

LOCAL HOUSING TRUST FUND MANUAL

First Edition, 2019



Minnesota Housing Partnership

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Acronym Guide

AHTF	Affordable Housing Trust Fund
AMI	Area Median Income
CAC	Community Advisory Committee
CDA	Community Development Agency
CDBG	Community Development Block Grant
DEED	Minnesota Department of Employment and Economic Development
EDA	Economic Development Authority
HOME	HOME Investment Partnerships Program
HRA	Housing and Redevelopment Authority
HUD	US Department of Housing and Urban Development
LIHTC	Low-Income Housing Tax Credit
LHTF	Local Housing Trust Fund
PHA	Public Housing Authority
MHFA	Minnesota Housing Finance Agency
MHP	Minnesota Housing Partnership
RFP	Request for Proposal
SCDP	Small Cities Development Program
SEMMCHRA	Southeast Minnesota Multi-County Housing and Redevelopment Authority
TIF	Tax Increment Financing

I. Introduction

1. About Minnesota Housing Partnership

Minnesota Housing Partnership (MHP) convenes, guides, and supports a diversity of partners working to improve conditions of home and community. Building on decades of experience, we strengthen development capacity and promote policies that expand opportunity, especially for people at the lowest income levels. MHP includes:

- A capacity-building team that supports communities and organizations — especially rural and Native communities — to strengthen their ability to build and preserve housing and community assets;
- A research and communications team that tracks affordable housing trends, producing reports and education resources to generate public support of vital communities and affordable housing; and
- A policy and advocacy team that drives efforts to secure the policies and funding needed at the regional, state, and federal levels to advance local housing and community development.

MHP, with a coalition of stakeholders and partners including the Homes for All Coalition,[1] has been active in advocating for the creation — and funding support — of **local housing trust funds** in Minnesota. In 2017, MHP achieved the passage of state legislation that formally recognized local trust funds for housing development (Minn. Stat. §462C.16: Housing Trust Funds for Local Housing Development). Minnesota is the 14th state to pass such enabling legislation. Per the Housing Trust Fund Project, "the passage of state legislation to enable and promote local housing trust funds has increased the number of local housing trust funds more than any other single development in the housing trust fund movement."[2] Looking forward, MHP will advocate for matching funds from the State of Minnesota to local communities that create an LHTF.

2. Goal and Purpose of this Manual

The goal and purpose of this Manual is to provide an in-depth discussion of the **programmatic, revenue, and operational parameters and decisions to be made by local Minnesota communities** in establishing a Local Housing Trust Fund (LHTF).

The Manual includes citations to Minnesota law relevant to LHTFs, including provisions relating to: establishing a LHTF; the powers and limitations of local development authorities that support the creation and preservation of quality housing for low- and moderate-income people; possible funding sources to be utilized in a LHTF; and more.

The goal is to not duplicate existing national and local housing trust fund resources, including the Center for Community Change's Housing Trust Fund Project publications focused on educational, technical, and communication aspects of LHTF development.[3] While leveraging such excellent resources, this Manual draws upon case studies, data, and examples that illustrate the important dimensions and mechanics of Minnesota-based local housing trust funds.

Disclaimer: Any errors or omissions in this document are the responsibility of the author and not MHP funders or external entity reviewers or stakeholders.

3. What is a Local Housing Trust Fund (LHTF)?

While various definitions exist in the national housing landscape, this working definition includes both statutory requirements and aspirational characteristics of LHTFs.

Fundamental Characteristics:[4]

1 Homes for All Coalition: http://www.homesforallmn.org

2 Center for Community Change. Publications. Housing Trust Fund Project. https://housingtrustfundproject.org/publications-and-resources/publications. Accessed 9.26.18

3 Housing Trust Fund Project: https://housingtrustfundproject.org/publications-and-resources

4 See Minnesota Statute §462C.16, included as Appendix 1

- Local Housing Trust Funds are established **via an official action by local government.** Minn. Stat. §462C.16 says that 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."
- **Public revenues from one or more sources must be dedicated** to the LHTF.[5]
- **The allocated revenues are protected for housing uses in the community (they are held in "trust")**. Money in a LHTF may only be used to pay for authorized expenditures, which are a) administrative expenses (not to exceed 10 percent of the fund's balance), b) the making of grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing, c) matching other funds from federal, state, or private resources for housing projects, or d) provide local down payment assistance, rental assistance, and homebuyer counseling services.
- **A local government may finance its LHTF with any sources of revenue available to the local government**, including private donations from individuals, employers, or charitable organizations that are accepted by the local government. A LHTF may also be used to match other non-governmental sources of funding.[6]
- LHTFs **must report annually** to the local government that created the fund. The report must be posted on the government's public website.
- **A nonprofit may administer the LHTF** on behalf of the local government.

Ideal Characteristics (but not required):

- **Public revenues are dedicated and recur each year** to replenish the funds awarded by the LHTF.
- **The official governmental action establishing LHTFs should specify the amount of dollars and/or percent of a funding source**, to be set aside on a recurring or nonrecurring basis, for the LHTF. In addition, the percentage of the LHTF to be used for administrative costs should be specified (per Minn. Stat. §426C.16, admin costs are not to exceed 10 percent of the fund).
- **Communities establishing a LHTF should solicit public input** on the priorities or needs that the LHTF funds should address, as well as ongoing community engagement opportunities throughout the life of the LHTF.

LHTF versus AHTF? This document uses "LHTF" as an acronym for any locally-created housing trust fund. However, the acronym for Affordable Housing Trust Fund, "AHTF," is also used specifically in reference to the LHTFs created by the City of Red Wing HRA and the City of Minneapolis.

4. Why a Local Housing Trust Fund?

The Center for Community Change's Housing Trust Fund Project[7] highlights the most popular characteristic of a local housing trust fund: its **flexibility to respond to local community needs**. The Housing Trust Fund Project argues that these funds are:

> *"…extremely* **flexible** *and can be used to support innovative ways to address many types of housing needs…They have been created to serve small towns of about 1,000 people as well as in the largest states in the country. These funds are also very* **efficient**. *Many housing trust funds report highly successful track records addressing a wide range of critical housing needs"*[8] *(emphasis added).*

In addition to their flexibility of uses, LHTFs can:

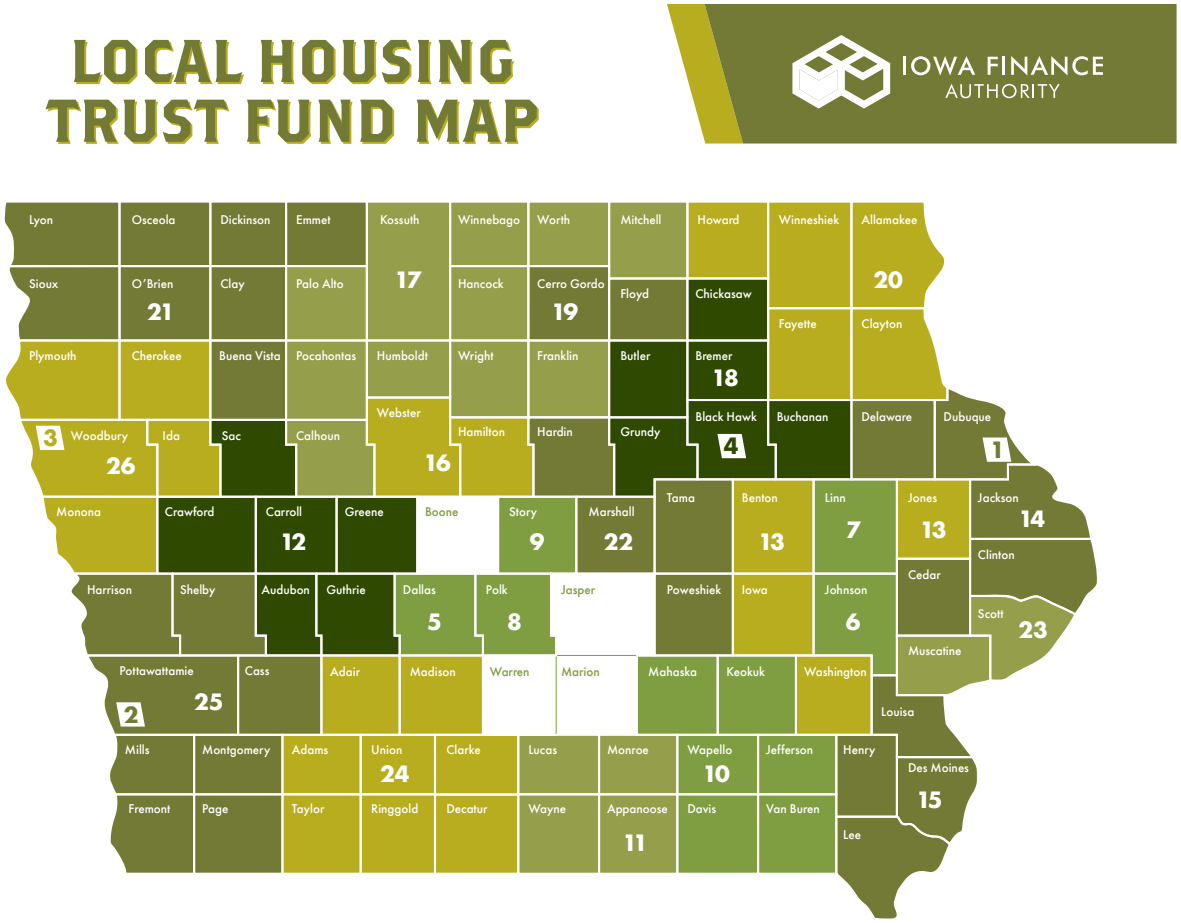
5 Note that Minnesota Statute §426C.16 does not define the term "dedicated."

