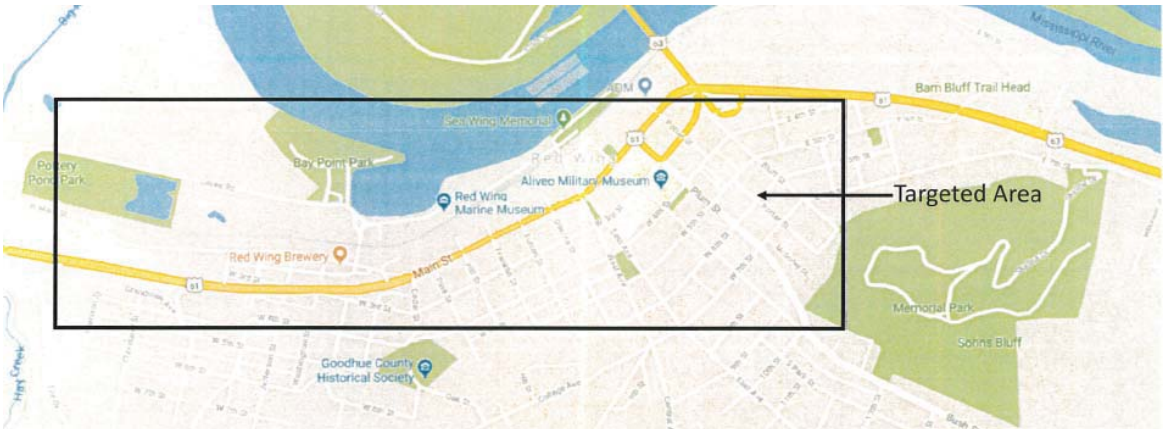
We have funds to do this proposal in 2019.

A report similar to this one was sent out to the AHTF Committee on January 29 requesting their approval to move this request forward. It was requested that they reply in a yes or no fashion. As of the date of this report preparation, we have received a majority of yes votes (five of seven).

Recommendation:

Staff, the AHTF Advisory and the Finance Committees give a favorable recommendation to the HRA Board of Commissioners to allocate \$72,000 of the AHTF money to be used in an Owner Occupied SFH Rehab program as described in this report. CEDA would be the loan processor of the applications. Funds to be used in Target Area A and B. If approved by HRA Board, the proposal would then be sent to the City Council for final approval and then implemented with deferred loans approved at the administrative level as similar to our SCDP loans.

**REQUEST FOR PROPOSALS
SMALL SITE DEVELOPMENT IN
RED WING, MINNESOTA
DOWNTOWN/OLD WEST MAIN/POTTERY PLACE
APRIL 1, 2019**



INTRODUCTION

The City of Red Wing HRA (HRA) is seeking development proposals for small site properties located in the Downtown/Old West Main/ Pottery Place areas. Proposed sites should be vacant, underutilized or blighted properties and suitable for re-use as a small site development. The HRA is looking for proposals that will incorporate two to six rental residential units on the site (s) which could be stand-alone residential or as a mixed unit development of retail or office space.

To encourage a development, the HRA will allocate up to \$150,000 in Affordable Housing Trust Fund money as a 0% interest rate, deferred and forgivable loan to be used in the development in the exchange for 1/3-1/2 of the units to be developed to be designated as affordable for households not to exceed 60% of the Area Median Income and with rents set at no more than 30% of the 60% Area Median Income level as defined by HUD. The other portion of the units should be rented at market rate. The term for providing affordable rents will be 15 years upon which the loan will be forgiven if all compliance terms are kept. The maximum amount of the loan will be determined by the number of residential units built:

| Number of Residential Units in Total/Number to be Designated as Affordable | Maximum Dollars for AHTF Deferred Loan |
|--|--|
| 2/1 | \$50,000 |
| 3/1 | \$75,000 |
| 4/2 | \$100,000 |
| 5/2 | \$125,000 |
| 6/3 | \$150,000 |



SITE FACTS

Location, size and current improvements

The Developer will present a proposal with a site selected by the developer in the targeted areas. Only proposals with sites in the City of Red Wing will be considered. All proposals should have site control to be considered in the RFP process. The Developer will design the type of housing/mixed use building to be constructed and provide sketches to the HRA for review. Housing units should have at least one covered parking spot per unit. Project design will match the site size. Sites with unused and excess land will be given less preference in the selection process.