6 A local government should check with its legal counsel about procedures for accepting private donations.

7 Center for Community Change. About. Housing Trust Fund Project. https://housingtrustfundproject.org/our-project/about. Accessed 9.26.18

8 Ibid.

Case Study: Proving that LHTFs are not just for metropolitan areas, 95 of Iowa's 99 counties are served by a LHTF. Since 2003, the State of Iowa has provided non-competitive grants to LHTFs, enabling their widespread adoption.[10]



10 Iowa Finance Agency. Local Housing Trust Fund: Resources for Grant Recipients. Local Housing Trust Fund Map and Contact List. http://www.iowafinanceauthority.gov/File/DownloadFile/7172
Rosonke, Terri. "Iowa's Local Housing Trust Funds." Iowa's Local Housing Trust Funds, 3 Jan. 2019.

- Provide a consistent, dedicated revenue stream for housing – be it affordable, workforce, or other special housing need;
- Serve as local leverage for affordable housing programs and developments;
- Be an economic multiplier by supporting investments in housing construction and rehabilitation, including redevelopment sites, leading to job creation and increases in the community's property tax base;
- Catalyze revitalization of a community via reinvestment in the existing housing stock;
- Support public health by increasing housing options for vulnerable populations in the community; and
- Improve educational outcomes for children by promoting housing stability.

5. Local Housing Trust Funds in Rural Communities

Many rural communities struggle with adequately meeting housing needs which can result from a lack of affordable housing options, a greater prevalence of substandard housing conditions, or less access to mortgage products and local down payment assistance programs. Furthermore, there is often limited capacity to provide housing for populations that need homelessness, chemical dependency, and mental health support.[9] A LHTF can thus be an important tool to address these needs. LHTFs can be used to increase rural homeownership, rehabilitate existing housing stock, provide affordable rental housing and supportive housing options, build farmworker housing, and help prevent homelessness, among other housing-related uses.

In Minnesota, a city or county can establish its own LHTF via ordinance, or it can participate in a regional housing trust fund through a joint powers agreement. In the case of rural communities, a LHTF that serves a larger geographic area could be beneficial to pull in more financial resources for housing projects (ex. such as through a levy).

9 Center for Community Change. State Housing Trust Funds: A Rural Housing Lifeline. Housing Trust Fund Project. https://housingtrustfundproject.org/wp-content/uploads/2018/10/CCC-State-Housing-Trust-Fund-10162018_FNL.pdf. Accessed 1.22.19

II. Process to Establish a LHTF in Minnesota

Part II walks through key program design questions to help your community consider how to focus, fund, and establish a local housing trust fund (LHTF).

1. What is the Overall Goal of the LHTF for Your Community?
2. How are Specific Needs and Priorities Determined for the LHTF?
3. Which Funding Sources Should be Considered?
4. What is a Realistic LHTF Annual Revenue Target, Based on Local Budget Dynamics?
5. How Can a Local HRA Levy be Used as a Key Funding Source for the LHTF?
6. How Should a Budget for the LHTF be Determined?
7. How Can the Proposal be Developed with Community Support?
8. How Should an Entity be Selected to Administer the LHTF?
9. Who has an Oversight and/or Advisory Role for the LHTF?

1. What is the Overall Goal of the LHTF for Your Community?

One of the first decisions you will face is determining the overall goal of your LHTF, as it relates to addressing needs for housing in your community. Will it serve needs not met by other housing programs, such as extremely and very low income households and/or special needs populations? Will it support housing to improve the economic competitiveness of your community such as new housing options for a growing workforce? Or will it perhaps more generally support a range of affordable housing projects that experience funding gaps?

Conducting research (as covered in the next Section) will be helpful in identifying the specific needs of your community, which can then further inform the goal(s) of your LHTF. Setting a goal is foundational to the success of the LHTF, as it will determine how you prioritize funding requests as

well as the kinds of measurement criteria that will be used to evaluate the LHTF's performance.

2. How Are Specific Needs and Priorities Determined for the LHTF?

While you will need to articulate a general goal or purpose of your LHTF, you will also be charged with more specifically defining the housing needs, challenges, and opportunities to be addressed in community. This answers the "**why a LHTF**?" question. Need can be assessed in various ways, including by:

A. Identifying a **Target Population**
B. Performing a **Housing Needs Assessment**
C. Understanding the **Housing Unit Gap**
D. Determining **Housing Type Solutions**
E. Outlining the **Funding Gap**

A. Identifying a Target Population.

The question of to whom to target funding may be answered in terms of household **income** level (percent of Area Median Income), household **characteristics** (e.g. first-time or low/moderate income homebuyers, renter households with children, families with a veteran, people with disabilities, low-income seniors, etc.), and **tenure** status (renter, owner, etc.).

The information gained through a housing needs assessment and/or housing unit gap analysis (discussed in subsections B and C) can help identify a target population by revealing who is not being well-served by the existing housing landscape.

B. Performing a Housing Needs Assessment.

In order to determine the target population, local governments will often direct staff or hire a consultant to conduct a Housing Needs Assessment or Housing Needs Study. These studies evaluate demographics, housing market dynamics, the housing supply (existing stock and new development activity) and develop estimates about market demand (the latter is often referred to a housing gap analysis). It is typical for such studies to include recommendations for local government or the Housing and Redevelopment Agency (HRA) as it relates to policy or funding tools for housing.

Case Study: The City of Red Wing completed two housing assessments within five years, the second of which prompted local action to create a LHTF:

Housing Market Analysis and Demand Estimates for Red Wing, Minnesota (2009) found low vacancy rates (3.5 percent) and unsuccessful track record of LIHTC funds being awarded for housing projects (the previous one being in 2004). It also found a housing shortage.

Comprehensive Housing Needs Assessment[11] (Dec. 2014) found zero vacancy in multifamily housing and very limited single family housing construction (previously, 40-60 units per year). The findings of this study inspired the creation of Red Wing's Affordable Housing Trust Fund.

Community-Defined Issues. Either as part of a housing needs study or separately, a community should have an outreach strategy to learn first hand information on the housing experiences of residents. Hearing the collective stories of individuals and families can highlight what housing issues are felt most strongly in the community and can help decision makers target solutions to address those needs.

Affordable Housing-Focused Events. One way to collect information from residents is to host or support **affordable housing summits or events**. Events like this can simultaneously work to raise the profile and help educate community members and decision makers about the various dimensions of housing need.

Case Study: Goodhue County has hosted various housing and economic development summits in the recent past. After holding a summit about housing

11 City of Red Wing: http://www.redwinghra.org/documents/RedWing_CHNA_rev.pdf

needs it decided to host an additional summit to raise awareness about housing resources. SEMMCHRA, a multi-county HRA, has worked to successfully develop a LHTF in Goodhue County, MN.[12]

Additional Resources. Per the Housing Trust Fund Project's "Identifying the Need" website, there are other sources of information that identify and describe specific housing needs by geography that merit reference:[13]

- The **Consolidated Plan**, a five-year plan submitted to the Housing and Urban Development Department (HUD) by States and other entitlement jurisdictions that receive federal funds by formula. The State of Minnesota's Consolidated Plan, 2017-2021, is here: https://mn.gov/deed/assets/consolidated-plan_tcm1045-318092.pdf.
- Studies conducted by independent nonprofit and social service organizations. For example, **Minnesota Housing Partnership**'s County Profiles provide key housing stats: https://www.mhponline.org/publications/county-profiles.
- The **National Low Income Housing Coalition**'s (NLIHC) annual publication and set of analysis tools, "Out of Reach," allows one to compare data for counties and Metropolitan Statistical Areas (MSAs) such as Duluth, Rochester, Mankato-North Mankato, Fargo-Moorhead, Grand Forks-East Grand Forks. It is located here: http://nlihc.org/oor/minnesota. Data includes housing wage, number of hours required to work per week, and annual income needed to afford housing, among other indicators.
- The Minnesota Housing Partnership's "Out of Reach Minnesota"[14] builds on the NLIHC's report to examine the housing-wage gap across

12 The Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA) works on behalf of Dodge, Goodhue, Wabasha, and Winona Counties.

13 Center for Community Change. Identifying the Need. Housing Trust Fund Project. http://housingtrustfund-project.org/campaigns/making-your-case/identifying-the-need. Accessed 8.9.18

14 Minnesota Housing Partnership: https://mhponline.org/publications/out-of-reach/2018

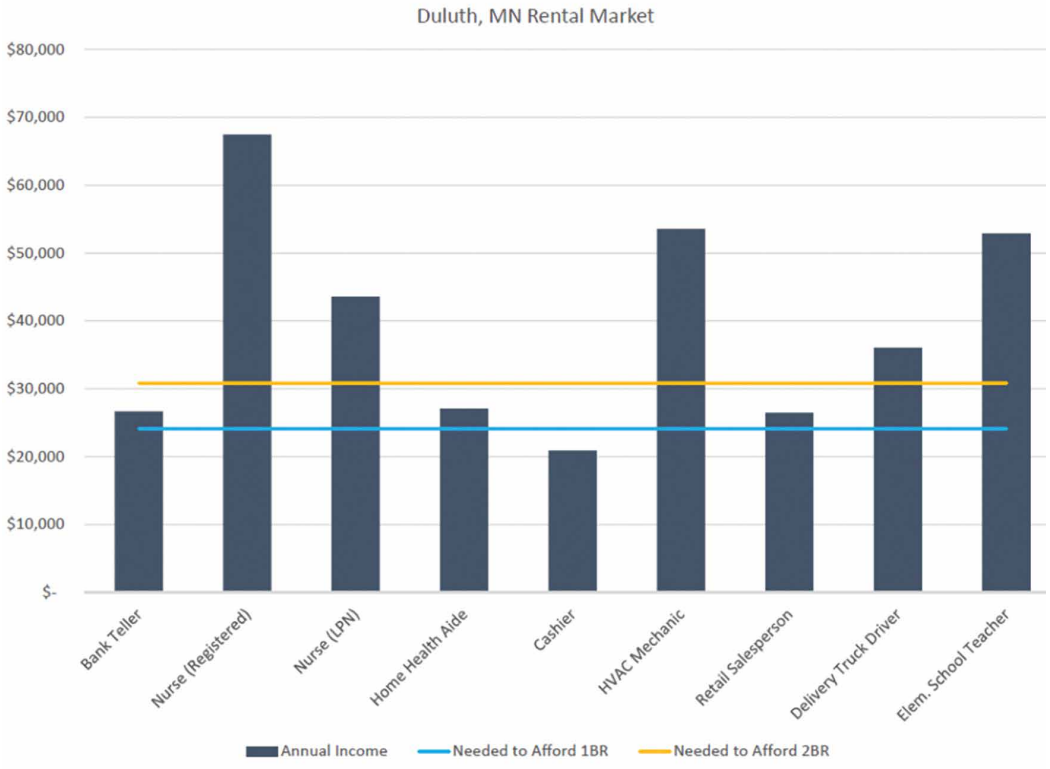


Figure 1 - Duluth Paycheck to Paycheck Analysis of Incomes Needed to Afford Rent and the Median Pay of Selected Occupations

Greater Minnesota.

- **National Housing Conference**'s web-based widget, "Paycheck to Paycheck," focuses on MSAs and allows one to compare wages required for renting and homeownership against the wages of specific occupations: https://www.nhc.org/paycheck-to-paycheck. Figure 1 is an example for Duluth.
- **Census information** for your area, which includes data on the number of cost-burdened[15] renters and owner-occupant households, is available at American Factfinder, here: https://factfinder.census.gov/faces/nav/jsf/pages/guided_search.xhtml.

C. Understanding the Housing Unit Gap.

The overall need in your community can be augmented by data or a description of the gap of unmet need, usually in terms of number of housing units that are missing. While Consolidated Plans can be good sources of data for unmet need, locally collected, primary data may be more compelling.

Waiting Lists. The **number of people on waiting lists** for rental housing with restricted rents can provide insight on both the number and type of units that are needed in a community. HousingLink maintains a list of HRAs, PHAs, and CDAs with open and closed waiting lists.[16] Similarly, figures about how many people tried to obtain housing when a new opportunity opened, such as a new apartment complex, can also demonstrate the gap in units.

Homelessness. Information on the **number of people experiencing homelessness** who are requesting shelter assistance can be useful in showing unmet need. Every three years, Wilder Research conducts a study of homelessness in Minnesota and the results are available by region and sub-population (e.g. youth, Native American populations, veterans, older adults).[17]

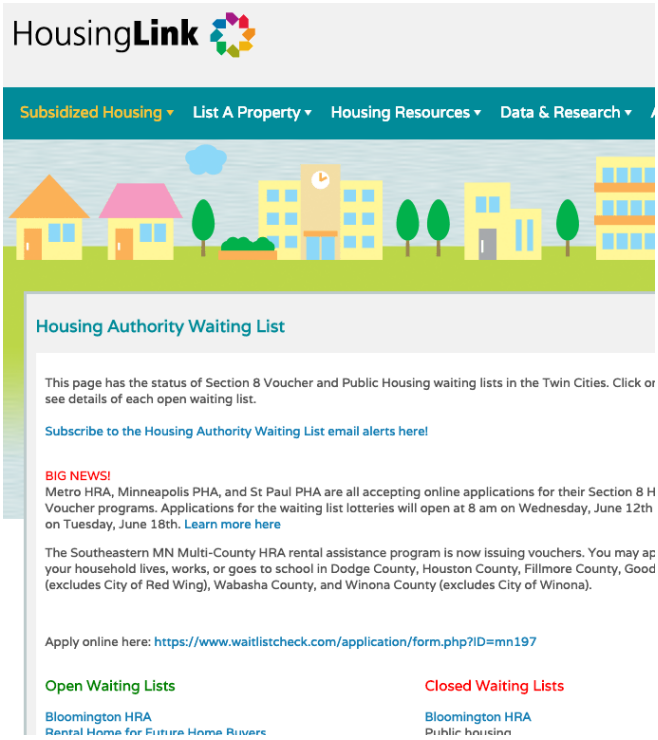


Figure 2 - HousingLink List of Local Housing Authorities with Open and Closed Waiting Lists

Unit Replacement/Maintenance. A community can use a depreciation rate to estimate how many housing units should be replaced or rehabilitated each year. One calculation to achieve this is to assume a 100-year lifespan of a unit then divide 100 percent of the housing stock by 100 years for a one percent depreciation rate.

> **Case Study:** As an example, if Red Wing has 7,400 housing units total, 74 units will need to be rehabilitated or replaced annually to maintain the existing housing stock. If the City wanted a one percent growth, however, one percent of the number of units will need to be added to the total, meaning in this case a total of 148 units would need to be rehabilitated or replaced annually.

State-Level Analysis. Minnesota Housing's Research Division has produced **state-level analyses**

15 HUD defines cost-burdened households as paying more than 30 percent of their income for housing expenses, while "severe cost burden" is defined as paying more than 50 percent of one's income on housing expenses.

16 HousingLink: http://www.housinglink.org/Subsidized-Housing/HousingAuthorityWaitingList

17 Wilder Research. http://mnhomeless.org/minnesota-homeless-study/detailed-data.php. Accessed 10/24/18.

of the gap of affordable homes in Minnesota. The Division's publications, "MHFA Statewide Analysis of Gaps in Affordable Rental Housing" and its "2017 Updated Gaps Analysis,"[18] provide an overview of the housing unit gap by income level and a review of the proportionality of housing assistance being adequately distributed to various segments of the population who have housing needs.

D. Determining Housing Type Solutions.[19]

After identifying the unmet need, a community should examine the different housing types that can provide solutions. A few options include, but are not limited to the following:

Rental housing can serve many different populations, from housing affordable to the local workforce to income-restricted housing that guarantees units to people making a certain percentage less than the Area Median Income (AMI). Rental housing developments can also be mixed-income which includes a mix of market-rate and income-restricted units.

Supportive housing is defined by the US Interagency Council on Homelessness as "a combination of housing and services designed for people with serious mental illnesses or other disabilities who need support to live stably in their communities… Permanent Supportive Housing is a proven solution for people who have experienced chronic homelessness as well as other people with disabilities, including people leaving institutional and restrictive settings."[20] This housing may be single-site, scattered site, and/or a set-aside of units in an affordable rental housing project.

For-Sale Housing or "ownership," housing can include a variety of unit types (such as condos, townhomes, or detached single-family houses). For-sale housing can help meet a variety of needs when available to a diverse set of households, including households with low to moderate income, first-time homebuyers, and households with special needs (e.g. accessible units).

Congregate care/assisted living facilities are an important type of housing in which each individual or family has a private bedroom or living quarters but may share with other residents a common dining room, recreational room, or other facilities. **Congregate living** may fall between what is considered independent living and assisted living, and may include housekeeping services and some assistance with activities of daily living (ADLs). Assisted living housing will typically have a higher level of service than congregate living and is most commonly marketed towards seniors or people with disabilities. **Assisted living** facilities usually provide services such as nursing care, assistance with ADLs, housekeeping, and prepared meals as needed. This housing type may take a range of built forms and it may require specialized licensing, program funding streams for individual tenants, and/or funding for specialized services.

Note: Consider how different housing types and the populations they serve are related. For instance, if more homeownership opportunities for the workforce are needed, a community could focus on developing more for-sale housing. However, it may be just as effective to build more senior apartments so that an aging population can choose to move into lower-maintenance housing and put their homes on the market.

E. Outlining the Funding Gap.

A funding gap occurs when the amount of money a project has secured is less than the amount it needs to be completed. In order to understand how to address local funding gaps, it is important to know the kinds of costs that

18 Minnesota Housing: http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1358904870907&pagename=External%2FPage%2FEXTStandardLayout

19 The Minnesota Multi Housing Association (www.mmha.com) and Minnesota Realtors (www.mnrealtor.com) can be potential partners in determining housing type solutions.

20 US Interagency Council on Homelessness. Implementing Housing First in Permanent Supportive Housing. June 2004. Pg. 1. https://www.usich.gov/resources/uploads/asset_library/Implementing_Housing_First_in_Permanent_Supportive_Housing.pdf. Accessed 10.24.18.



Figure 3 - Geographies Available for Wilder Research's Study of Homelessness in Minnesota

are required to develop or preserve housing for your community. These costs will generally fall into two categories, **hard costs** and **soft costs**, and will have two general phases, Development Cost Phase and Operating Cost Phase (See Figure 4).

Per Minn. Stat. §462C.16, Subdivision 3, eligible costs that can be funded by a LHTF include:

- the development, rehabilitation, or financing of housing
- down payment assistance
- rental assistance
- homeownership counseling

This means that many of the hard and soft costs during the Development Phase of LHTF-funded projects will be eligible, but few of the costs during the Operating Phase may be eligible. For example: property management, debt service, the costs of supportive service programs, and administrative fees for the property owner are not identified as eligible expenditures in the statute. The same Subdivision of the statute does note, however, that funds from a LHTF are allowed to cover administrative expenses of the LHTF, but not at a cost exceeding 10 percent of the fund's balance.

Calculating the Local Funding Gap.