Zoning and applicable plans

All proposals must meet City zoning requirements. It will be up to the Developer to ensure all City zoning requirements are met.

Soils, Wetlands, Flood Plains and other Environmental Considerations

It is the developer's responsibility to investigate all possible environmental impacts that may pertain to the property. In addition, the developer will be responsible to correct and pay for any costs associated with any environmental impacts.

Estimated Market value of the Property

All proposals will be assessed as to their validity against the estimated market value.

Sources and Uses of Funding

Besides the AHTF money, proposals will prepare a Sources and Uses of all funding and provide commitment letters for funding from the appropriate sources.

Development Goals

The HRA will consider development goals for this property as well as the offering purchase price. Acceptable developments may be of the following nature:

- New units only to be considered; no rehab of existing units; conversion of non-residential space will be considered as new units.
- May add units to a property with existing residential
- Tear down of existing units will be subtracted from total units for net units constructed
- Residential- General Occupancy or Senior designated Multifamily
- Mixed use with retail or office
- Attractiveness of Design
- Construction to begin within 6 months of selection will be preferred.

PROPOSAL DEADLINE

All proposals must be submitted as follows: one unbound copy and three bound copies. The HRA requires to have an electronic version as well sent to randal.hemmerlin@ci.red-wing.mn.us

Telefaxed proposals will not be accepted.



Proposals should be delivered to the Red Wing HRA. **Written proposals must be received at the office of the HRA by 3:00pm, July 1, 2019.**

To: Red Wing Housing and Redevelopment Authority
428 West Fifth Street
Red Wing, MN 55066

RFP INQUIRIES

Contact Randal Hemmerlin, Executive Director at 651-301-7028 with any questions you may have regarding this RFP.

PROPOSAL CONTENTS

The information being requested through this RFP is necessary for the HRA to adequately evaluate your proposal. Failure to supply the requested information may result in rejecting your proposal. The HRA is not responsible for any costs incurred by proposers or their subcontractors incurred in connection with preparing, presenting or negotiating a proposal.

Proposals must include the following:

1. Cover page that includes the following information:
 - a. Developer's name and mailing address
 - b. Developer's current legal status: corporation, partnership, sole proprietorship, etc.
 - c. Federal ID number or Social Security Number
 - d. State ID number
 - e. Contact name, address, title, phone and fax numbers, and e-mail address
 - f. Signature of authorized corporate officer for the proposing entity.
2. Description of the proposed development in narrative format, including timelines.
3. Identification of all entities that will be involved, including roles that will be played.
4. Detailed description of the sources and uses of funds to be used for the development.
5. List of the Development Team, including developer, lender, contractor, architect and other parties.
6. A description of the public benefits that will result from the development. This may be described in terms of number of housing units, job creation, tax base enhancement and so forth.
7. Site and Project sketches in enough detail for the HRA to evaluate the proposal.
8. Any other information that would help the HRA understand and evaluate the proposal.

The contents of the proposal and any clarification to the content submitted by the successful proposer may become part of the contractual obligation and be incorporated into the redevelopment agreement.



EVALUATION CRITERIA

In reviewing potential development concepts, the following criteria will be considered:

1. The experience and the financial and organization capacity of the developer in successfully planning and completing development projects.
2. The proposed timetable of the project.
3. Site control
4. Market and financial feasibility of the proposal.
5. Reasonableness of any proposed developer fee.
6. The ability of the developer to secure all funds necessary for the project.
7. The attractiveness and utility of the proposed development.
8. The public benefit of the proposal.
9. Overall quality of the submission.

The HRA, at its own discretion, may expand or reduce the criteria upon which it bases its final decision.

REVIEW/SELECTION PROCESS

The Staff of the HRA will review all proposals and submit the proposals and a recommendation to the AHTF Advisory Committee for their review. The AHTF Advisory will recommend and submit proposal(s) to the HRA Board of Commissioners for approval. HRA recommended proposals will then be sent to the City Council for final approval. More than one proposal may be funded under this RFP up to the funding amount.