Calculating the financial resource amount needed to address the unmet housing need will help you determine funding gaps for projects in your community. More specifically, this can lead to an estimation of the total funding amount (dollar amount for housing subsidy) needed to seed the LHTF to support the creation or retention of housing for the identified Targeted Population(s). Alongside this number, you may have other funding sources to assist your community to fill the housing subsidy gap (see Section 3 om page 14). The Housing Trust Fund Project provides three ways of estimating a needed financial resource amount to address the need; these are adapted for a Minnesota context:

Option 1: Cost per Housing Unit. **Start with your estimate of the number of housing units that represents the unmet need of the Target**

Population(s), and the estimated cost per unit. As the Housing Trust Fund Project notes, "the results will be shocking," but this also serves as a reminder that other funding sources will likely be leveraged alongside the LHTF program funding. The Housing Trust Fund Project recommends taking the total need amount and divide it by "anywhere from five to ten" when calculating a target funding goal for the LHTF, in essence assuming that the LHTF will provide between one-tenth and one-fifth of the gap subsidy needed.[21]

The HousingCounts[22] website, provided by the Family Housing Fund and Urban Land Institute Minnesota provides tools and supports for a full range of housing choices in the metro area. This includes a Mixed Income Feasibility Calculator that can be used as a tool to understand the financial gap.

Case Study: The City of Minneapolis Affordable Housing Trust Fund (AHTF) has a defined monetary limit that can be spent on each unit depending on the type of unit. This funding represents only a portion of the funding gap needed on recent projects, which positions the City as a supplemental rather than primary funder.

Option 2: Developer Survey. **Estimate the amount of money your community's housing developers would need** to fund the projects they have the capacity to complete. Regional affordable housing developers could be surveyed to approximate the total subsidy amount needed to support their annual production (per-unit gap amount multiplied by the developers' annual production). Most nonprofit and for-profit affordable housing developers and providers could easily provide this information, if asked.

Option 3: Recent Funding Applications. **Review funding applications that have been received by other major funder programs in the recent past**, such as MHFA's Consolidated RFP, or a locally-administered HOME or Community Development Block Grant (CDBG) program, and build on this data. A good estimate of need may come from reviewing what was not funded by these agencies. MHFA has a comprehensive list of Low Income Housing Tax Credit-awarded projects[23] that includes the Total Development Cost, syndication proceeds, tax credit amount approved, and the number of units. Single- and multi-family awards can also be found in Board Packets on MHFA's website.[24]

Regardless of the option selected to estimate the level of resources to address the overall housing need, you will need to account for market dynamics. Typically, affordable housing **funding gaps increase over time**, as construction costs, labor, and land costs increase, particularly in high-demand housing markets. This dynamic makes affordable housing harder to finance, construct, and preserve.

Once you have a sense of your community's housing needs, you can start to examine available funding sources (Section 3) and work towards composing a draft budget or action plan that will outline the LHTF's annual revenue sources and uses (Section 4 on page 23 and 7 on page 29).

3. Which Funding Sources Should be Considered?

There is much for a community to consider when evaluating the feasibility of committing various types of available funding sources to a LHTF. A general consensus exists in the housing trust fund advocacy sector that a LHTF is best when it has one or more **recurring and dedicated** funding sources. This is in contrast to non-recurring sources, often committed in a lump sum at a single point in time (e.g. a one-time local government appropriation).

21 Center for Community Change. Revenue Sources. Housing Trust Fund Project. https://housingtrustfundproject.org/htf-elements/revenue-sources. Accessed 9.6.18

22 HousingCounts. Adopt Tax Levies in Support of Housing Strategies. http://www.housingcounts.org/toolbox/finance/adopt-tax-levies-in-support-of-housing-strategies.

23 Minnesota Housing: http://www.mnhousing.gov/wcs/Satellite?c=Page&cid=1363132553051&pagename=External%2FPage%2FEXTStandardLayout

24 Minnesota Housing: http://www.mnhousing.gov/sites/Satellite?c=Page&cid=1358904836328&pagename=External%2FPage%2FEXTStandardLayout

Figure 4 - Housing Cost Categories

Types of Costs and Phases	Hard Cost	Soft Cost
Development Phase	• Funds for land/property acquisition • Funds to clean up a property – e.g. site remediation, tank removal, etc. • Construction/rehabilitation costs (labor & materials) • Sewer access and water access charges • Construction contingency • For-sale housing appraisal/value gap	• Architecture, Engineering, and Legal fees • Mortgage origination fees • Title insurance • Mortgage registration fees • Construction/Rehabilitation scopes of work/change orders • Inspection fees • General Requirements, Builders Overhead, and Profit • Developer fee/Builder fee • Consultant fee • Appraisal • Lease up reserves • Homebuyer counseling • Homebuyer down payment and entry cost assistance
Operating Phase	» Property management costs – e.g. landscaping, cleaning » Rehabilitation of housing	» Debt Service payments » Supportive service program costs (Subsidies and tenant fees may pay for these) » Administration costs » Bookkeeping and taxes » Property insurance • Rental assistance reserves » Marketing/advertising » Refinancing fees » Legal fees

Note: **Items with "•"** are identified as eligible to be paid for with Local Housing Development Fund (LHTF) proceeds.

Recurring and dedicated funding sources are those that have been earmarked for the purpose of funding the LHTF on a repeated basis over time.

A. Recurring and Dedicated vs. Non-Recurring Funds.

Recurring sources allow a jurisdiction to **build up the fund** over time, enabling long-term budget and project planning that will be less vulnerable to changing economic trends or property tax dynamics. These are ideal for the long-term success of the LHTF.

Caution: When examining potential sources of recurring and dedicated revenue, remember that Minnesota communities are limited in their authority and ability to direct some fees or taxes, such as impact fees on developers or lodging taxes, for purposes such as housing. Consult with an attorney to better understand these limits.

Non-recurring sources, particularly when they originate from local government, are less ideal for LHTFs because they are typically more vulnerable within a community's annual budgeting process. The risk relates to their competition with other local government needs or priorities in any given budget cycle. However, a long-term commitment to addressing housing needs among many elected officials, staff, and community members may overcome this risk.

B. Potential Funding Sources.

While the ability for local governments to create local housing trust funds is not new, in 2017 the State of Minnesota passed legislation that provided more specific regulatory guidance. Minn. Stat. §462C.16, Subdivision 4 identifies some funding source categories for a "Housing Trust Fund for Local Housing Development" and clarifies that the listed sources are not exclusive, as the jurisdiction can finance its local or regional housing trust fund with "…any money available to the local government, unless expressly prohibited by state law."[25] This subsection discusses each of the sources listed in statute, including the complexities associated with them. This subsection also discusses additional sources including TIF pooling, loan repayment proceeds, and property sale proceeds.

While this subsection reviews a wide variety of funding options, there may be more available sources than discussed here.

Caution: Some funding sources have distinct requirements, which must be managed carefully. Consult with an attorney or government finance professional to understand the implications of using multiple funding sources.

Covered in this subsection:

- Appropriations by a Local Government
- Housing and Redevelopment Authority (HRA) Levies
- Donations or Private Contributions
- Tax Increment Finance (TIF)
- Bond Proceeds
- Grants and Loans from State and Federal Sources
- Loan Repayment Proceeds to a Local Government
- Property Sale Proceeds

The following table shows the variety of LHTF funding sources used by local governments in Minnesota.

25 Minnesota Statute §462C.16, Subdivision 4. https://www.revisor.mn.gov/statutes/2017/cite/462C.16. Accessed on 9.6.18.

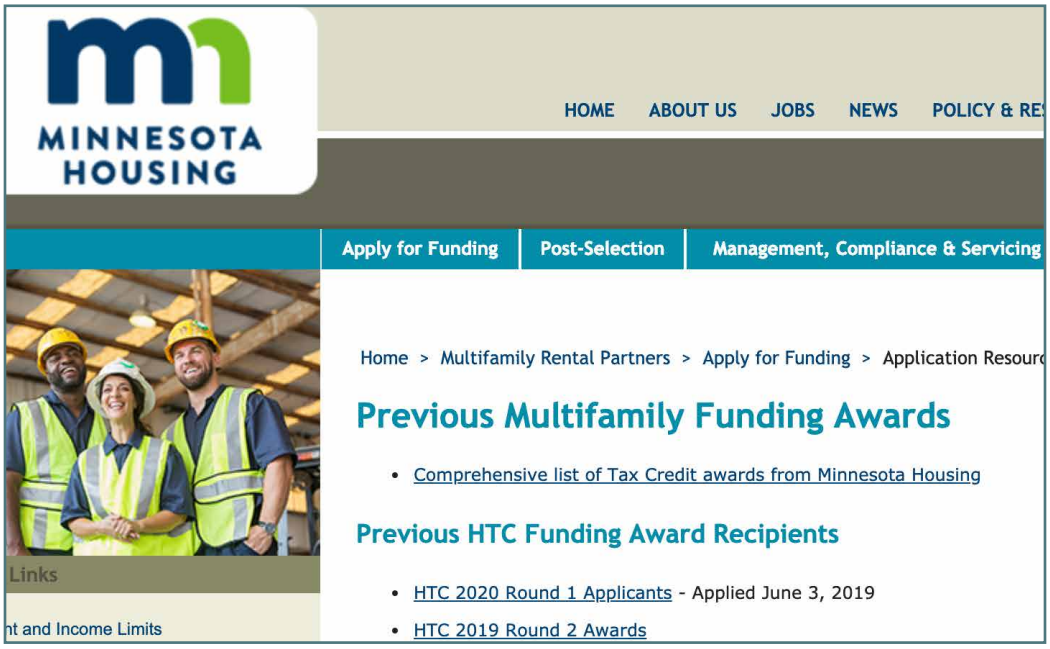
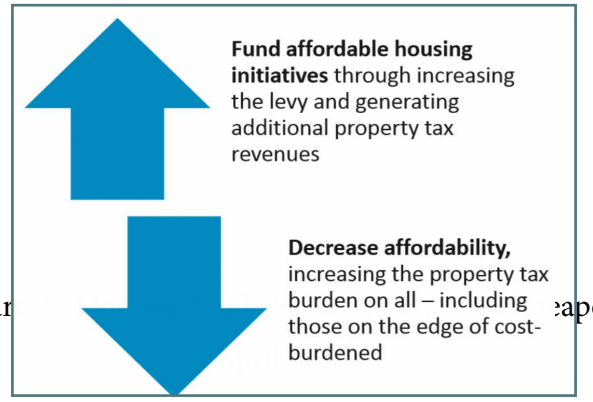


Figure 5: Minnesota Housing Finance Agency's Website with Data on Past Multifamily Awards

Communities with a LHTF	Funding Sources Allocated to the LHTF
City of Minneapolis	CDBG; HOME; Tax increment Finance; general funds (i.e. City levy); and development funds including loan repayments, land sale proceeds, issuer fees, etc.
Hennepin County	County HRA levy; County HOME funds
City of Red Wing	Red Wing HRA levy and TIF Pooling
Goodhue County	County levy

Figure 6- Minnesota Jurisdictions with LHTFs and Allocated Funding Sources

Case Study: The City of Minneapolis has grappled with the complexities of achieving an optimal balance, recognizing that any tax increase – either a general property tax levy or HRA levy – would raise additional funding resources for affordable housing, but also potentially result in a higher overall tax burden and housing cost for Minneapolis residents.



Figur eapolis,

Appropriations by a Local Government. The amount of an appropriation (or other funding source from local government) will be based on your community's previous work to identify the funding gap, as well as your assessment of the political and fiscal appropriateness of the source(s) for the LHTF, the degree to which it is recurring, and the overall target revenue level for your community (discussed further in Section 5 on page 24).

Housing and Redevelopment Authority (HRA) Levies. HRAs have special authorities

26 City of Minneapolis. Housing City Council Study Session. April 26, 2018. Pg. 20 https://lims.minneapolismn.gov/Download/File/1046/Housing%20Study%20Session%20Presentation%20vF.pdf. Accessed 10.26.18.

per Minnesota State law, including an authority to levy. Per the League of Minnesota Cities, "A HRA is primarily responsible for the planning and implementation of redevelopment and/or low-rent housing assistance programs within its area of operation."[27] The Family Housing Fund and Urban Land Institute's HousingCounts[28] website includes a useful discussion of HRA levies. To learn more about how to establish an HRA levy, consult Minn. Stat. §469.003 (for city HRAs) and §469.004 (for county and multi-county HRAs).

While the HRAs in some communities have not yet used their levy power at all, others have levied for a portion of their maximum allowable levy amoun while other communities have "maxed out" their levy (e.g. the City of Red Wing). See Section 6 on page 27 for a more detailed discussion on how to use HRA levies as a LHTF funding source.

Case Study: Hennepin County HRA's Affordable Housing Incentive Fund. In 2000, the Hennepin County HRA created a LHTF called the Affordable Housing Incentive Fund (AHIF) to help support the financing of affordable housing projects. AHIF helps fund nonprofit, public, and private developments through a competitive request for proposals (RFP) process. Currently, the Hennepin County HRA uses about 39 percent ($3.3 million of its $8.512 million) of its levy for its trust fund. The AHIF does not currently utilize bond proceeds or federal entitlement dollars.

Funding is provided as a 30-year deferred loan with an interest rate between zero and three percent. This is gap funding to help bridge the difference between market and affordable rental rates.

Priority is given to projects that: **Serve residents** at or below 30 percent of the AMI ($28,300 for a household of four, as of 2018); and **Designate units** for priority occupancy by County Human Services clients (known as "Human Service Units"). Developers that include Human Service Units in their building agree to notify the County of vacancies and hold that unit for a specified period of time while Hennepin County staff seeks a client tenant. This commitment is recorded in a declaration that runs with the property. Hennepin County has 191 Human Service Units in developments as of Fall 2018.

Alongside the HRA's property tax levy, Hennepin County receives federal **funds from HUD** to support its affordable housing work. In 2018, the County received approximately $2.9 million of CDBG funding, $1.8 million from the HOME program, and $229,809 through Emergency Solutions Grants (ESG). Per the Hennepin County HRA, over the past 18 years, AHIF has invested $63.2 million, leveraging approximately $1.5 billion to create or rehabilitate over 7,700 affordable housing options for Hennepin County residents.

Private Donations or Contributions. Private donations or contributions from for-profit businesses, nonprofit organizations, or individual citizens are also an eligible source of LHTF funding. There may be legal and tax implications for the non-governmental contributor, as well as public finance rules that apply to the local government receiving the donation.

Local Government Acceptance of Private Donations. Cities and counties in Minnesota are generally authorized to accept donations of real and personal property pursuant to Minn. Stat. §465.03 for the benefit of their citizens. A resolution accepting the gift and the donor's terms must receive an affirmative vote of two-thirds of the members of the governing

27 League of Minnesota Cities. Handbook for Minnesota Cities. Chapter 14: Community Development and Redevelopment. Pgs. 5-6. https://www.lmc.org/page/1/handbook-for-mn-cities.jsp. Accessed 9.6.18

28 HousingCounts. Adopt Tax Levies in Support of Housing Strategies. http://www.housingcounts.org/toolbox/finance/adopt-tax-levies-in-support-of-housing-strategies

body. The League of Minnesota Cities has a model resolution[29] for accepting donations.

Employer-Assisted Housing Contributions. Employer-assisted housing programs or accounts may also simultaneously be LHTFs , if they have local public revenues and are created by a local government action. The Greater Minnesota Housing Fund Employer-Assisted Housing Resource Guide[30] provides a helpful overview of the potential tax consequences of housing contributions made by private employers, reproduced below. Generally, to provide the greatest degree of flexibility to a local government seeking to allocate these dollars to housing purposes, employers contributing funds to a LHTF and the local government receiving them should specifically articulate that the employer contribution is intended for **general community benefit** and not specifically for the benefit of the business' employees.

Caution: How and for what purpose employers donate to an LHTF can result in different tax implications.

What are the tax consequences of Employer-Assisted Housing?

> *"The answer depends on the type of participation and how the employer contribution is structured. For down payment assistance, grant funds to employees are generally considered as income and therefore taxable to both employer and employee. If down payment assistance is in the form of a forgivable loan, only the portion that is forgiven each year is considered taxable income. Employers that make charitable contributions to 501(c)(3) non-profits for housing projects or programs can take a charitable deduction if their contribution does not directly benefit their company more than other businesses in the community (i.e. the housing is for the general community rather than specifically for their employees, per IRS regulations). If employers who invest in housing as a business expense (i.e. housing for their employees) they may be allowed to take business deductions. Employers should check with their tax attorney or accountant about tax consequences of any housing initiative they undertake."*[31]

Tax Increment Finance (TIF). A local Minnesota government may be able to allocate a portion of a Tax Increment Finance district's resources – increment funds – to a LHTF, through the creation of a new housing tax increment district or by "pooling" TIF from existing tax increment districts. Note: Whether or not a specific community can allocate increments from specific TIF districts to a LHTF, via pooling, should be determined in consultation with public finance experts, municipal advisors, and legal counsel.

Any revenues generated from TIF must be used in accordance with a TIF Plan. Generally, increment funds from TIF are available to support a variety of housing and economic development project expenses.[32] When used in conjunction with TIF bonds (i.e. TIF increment is pledged as security for bonds), however, increments must first pay the principal and interest on bonds issued to finance the costs of a development project.

A TIF Plan includes a budget and a projection of the increments to be raised over the life of the district. However, per remarks from the Minnesota Office of the State Auditor,[33] often TIF budgets are not accurate at projecting this revenue amount. In other words, the actual increment amount raised may be less or more than projected by the TIF Plan. Typically, if a TIF district raises more increment than projected, this is considered excess increment, and it must be returned to taxpayers (after prepaying and/or

29 League of Minnesota Cities: https://www.lmc.org/media/document/1/acceptingdonations.docx

30 Greater Minnesota Housing Fund. Employer-Assisted Housing Resource Guide. 2014. Pg. 29. https://gmhf.com/wp-content/uploads/2016/08/gmhf-employer-assisted-housing-handbook.pdf. Accessed 9.25.18

31 Ibid

32 Minnesota Statute §469.174 - .1794

33 Interview with the State Auditor Jason Nord.

paying off outstanding bonds).[34] More information on TIF increment bonds is included below under "Bond Proceeds" on page 21.

TIF Pooling. According to the Minnesota House of Representatives Research Department, "pooling" refers to the use of tax increments "for activities located outside of the boundaries of the district from which they were collected."[35] This larger geography within which the funds are spent (larger than the original TIF district geography) is called the "Project Area." The percent of increments from a TIF district that are permitted to be pooled, and the amount that may be spent outside of the district and Project Area, varies by the type of district.

Housing TIF districts, which provide another source of funding for housing development, include affordability requirements as opposed to Redevelopment and Economic Development TIF districts. Housing TIF districts also do not have timing and location limits of other types of TIF districts.

Caution: Using Pooled TIF increment correctly per State law is challenging and is likely to demand special assistance from a firm with public finance expertise. Local government staff, including the finance director and/or city administrator/manager may choose to contact a public finance firm for more detailed information about the financial and legal aspects of using Pooled TIF increment.

- For Redevelopment (TIF) districts, up to 25 percent of increments may be pooled within within the Project Area. See Minn. Stat. §469.1763, Subdivision 2.[36]

Case Study: The City of Rochester uses five percent of the increment from non-housing redevelopment projects to pool towards affordable housing elsewhere in the community.