The HRA reserves the right to reject any and all proposals or parts of proposals and/or to negotiate modifications of proposals submitted.

The selected developer will be required to enter into a redevelopment agreement with the HRA and comply with any applicable HRA requirements. A Declaration of Trust, promissory notes, mortgages and other documents will be required.

REZONING RESPONSIBILITIES

It is the selected developer's responsibility to undertake and finance any rezoning, variance and use permits necessary for approval of the proposed development.

UTILITIES

It is the selected developer's responsibility to identify the locations of and provide for the installation of electricity, gas, water, sewer service and other utilities servicing the site.

HOLD HARMLESS

The selected developer must agree to defend, indemnify and hold the HRA harmless from any and all claims and lawsuits that may arise from the developer's activities under the provision of the development agreement, that are attributable to acts or omission, including breach of specific contractual duties of the developer or the developer's independent contractors, agents, employees or officers.



ORDINANCE NO. 806
2ND SERIES

AN ORDINANCE AMENDING CITY CODE CHAPTER 5 BY CREATING
SECTION 5.11, HOUSING TRUST FUND

The City Council of the City of Alexandria does **ORDAIN**:

SECTION I. That the following section be added to Chapter 5 of the Alexandria City Code:

Section 5.11. Housing Trust Fund

Subd. 1. **Purpose and Intent.** Pursuant to Minnesota State Statute 462C16 there is hereby created and established for the City of Alexandria a fund to be known and denominated as the Alexandria Housing Trust Fund. This fund shall include a preference for the creation of Workforce Housing units, which shall include moderate, low, and very low income households. The Trust Fund shall be a permanent source of funding and a continually renewable source of revenue to meet, in part, the housing needs of Moderate, Low Income and Very Low Income households of the City. The Trust Fund is to provide loans and grants to homeowners, and for-profit and non-profit housing developers for the acquisition, capital and soft costs necessary for the creation of new Affordable rental and owner-occupied housing. Preference shall also be given to those projects that ensure that the Assisted Units remain Affordable for the longest period possible. Projects funded by the Trust Fund shall be disbursed throughout the City so no single neighborhood experiences a disproportionate concentration of housing units for Low Income and Very Low Income households.

Subd. 2. **Definitions.**

In this section:

A. **Affordable** means a housing unit that has an Affordable Housing Cost.

B. **Affordable Housing Cost** means an amount satisfied by:

1. For owner-occupied housing, a housing payment inclusive of loan principal, loan interest, property taxes, property and mortgage insurance, and homeowners association dues which allows a Moderate, Low Income or Very Low Income household to purchase a home, while paying no more than thirty (30%) of their gross household income; and,

2. For rental or cooperative housing, a housing payment, inclusive of a reasonable allowance for heating, which allows a Very Low Income household to rent a unit, while paying no more than thirty (30%) of their gross household income.

C. **Area Median Income** means the income guidelines established and published annually by MN Housings Community Impact Fund.

D. **Assisted Unit** means a housing unit that is Affordable because of assistance from the Trust Fund.

E. **Commission** means the City of Alexandria HRA Board of Commissioners.



F. **Workforce Housing** shall mean owner-occupied or rental housing units that are provided to households with at least one member per unit who is gainfully employed at the time of entry into the unit.

1. Workforce housing may be designated for households that make 50% to 115% of AMI but shall be inclusive of all income levels households who meet the definition of gainful employment and can meet the Affordable Housing Cost as defined in Subpart b (1) and (2).

2. Gainful Employment is defined as an employment situation where the employee receives consistent work and payment from an employer at 30 hours per week or more.

G. **Grants Supervisor** means the Alexandria Housing and Redevelopment Authority Executive Director, or his or her designee.

H. **Low Income** means gross household income that is at or below eighty percent (80%) of Area Median Income, but more than fifty percent (50%) of Area Median Income.

I. **Moderate Income** means gross household income that is at or below 115 percent (115%) of Area Median Income, but more than Eighty percent (80%) of Area Median Income.

J. **Project** may mean a single family house (attached or detached) or a multifamily apartment complex, either as owner-occupied property or rental property.