- Housing (TIF) districts are exempt from the percentage limits on pooling, as long as the increments are spent on a low to moderate income housing project. A housing TIF tax increment spent for a housing project is treated as being spent within the TIF district, **regardless of where the housing project is located**.[37]
- For **all other types of TIF districts**, pooling of increment is limited to 20 percent that may be spent on activities outside of the district, but within the Project Area.
- The expenditures of tax increment from **non-Housing** TIF districts can be increased by ten percentage points and do **not** have to be made within the Project Area if they are made for housing purposes. However, the requirements for this type of pooling for housing are more rigorous. See Minn. Stat. §469.1763, Subdivision 2(d).[38]
- Pooling "outside of the district" sometimes refers to expenditures on activities within the geographic area of the district, but are defined as being outside of the district due to their timing (i.e. obligations after the first five years of the district).
- The 20-25 percent maximum for pooling includes the amount retained by government entities for eligible TIF administration. For example, in the case of a Redevelopment TIF district, if an HRA is retaining 10 percent for administration, an additional 15 percent of the tax increment from the district may be retained

34 Minnesota Statute §469.176, Subdivision 2. https://www.revisor.mn.gov/statutes/cite/469.176

35 Minnesota House of Representatives Research Department. TIF Pooling. http://www.house.leg.state.mn.us/hrd/issinfo/tif/pooling.aspx. Accessed 10.18.18.

36 Minnesota Statute §469.173, Subdivision 2: https://www.revisor.mn.gov/statutes/cite/469.1763#stat.469.1763.2

37 Minnesota House of Representatives Research Department. TIF Pooling. http://www.house.leg.state.mn.us/hrd/issinfo/tif/pooling.aspx. Accessed 10.18.18.

38 Minnesota Statute §469.1763, Subdivision 2(d): https://www.revisor.mn.gov/statutes/cite/469.1763#stat.469.1763.2

for activities outside the TIF district but within the Project Area.[39,40]

Bond Proceeds. Per Minnesota State law, cities and local development authorities may issue bonds and use bond proceeds to help finance affordable housing development. Minn. Stat. §462C.16, Subdivision 4 lists bond proceeds as an additional potential funding source for a LHTF. Minn. Stat. §469.034, which relates to the authority of local development authorities to issue bonds, notes that "the principal and interest [debt service of the bonds] are payable **exclusively from the income and revenues of the project financed with the proceeds of the bonds**, or exclusively from the income and revenues of **certain designated projects, whether or not they are financed** in whole or in part with the proceeds of the bonds"[41,42] (emphasis added). The League of Minnesota Cities points out that "federal law limits the issuance of housing revenue bonds. Bonding authority is allocated by a state formula."[43]

As it relates to financing housing, cities and HRAs may utilize **Tax Increment Financing bonds**, or **"TIF" bonds**, which may be bonds of any type, that are payable by future TIF district increment that is pledged as security to pay off the bond. In the case of financing development project expenditures, a developer may finance initial or ongoing development expenditures on its own and the local governing authority may direct increment to the developer to reimburse them. Alternatively, the authority advances bond proceeds to the developer and then uses future increment to make repayments to the bondholder (typically an institutional investor).

When TIF and/or bonds are involved, the local authority must be careful to follow the TIF Act, bond regulations, and all other applicable laws.

Key legislation that references the authorities and limitations of local governments and development authorities to issue bonds for housing includes, but is not limited to, the following:

- Minn. Stat. Chapter 462C[44] governs municipal housing, including housing revenue bonds issued by cities. Minn. Stat. §462C.02 states that a city may develop a program for housing that includes the issue of revenue bonds. A "program" refers to an individual component of a city's overall program for housing for which one or more issues of revenue bonds or obligations is proposed.[45] Minn. Stat. §462C.07 notes, "to finance programs or developments described in any plan the city may, upon approval of the program….**issue and sell revenue bonds or obligations which shall be payable exclusively from the revenues of the programs or developments**" (emphasis added).[46]
- Minn. Stat. Chapter 469[47] governs some activities of development authorities, such as

39 Ibid.

40 Minnesota Office of the State Auditor. Statement of Position: TIF Pooling. Oct. 2018. https://www.auditor.state.mn.us/other/Statements/tifpooling_1305_statement.pdf. Accessed 9.6.18.

41 Minnesota Statute §469.034. https://www.revisor.mn.gov/statutes/cite/469.034.

42 These bonds are generally used for projects to be owned by HRAs, or other government entities that partner with private entities.

43 League of Minnesota Cities. Handbook for Minnesota Cities. Chapter 14: Community Development and Redevelopment. P. 13. https://www.lmc.org/media/document/1/communitydevelopmentandredevelopment.pdf?inline=true. Accessed 9.25.18.

44 Minnesota Statute Chapter 462C: https://www.revisor.mn.gov/statutes/cite/462C

45 Minnesota Statute §462C.02, Subdivision 6 states that "city" includes "any statutory or home rule charter city, a county housing and redevelopment authority created by special law or authorized by its county to exercise its powers pursuant to section 469.004, or any public body which (a) is the housing and redevelopment authority in and for a statutory or home rule charter city, the port authority of a statutory or home rule charter city, or an economic development authority of a city established under sections 469.090 to 469.108, and (b) is authorized by ordinance to exercise, on behalf of a statutory or home rule charter city, the powers conferred by sections 462C.01 to 462C.10."

46 Minnesota Statute §462C.07. https://www.revisor.mn.gov/statutes/cite/462C.07.

47 Minnesota Statute Chapter 469: https://www.revisor.mn.gov/statutes/cite/469

HRAs/EDAs. More specifically:

- §469.034 governs the bonding authorities of HRAs; and
- §469.178 governs tax increment bonding for both local government and development authorities (often referred to as the "TIF Act").
- Minn. Stat. Chapter 475[48] governs municipal debt issues, including bonds issued by a municipality (e.g. general obligation bonds, revenue bonds).

Tax Increment Bonds. There are **three major types of tax increment bonds** or notes that local governing agencies may utilize to help finance housing:

General Obligation (GO) Tax Increment Bonds are sold by the local governing body and the obligation is paid with future tax increment revenue and any other source as needed. GO Bonds pledge the full faith and credit of the government body. This means that if on an annual basis there is not enough tax increment to pay the bond's debt service payment, the local government agrees to levy a property tax or find other revenue sources to pay the difference. This type of obligation provides the most risk to the local government and taxpayers. Minn. Stat. 469.034 allows HRAs to sell GO bonds with the consent of the city or county (as applicable).[49]

Revenue Bonds are sold by the local governing body or HRA and they are secured by one or more specifically-identified revenue sources. In the case of TIF bonds, for example, the revenue source is future tax increments. These are less risky for a local government or HRA than General Obligation bonds.

Pay-As-You-Go (PAYGO) Revenue Notes, or PAYGO TIF revenue notes, pledge to the note holder a certain percent of the available tax increment from the specific district or specific parcels. In this case, a developer pays for project expenses and is later reimbursed with tax increment over the term of a TIF district. Less tax increment revenue means lower pay-as-you-go note payments, and the note may not be paid in full at the time of decertification of the TIF district. To the extent that the increment is not available to make a payment, a governing body or HRA is not obligated to make up any difference. Compared to General Obligation bonds and Revenue bonds, this type of obligation provides the lowest risk to the local government and HRA. For this reason, PAYGO TIF revenue has become more popular in Minnesota.

Case Study: Hennepin County HRA's Affordable Housing Incentive Fund (AHIF) is funded today with HRA levy dollars. When the AHIF was created in 2000, it also involved bond proceeds. However, the HRA later abandoned bonds as funding source, given the many conditions around bonds that made compliance difficult.

Caution: Issuing and using bond proceeds correctly per Federal and State law is very complex and will likely require assistance from experienced bond counsel, a municipal advisor, or law firms with a public finance expertise. Local government staff should contact these parties for more detailed information about legal and technical aspects of issuing bonds.

Other bonds that may be less common in housing finance are interfund loans or advances.

Grants and Loans from State and Federal Sources. Some communities in Minnesota receive entitlement dollars from the US Department of Housing and Urban Development (HUD) including sources such as HOME, CDBG, Emergency Solutions Grant (ESG), Housing Opportunities for Persons with AIDS (HOPWA), and others.[50] Other small

48 Minnesota Statute Chapter 475: https://www.revisor.mn.gov/statutes/cite/475

49 League of Minnesota Cities. Handbook for Minnesota Cities. Chapter 14: Community Development and Redevelopment. Pg. 8. https://www.lmc.org/media/document/1/communitydevelopmentandredevelopment.pdf?inline=true. Accessed 9.27.18. See also Minnesota Statute §469.178, Subdivision 3. https://www.revisor.mn.gov/statutes/cite/469.178

50 Not that some programs like CDBG and HOME have different annual project reporting requirements and the ability for staff to manage this reporting should be considered when utilizing such funds.

communities in Greater Minnesota can compete for and be awarded Small Cities Development Program (SCDP) funds by the Minnesota Department of Employment and Economic Development (DEED) via the CDBG program. These SCDP funds follow CDBG program rules.

Case Study: City of Minneapolis AHTF. Significant sources for Minneapolis' Affordable Housing Trust Fund are CDBG and HOME program dollars.

Loan Repayment Proceeds to a Local Government. Local governments can administer deferred loan programs for housing or economic development activities. These deferred loans are later repaid upon resale of a home or property, refinancing of a project, or the loan maturation. The repayments may be an eligible LHTF funding source.

Case Study: SCDP Loan Repayments as a LHTF Funding Source.[51] The State of Minnesota Department of Employment and Economic Development (DEED) awards Small Cities Development Program (SCDP) grants to local jurisdictions for qualified housing and commercial rehabilitation projects. Often these communities pass the funds on as a loan to a property owner engaging in rehabilitation. The repayments on these loans back to the issuing government entity may be eligible for use as a funding source in a LHTF. These funds could then support owner-occupied and rental housing rehabilitation, subject to DEED's requirements, and those of the federal CDBG program through which the funding originates.