K. **Recipient** means any homeowner, for-profit or non-profit housing developer that receives funds in the form of a loan or a grant from the Trust Fund Account. A Recipient may be an individual, partnership, joint venture, limited liability company or partnership, association or corporation.

L. **Tax Increment Financing Equity Participation Payment** means an equity payment received by the City from a developer pursuant to a TIF Development Agreement in which the tax incremental district has been dissolved.

M. **Trust Fund or AHTF** means the Alexandria Housing Trust Fund.

N. **Very Low Income** means gross household income that is at or below fifty percent (50%) of Area Median Income.

O. **Permanent Source of Funding** means once funds are allocated to the Trust those funds can only be expended for purposes outlined in section (4) of this document.

Subd. 3. **Trust Fund Account; Sources of Trust Fund Monies.**

A. There is also hereby established an Alexandria Housing Trust Fund Account, to be maintained by the Housing and Redevelopment Authority (HRA) in and for the City of Alexandria. All funds received by the HRA on behalf of the Trust Fund shall be deposited in the Trust Fund Account. Principal and interest from loan repayments, and all other income from Trust Fund activities, shall be deposited in the Trust Fund Account. All interest earnings from the Trust Fund Account shall be reinvested and dedicated to the Trust Fund Account.



B. The Trust Fund shall consist of funds derived from the following, but not limited to:

1. Private cash contributions designated for the Trust Fund;
2. Payments in lieu of participation in current or future affordable housing programs;
3. Matching funds from a federal affordable housing trust fund;
4. Principal and interest from Trust Fund loan repayments and all other income from Trust Fund activities.
5. Budgeted payments made by the HRA Tax Levy fund as approved by City Council.
6. Matching funds from a State affordable housing trust fund or a State program designated to fund Housing Trust Funds.
7. Employer based funds and matches.
8. Other sources to be considered; local or regional utility companies, specific city departments (municipal liquor store sales), specific city program funds (revolving loan fund).
9. Application Fees - Projects applying for funds from the Alexandria Affordable Housing Land Trust maybe charged an application fee based on the size and scope of the project.

C. The Trust Fund may consist of funds derived from any other source, including but not limited to the following, subject to approval by the City Council, upon notification from the Finance Director that funds are available.

1. Amounts from the Operating Budget equivalent to City fees collected from dedicated uses related to housing, such as reinspection fees;
2. Tax Increment returned to the County after a TIF district decertification and reallocated to the city.
3. Any other appropriations as determined from time to time by action of the City Council.

Subd. 4. Trust Fund Distributions.

A. The Trust Fund is to function as a resource to fund loans and grants in strict accordance with this Section. The Trust Fund shall be administered by the HRA Executive Director. No disbursements may be made from the Trust Fund Account without the prior approval of the HRA Board of Commissioners.

B. Disbursements from the Trust Fund Account shall be made as loans or grants to assist Recipients in the creation of Assisted Units. Recipients may use the funds to pay for: capital costs, including but not limited to the actual costs of rehabilitating or constructing Assisted Units; preserving affordable units; demolishing or converting existing non-residential buildings to create new Assisted Units; real property acquisition costs; and professional service costs, including but not limited to, those costs incurred for architectural, engineering, planning and legal services which are attributable to the creation of Assisted Units.

C. Trust Fund moneys may not be used for operating expenses of any program, or supporting services such as childcare or any other social program. However, moneys may be used to cover program related expenses such as legal/staff application review.



D. Funding for Rental Assisted Units shall be available only to households whose gross income, is at or below eighty percent (80%) of Area Median Income at time of entry into the unit.

E. Owner-occupied Assisted Units shall be available to households who are Moderate, Low Income or Very Low Income.

F. The HRA shall periodically review the terms of assistance, and structure these terms to encourage the longest period of affordability possible.

G. Loans or grants from the Trust Fund shall be used to develop Assisted Units within a project. The Trust Fund may assist up to one hundred percent (100%) of the units within a building or development of one (1) to thirty six (36) units and 50 percent (50%) for thirty seven (37) units and above.

H. Assisted Units shall be distributed throughout the building or development so as to avoid a disproportionate concentration in any one area.

I. The HRA shall give preference to projects located outside a Housing Tax Increment District.

J. Notwithstanding the stated purpose in subsection (1) herein to create the Fund as a continually renewable source of revenue, the HRA may, in its discretion, recommend that disbursements from the Trust Fund Account may be made as grants at any time that the Trust Fund Account balance exceeds \$50,000. The HRA will revisit this amount from time to time to ensure that the objectives of the Trust Fund are being met and the amount is set at the proper level to achieve the objectives.

Subd. 5. HRA Powers and Responsibilities.

A. The HRA shall have the following powers and duties as regards to the Trust Fund:

1. Recommend policies, goals and objectives for the AHTF program to the Mayor and the City Council;
2. Investigate and recommend to the Mayor and City Council additional sources of money for deposit to the AHTF; and
3. Publish and distribute requests for proposals and notices of funding availability.

B. All projects considered for funding will be reviewed prior to HRA Commissioner's action by the HRA staff, and the Executive Director shall submit to the Commissioners staff comments and recommendations.

C. The HRA shall within thirty (30) days following the close of each fiscal year prepare and submit an annual report to the City Council on the activities undertaken with funds from the Trust Fund. The report shall specify the number and types of units assisted, the amount loaned per Assisted Unit, the amount of state, federal and private funds leveraged, the geographic distribution of Assisted Units and a summary of statistical data relative to the incomes of assisted households, including their monthly rent or mortgage payments, and the sales prices of owner-occupied Assisted Units.



Subd. 6. Term of Affordability.

A. The minimum term of affordability for an Assisted Unit shall be fifteen (15) years. The HRA shall give preference to those projects that ensure that the Assisted Units remain Affordable for the longest period possible.

B. Assisted Units shall be deed restricted to ensure long term affordability.

C. The HRA will utilize loan agreements with the recipients of the Trust Fund monies. The loan agreement will clearly state the conditions and requirements for recipient's use of Trust Fund monies, including the term of compliance, transfer or sale requirements and other requirements as specified.

D. In those cases where an Assisted Unit is sold or transferred prior to the expiration of the agreed upon time, or where an Assisted Unit is no longer Affordable, the initial Recipient of assistance from the Trust Fund shall be obligated to repay to the Trust Fund the original loan/grant amount.

E. The HRA shall enforce all debt and lien instruments to the fullest extent of the law. The HRA may recommend debt settlement offers, if it is determined to be in the best interest of the AHTF.

Subd. 7. Exception Authority

A. The City Council may revise the Trust Fund at any time in its sole and unfettered discretion as long as such exceptions do not violate Minnesota State Statute 462C16.

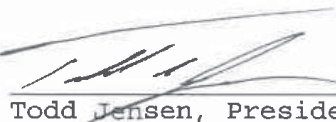
SECTION II. This Ordinance shall be in full force and effect from and after its passage and publication.

ADOPTED by the City Council of the City of Alexandria this 24th day of June, 2019, by the following vote:

YES: Franzen, Thalman, Osterberg, Jensen

NO: None

ABSENT: Benson



Todd Jensen, President Pro Tempore

ATTEST:


Martin D. Schultz, City Administrator

Attachment A

Housing Trust Fund Funding Priorities

Adopted by Alexandria City Council on June 24, 2019

1. Single Family New Home Construction

- a. Affordability GAP Financing provided to the homebuyer in the form of a low or no interest, deferred mortgage to be repaid upon the satisfaction of the first mortgage.
- b. Value GAP Financing provided to the developer to bring the sale price of the home to the appraised value.

2. Single Family Rehabilitation

- a. A low or no interest deferred loan provided to a homeowner to assist in renovation of their primary residence. Homeowner financial contribution dependent on homeowner income.
- b. A grant given to an income qualified home owner to assist in the renovation of their primary residence. Homeowner financial contribution dependent on homeowner income.

3. Rental Rehabilitation

- a. A low or no interest deferred loan provided to a property owner to assist in the renovation of rental property owned by the applicant.
- b. Assisted unit/s will be monitored annually for tenant income compliance.
- c. Property owner agrees to comply with income restrictions for at least 15 years.
- d. Property owner will be required to contribute a percentage of the project costs.

4. Multifamily Construction

- a. Affordability GAP Financing provided to the developer in the form of a low or no interest, deferred mortgage to be repaid upon the satisfaction of the first mortgage.
- b. Preference will be given to projects not located in a Tax Increment District whose project expenditure period has not expired.