Per DEED, funds that have accumulated due to these SCDP loan repayments are considered "local funds" if they total under $35,000, or "program income" if they total at least $35,000. These funds can be utilized to meet a National Objective, i.e. at least 51 percent of units are affordable for low to moderate Income households (≤ 80 percent of the County Median Income). Eligible housing activities are owner-occupied rehabilitation or rental rehabilitation. Some portion of these repayment pools can be used for program administration related to these housing activities. Repayment totals received during the Oct. 1-Sept. 30 fiscal year require specific, post-closeout reports be completed and submitted to DEED.

Property Sale Proceeds. Although Minn. Stat. §462C.16, Subdivision 4 does not explicitly list property sale proceeds as a potential funding source for a LHTF, this flexible resource may be available to local governments or HRAs. Local governing bodies may sell real estate at a market rate that could yield sale proceeds that could be allocated to a LHTF.

4. What is a Realistic LHTF Annual Revenue Target, Based on Local Budget Dynamics?

After calculating your community's housing needs and potential funding sources to support the creation of a LHTF, the next step is to develop a strategic proposal for a budget amount (overall revenue goal) that you and LHTF stakeholder champions will be able to effectively advocate for during the local government budget process. Here you will need to consider both recurring and non-recurring funding sources available within your community, and whether the recurring source(s) are predictable and reliable in generating a consistent amount of money annually for the LHTF.

A. Setting a Goal.

The overall revenue goal may, or may not, relate to the per-unit gap subsidy amount needed to address a portion of the total affordable housing unit need. It could be expressed as a revenue target to meet a designated percentage of the overall estimated need over a defined number of years, with a corresponding number of new or rehabilitated units per year. Alternatively, it might simply be a lump sum proposal that is more opportunistic, such as the dollar amount to get the community to a higher level of the local government's permitted HRA levy.

51 More information: 2014 SCDP Income Reuse Training, https://youtu.be/8NkHOgqaVr8

Case Study: The City of Red Wing HRA's target was $100,000 per year for its AHTF, approved in 2015, moving the City to its maximum permitted levy level.

Case Study: In December of 2018, the St Paul City Council approved a one-time $10 million investment into a Housing Trust Fund, and annual $2 million ongoing investment into the fund. The strategy for the Fund is determined by the St. Paul HRA.

Case Study: The City of Minneapolis has had a $10 million AHTF goal per year; it has approached that goal in recent years using a variety of sources, and exceeded it in 2019.

B. Recurring Sources.

If the funding source under consideration is recurring, a best practice is to **earmark a portion of it to be allocated to the LHTF** or to propose it as a percentage of growth of a funding source above and beyond a base level.

Case Study: Goodhue County had a 2017 HRA levy of $273,990. Rather than re-direct the base amount of levy to the LHTF, it proposed approximately $100,000 in additional levy for the LHTF, translating to a total HRA levy of $376,100 in 2018, including the LHTF.

Case Study: The City of Minneapolis has earmarked recurring federal entitlement dollars for its AHTF, including HOME and CDBG funds. While these sources have gone down over time, they still remain important components of the AHTF, as federal pass-through funding might otherwise be used for non-affordable housing purposes.

C. Non-Recurring Sources.

If a community expects to receive a one-time, non-recurring funding source, such as a grant, it can consider earmarking the entirety of the expected source or a percentage of it for the LHTF, if and when the funding becomes available.

5. How Can a Local HRA Levy be Used as a Key Funding Source for the LHTF?

Housing and Redevelopment Authorities (HRAs), when created by city or county governments, have many powers. Their main overarching power is to remove blight and provide safe, affordable, sanitary housing. HRAs can also raise housing tax levies through the typical taxation process of the jurisdiction. Each HRA is able to levy up to 0.185 percent of its total estimated market value of property within its respective jurisdiction.

A. Special Taxing Rules.

Another dimension that may play into a community's decisions about the potential of a HRA levy as a key funding source for the LHTF is whether the community is a home rule charter city, or a statutory city. According to the League of Minnesota Cities, there are 107 charter cities currently in Minnesota. A city's charter may have unique taxing limitations or requirements for the budget and the amount of levies. If a local general levy is proposed to fund a LHTF, ensure the city charter is reviewed in consultation with the city attorney for any provisions affecting city budgeting. The city finance director and/or Minnesota Department of Revenue are also helpful resources.[52]

B. Levy Limits.

Per the League of Minnesota Cities, levy limits have been approved in some years by the Minnesota State Legislature, making their applicability hard to predict. As of Fall 2018, no levy limits are in effect (none have been in effect since 2014 local taxes payable). The Minnesota House of Representatives Research

52 Handbook for Minnesota Cities, Chapter 4, Section VII (League of Minnesota Cities). https://www.lmc.org/media/document/1/thehomerulechartercity.pdf?inline=true

Department has a memo that explains levy limits.[53]

The League of Minnesota Cities' Handbook for Minnesota Cities, Chapter 21 also discusses information about levy limits in charter cities under the section titled "How this chapter applies to home rule charter cities."[54]

C. Calculating Available Levy Funds.

The Minnesota Department of Revenue has data available on its website to help you to estimate the amount of levy funds that may be available via a HRA levy – potentially an important source for your community's LHTF. Here are some key data resources from the Department of Revenue:

- **Certified Property Tax Levies:** TLists of existing, certified levies for all Minnesota cities, counties, townships, school districts, and special taxing districts, including HRAs and EDAs, are published annually. For 2018, see http://www.revenue.state.mn.us/propertytax/Pages/ptlevies-18c.aspx, or navigate to the MN Department of Revenue website and search for "Certified 20xx Tax Property Levies" to download the Excel file of data.
- **Economic Market Values by School District, City/Town, and County:** Using the EMVs, you may choose to calculate the maximum possible HRA levy that each jurisdiction (e.g. city, county, or township) might raise. Estimated Market Values (EMVs) for Minnesota Cities and Counties are available through the Minnesota Department of Revenue. See: http://www.revenue.state.mn.us and search for "Economic Market Values".

Hypothetical HRA levy example: Redwood County, MN wants to establish a Local Housing Trust Fund, principally to be funded with a County-wide HRA levy via its established Economic Development Authority. However, what is the **revenue generation potential** of such an HRA levy, and how would it **potentially impact different types of property taxpayers**?

1. Consult the most recent data from the MN Department of Revenue (i.e. a spreadsheet 1. available at the link above, "**Economic Market Value for Counties**. Assessment Year 2017 for taxes payable in 2018.") Redwood County's Estimated Market Value of real property is approximately $4.219 billion - see excerpt below.

2. Estimate the amount of revenue potential of a Redwood County HRA levy. Take the Estimated Market Value by maximum HRA levy per State law (0.0185%): $4,218,854,600 X 0.000185 = $780,488

3. Assume the following typical property values in Redwood County, to estimate the general impacts of a maximum HRA levy:

County Number	County Name	Estimated Market Value of locally assessed real property (a)	Calculated sales ratio (b)
64	Redwood	$4,218,854,600.00	96.01%
65	Renville	$4,811,088,200.00	98.67%
66	Rice	$6,093,332,700.00	92.08%

Figure 9 - Screenshot of Economic Market Values by School District, City/Town, and County

D. Development Authority Alternatives to a Local HRA.

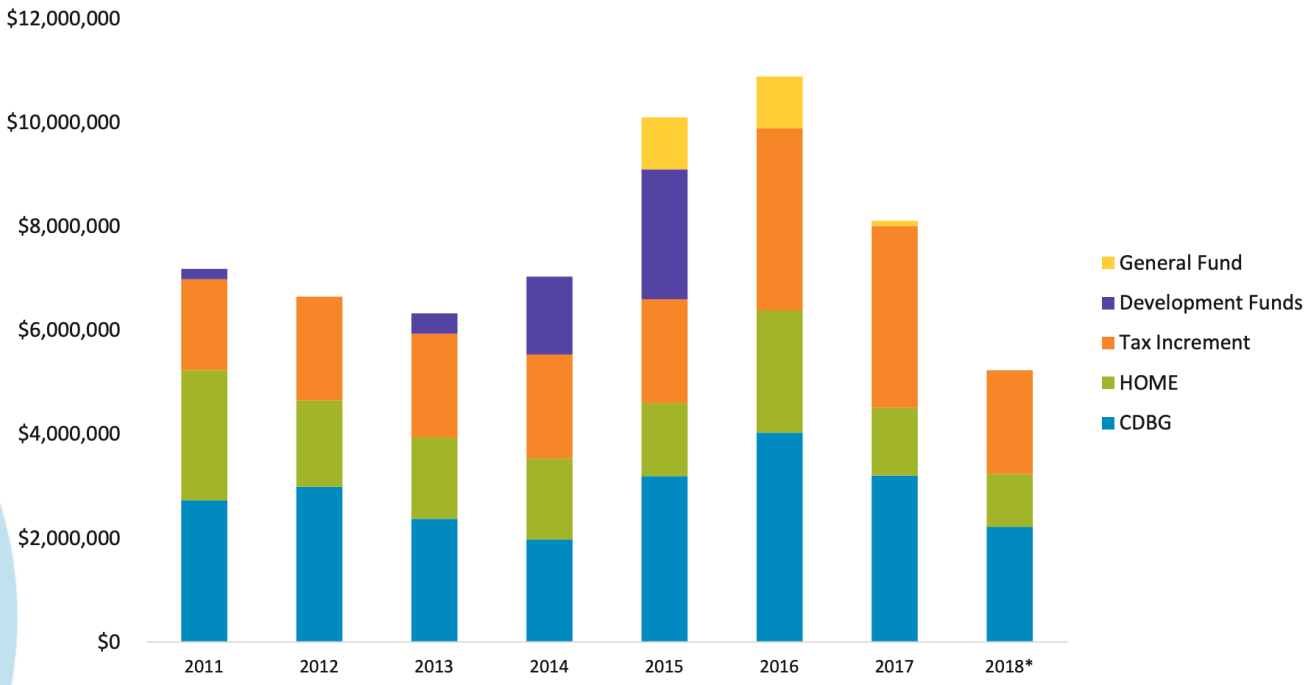
Something to keep in mind is that there are other kinds of community development and redevelopment organizations that can be utilized as an alternative to HRAs.[55]

53 Dalton, Pat. Minnesota House of Representatives Research Department. Short Subjects: Levy Limits. Memorandum. Jan. 2015. https://www.house.leg.state.mn.us/hrd/pubs/ss/sslvylmt.pdf. Accessed 10.4.18.