5. Other financing requested will be considered on a case by case basis, but no financial assistance to any housing project can deviate from City Ordinance No. 806, 2nd Series.



Crow Wing County HRA 2020 Budget

| | 2020 Budget | 2019 Budget | Difference |
|--|-------------------------|-------------------------|-------------------------|
| Revenues | | | |
| Property Tax Levy - CWC HRA | (117,500) | (77,500) | (40,000) |
| Property Tax Levy - BLAEDC | (87,000) | (21,000) | (66,000) |
| Property Tax Levy - CREDI | (25,000) | 0 | (25,000) |
| Property Tax Levy - Housing Trust Fund | (500,000) | 0 | (500,000) |
| Total Property Tax Levy | <u>(729,500)</u> | <u>(98,500)</u> | <u>(631,000)</u> |
| Tax Forfeit Property Fund | (10,000) | (20,000) | 10,000 |
| Development Fund | (191,200) | (191,200) | 0 |
| CWC Local Income Fund | (27,000) | (27,000) | 0 |
| Designated Fund Balance | (33,800) | (33,650) | (150) |
| Total Revenues | <u>(991,500)</u> | <u>(370,350)</u> | <u>(621,150)</u> |
| General Fund Expenditures | | | |
| Administrative Salaries | 4,500 | 4,500 | 0 |
| Employer FICA | 350 | 350 | 0 |
| Legal | 5,000 | 10,000 | (5,000) |
| Travel | 250 | 250 | 0 |
| Training | 1,500 | 1,500 | 0 |
| Sundry-Admin | 200 | 200 | 0 |
| Auditing Fees | 6,800 | 6,650 | 150 |
| Management Fee | 150,000 | 60,000 | 90,000 |
| TIF Expense | 600 | 600 | 0 |
| Insurance | 2,100 | 2,100 | 0 |
| Housing and Redevelopment Initiatives | 30,000 | 40,000 | (10,000) |
| | <u>201,300</u> | <u>126,150</u> | <u>75,150</u> |
| Fund Expenditures | | | |
| Tax Forfeit Property Fund | 10,000 | 5,000 | 5,000 |
| Development Fund | 191,200 | 191,200 | 0 |
| CWC Local Income Fund | 27,000 | 27,000 | 0 |
| Housing Trust Fund | 450,000 | 0 | 450,000 |
| BLAEDC/CREDI Funding | 112,000 | 21,000 | 91,000 |
| | <u>790,200</u> | <u>244,200</u> | <u>546,000</u> |
| Total Expenditures | <u>991,500</u> | <u>370,350</u> | <u>621,150</u> |
| Net Operating (Income)/Loss | <u>0</u> | <u>0</u> | <u>0</u> |

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Crow Wing County HRA 2020 Budget

| | 2020 Budget | 2019 Budget | Difference |
|--|-------------------------|-------------------------|-------------------------|
| Revenues | | | |
| Property Tax Levy - CWC HRA | (142,500) | (77,500) | (65,000) |
| Property Tax Levy - BLAEDC | (87,000) | (21,000) | (66,000) |
| Property Tax Levy - CREDI | (25,000) | 0 | (25,000) |
| Property Tax Levy - Housing Trust Fund | (250,000) | 0 | (250,000) |
| Total Property Tax Levy | <u>(504,500)</u> | <u>(98,500)</u> | <u>(406,000)</u> |
| Tax Forfeit Property Fund | (10,000) | (20,000) | 10,000 |
| Development Fund | (191,200) | (191,200) | 0 |
| CWC Local Income Fund | (27,000) | (27,000) | 0 |
| Designated Fund Balance | (33,800) | (33,650) | (150) |
| Total Revenues | <u>(766,500)</u> | <u>(370,350)</u> | <u>(396,150)</u> |
| General Fund Expenditures | | | |
| Administrative Salaries | 4,500 | 4,500 | 0 |
| Employer FICA | 350 | 350 | 0 |
| Legal | 5,000 | 10,000 | (5,000) |
| Travel | 250 | 250 | 0 |
| Training | 1,500 | 1,500 | 0 |
| Sundry-Admin | 200 | 200 | 0 |
| Auditing Fees | 6,800 | 6,650 | 150 |
| Management Fee | 150,000 | 60,000 | 90,000 |
| TIF Expense | 600 | 600 | 0 |
| Insurance | 2,100 | 2,100 | 0 |
| Housing and Redevelopment Initiatives | 30,000 | 40,000 | (10,000) |
| | <u>201,300</u> | <u>126,150</u> | <u>75,150</u> |
| Fund Expenditures | | | |
| Tax Forfeit Property Fund | 10,000 | 5,000 | 5,000 |
| Development Fund | 191,200 | 191,200 | 0 |
| CWC Local Income Fund | 27,000 | 27,000 | 0 |
| Housing Trust Fund | 225,000 | 0 | 225,000 |
| BLAEDC/CREDI Funding | 112,000 | 21,000 | 91,000 |
| | <u>565,200</u> | <u>244,200</u> | <u>321,000</u> |
| Total Expenditures | <u>766,500</u> | <u>370,350</u> | <u>396,150</u> |
| Net Operating (Income)/Loss | <u>0</u> | <u>0</u> | <u>0</u> |

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Crow Wing County HRA 2020 Budget

| | 2020 Budget | 2019 Budget | Difference |
|--|------------------|------------------|------------------|
| Revenues | | | |
| Property Tax Levy - CWC HRA | (127,500) | (77,500) | (50,000) |
| Property Tax Levy - BLAEDC | (87,000) | (21,000) | (66,000) |
| Property Tax Levy - CREDI | (25,000) | 0 | (25,000) |
| Property Tax Levy - Housing Trust Fund | 0 | 0 | 0 |
| Total Property Tax Levy | (239,500) | (98,500) | (141,000) |
| Tax Forfeit Property Fund | (10,000) | (20,000) | 10,000 |
| Development Fund | (191,200) | (191,200) | 0 |
| CWC Local Income Fund | (27,000) | (27,000) | 0 |
| Designated Fund Balance | (33,800) | (33,650) | (150) |
| Total Revenues | (501,500) | (370,350) | (131,150) |
| General Fund Expenditures | | | |
| Administrative Salaries | 4,500 | 4,500 | 0 |
| Employer FICA | 350 | 350 | 0 |
| Legal | 5,000 | 10,000 | (5,000) |
| Travel | 250 | 250 | 0 |
| Training | 1,500 | 1,500 | 0 |
| Sundry-Admin | 200 | 200 | 0 |
| Auditing Fees | 6,800 | 6,650 | 150 |
| Management Fee | 110,000 | 60,000 | 50,000 |
| TIF Expense | 600 | 600 | 0 |
| Insurance | 2,100 | 2,100 | 0 |
| Housing and Redevelopment Initiatives | 30,000 | 40,000 | (10,000) |
| | 161,300 | 126,150 | 35,150 |
| Fund Expenditures | | | |
| Tax Forfeit Property Fund | 10,000 | 5,000 | 5,000 |
| Development Fund | 191,200 | 191,200 | 0 |
| CWC Local Income Fund | 27,000 | 27,000 | 0 |
| Housing Trust Fund | 0 | 0 | 0 |
| BLAEDC/CREDI Funding | 112,000 | 21,000 | 91,000 |
| | 340,200 | 244,200 | 96,000 |
| Total Expenditures | 501,500 | 370,350 | 131,150 |
| Net Operating (Income)/Loss | 0 | 0 | 0 |



Crow Wing County HRA 2020 RLF - TIF Budget

| | 2020 Budget | 2019 Budget | Difference |
|------------------------------------|----------------|-------------|----------------|
| Revenues | | | |
| Interest Revenue | (3,560) | 0 | (3,560) |
| Total Revenue | (3,560) | 0 | (3,560) |
| Expenditures | | | |
| Legal | 0 | 0 | 0 |
| Auditing Fees | 0 | 0 | 0 |
| TIF Expense | 0 | 0 | 0 |
| Other General Expense | 1,190 | 0 | 1,190 |
| Total Expenditures | 1,190 | 0 | 1,190 |
| Net Operating (Income)/Loss | (2,370) | 0 | (2,370) |