54 League of Minnesota Cities. Handbook for Minnesota Cities. Chapter 21: Property Tax Levy. https://www.lmc.org/media/document/1/propertytaxlevy.pdf?inline=true. Accessed 10.4.18.

55 See Chapter 469 of Minnesota Statutes, "Economic Development," for more detail: https://www.revisor.mn.gov/statutes/cite/469.

Figure 8: City of Minneapolis AHTF Funding Sources, by Source Type, 2011-2018



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Source: Minneapolis Community Planning and Economic Development Department

Economic Development Authorities (EDAs). Cities and Counties may create an EDA, and may also levy for an EDA (see Minn. Stat. §469.107[56]). The EDA levy amount is recommended by the EDA to the city, as a portion of the city's overall levy (the EDA levy is not a "special levy" under state law and thus the EDA levy is subject to the city's overall levy limit, if applicable). A city's EDA levy must be not more than 0.01813 percent of the city's estimated market value. The amount levied must be paid by the City Treasurer to the treasurer of the authority, to be spent by the authority. Alternatively, a city could grant its EDA authority for housing, i.e. HRA powers, including the HRA levy.

Port Authorities. A port authority can levy for its purposes. The tax must not exceed 0.01813 percent of estimated market value (see Minn. Stat. §469.053[57]).

Municipal or Area Redevelopment Agencies. Cities with a population under 50,000 can establish Municipal or Area Redevelopment Agencies. Per the League of Minnesota Cities (Chapter 14 of the Local Handbook), "The law includes only rural areas, which generally means all areas that are not within the boundary of any city having a population of 50,000 or more, and notimmediately adjacent to urbanized and urbanizing areas with a population density of more than 100 persons per square mile. The establishment of the municipal or area redevelopment agency is similar to the establishment of an HRA. A municipal or area

56 Minnesota Statute §469.107: https://www.revisor.mn.gov/statutes/cite/469.107

57 Minnesota Statute §469.053: https://www.revisor.mn.gov/statutes/cite/469.053

redevelopment agency has similar powers to an HRA."[58] See Minn. Stat.s §469.109 - .115.[59]

6. How Should a Budget for the LHTF be Determined?

By law, Minnesota cities must prepare and pass a budget on a calendar year. Per Chapter 20 of the League of Minnesota Cities' Handbook, "Municipal Budgeting," a budget is one year of estimated revenues coming in, or revenues and expenditures going out.[60] A City Council adopts the budget by a resolution which sets forth the total for each budgeted fund and each department.

Once your community has decided to establish a LHTF at the local level and fund it, at least in part, with public funding sources, it will likely show up as one of the following: As a portion of a city/county department's budget (ex. as program within the Community Development Department); as a portion or all of a proposed tax levy of a special taxing district such as a HRA or EDA; or simply as a portion of the jurisdiction's general property tax levy.

A. Types of Funds.

There are three types of government funds in Minnesota. "In governmental accounting terms, a 'fund' is a sum of money set aside for a specific purpose – not necessarily a separate bank account – but tracked on paper separately."[61] The three fund types are:

- "Governmental funds—used to finance most governmental services and based on tax revenues, special assessments, or issuing debt. The city's general fund, debt service funds (to pay off bonds), and capital project funds are examples of governmental funds.
- Proprietary funds—financing for governmental activities operating like a private business, for example, water and sewer utilities, electrical utilities, or municipal liquor stores. Service charges usually provide most of these funds.
- Fiduciary funds—trust and agency funds used to account for assets a city holds in a trustee capacity or as an agent, for example, pension funds. Fiduciary funds **cannot** be used to support the city's own programs."[62]

You will need to work with your community's finance director and possibly consult with the Minnesota Office of the State Auditor (OSA) to best determine the type of fund account for your LHTF. The OSA also provides guidance in its Uniform Chart of Accounts.[63]

B. Dedicated and Recurring Funds.

Per the Housing Trust Fund Project, the defining element of a housing trust fund is the commitment, by law, of a source of dollars for the fund, in which dollars are made available year over year:

> *"… By resolution, ordinance or legislation, a certain percentage or amount of public funds are automatically deposited in the housing trust fund each year…With a dedicated revenue source, advocates no longer have to argue for scarce resources with city council members, county commissioners or state legislators during the annual budget process….The dedicated revenue source guarantees a regular, but possibly fluctuating, source of funds"*[64] *(emphasis added).*

58 League of Minnesota Cities. Handbook for Minnesota Cities. Chapter 14: Community Development and Redevelopment. https://www.lmc.org/media/document/1/communitydevelopmentandredevelopment.pdf?inline=true.

59 Minnesota Statute §469.109: https://www.revisor.mn.gov/statutes/cite/469.109

60 Per the League of Minnesota Cities' Handbook for Minnesota Cities, Chapter 20, "Municipal Budgeting," this applies to all Minnesota cities, but those organized under a "Plan B form of government, and cities with home rule charters, special laws, local ordinances or unique circumstances may have additional or special budgeting requirements…" (pg. 5; accessed 10.4.18 at https://www.lmc.org/media/document/1/municipalbudgeting.pdf?inline=true.

61 Ibid.

62 Ibid.

63 Minnesota Office of the State Auditor: http://www.osa.state.mn.us/other/ctas/docs/ctas_coa.pdf

64 Center for Community Change. Revenue Sources. Housing Trust Fund Project. https://housingtrustfundproject.org/htf-elements/revenue-sources. Accessed on 10.3.18.

The goal of dedication is that a funding source is protected in "trust" and is a regular stream of funding for the LHTF each year. As it relates to Minnesota, Minn. Stat. §426C.16 does not define the term "dedicated." As such, your community may choose to seek specific legal advice on the question of how to best position a specific funding source's allocation to a LHTF, year to year.

C. Timeframe for Local Cities and Special Taxing Districts to Approve Funding.[65]

For Minnesota cities that have a population of 500 residents or more, there is a specific process, including a public hearing, that must be followed for approving a maximum levy and a budget. Cities with populations of 500 or less and all special taxing districts – except several districts in the Twin Cities Metropolitan Area – are exempt from the requirement to hold a meeting with public input prior to adoption of the final levy, however, public engagement is always encouraged.

The League of Minnesota Cities' Handbook for Minnesota Cities provides the timeline that applies to local property tax and levy approval process. A major point to note is that if a LHTF is to be financed via a new property tax or special taxing district levy, **such a proposal must be fully planned and adopted by special taxing districts by September 15 or by city council by September 30**. If the proposed levy is finalized on July 1 of the following year, it would go into effect the following year. For example, if a levy is approved in 2019 and finalized in 2020, it will be collected in 2021.

Case Study: How much **impact will a local levy** to fund a LHTF have on an average property tax payer in Goodhue County?[66]

The Southeast Minnesota Multi-County HRA (SEMMCHRA) proposed, and the Goodhue County Board approved, an annual levy increase in 2018. The County is now currently using 52 percent of its maximum levy amount, including the approved additional levy.

The Goodhue County Budget Committee agreed to a levy increase that went from $273,990 in 2017 to $376,100 in 2018 and $378,863 in 2019 (0.77 percent and 1 percent increases, respectively). The levy is made of:

General Overhead
Community Development
Housing Development
Affordable Housing Trust Fund (new in 2018: $100,000 of the $376,100 Goodhue County 2018 levy)

With the $100,000 County levy increase in 2018, there is a relatively-small impact on the average taxpayer bill. For example, the owner of a $200,000 home would pay $19.25 of the total County levy of $376,100, which includes the $5.12 increase for the Affordable Housing Trust Fund (total of $100,000 additional levy funds for the AHTF).

For more information about how to develop such estimates of impact in your community, the Minnesota Department of Revenue's "Understanding Property Taxes, Property Tax Fact Sheet 1" is available at www.revenue.state.mn.us/propertytax/factsheets/factsheet_01.pdf.

7. How Can the Proposal be Developed with Community Support?

To successfully launch a LHTF, a public campaign or communications strategy will need to be developed that speaks to community needs. This will consist of (a) creating persuasive arguments for developing and funding a LHTF as part of a widely-accessible public communications and messaging strategy, and (b) mobilizing community members and decision-makers to support it. The campaign should answer the questions of why the community should advocate for

65 League of Minnesota Cities. Handbook for Minnesota Cities: Chapter 20, "Municipal Budgeting" and Chapter 21, "Property Tax Levy." https://www.lmc.org/page/1/handbook-for-mn-cities.jsp. Accessed on 8.27.18.

66 SEMMCHRA. 2018 & 2019 HRA Levy Budget Request. Memorandum. https://www.co.goodhue.mn.us/AgendaCenter/ViewFile/Item/5404?fileID=13044.

the creation of a LHTF and what the LHTF will help accomplish for the community.
Using locally-based evidence and data to support the arguments for creating an LHTF will directly connect it as a solution to the community's need.

While building an effective communications strategy is not the primary focus of this Manual, the Housing Trust Fund Project has several detailed resources that can be helpful in this important endeavor.

A. LHTF Campaign Basics.[67]

Different types of campaigns, including grassroots-based, coalition-based, task force-based, and planning process-based campaigns, can be effective in gaining support for and establishing a LHTF.

Underlying the various types of campaigns is the **type and level of community engagement** during the process of creating, and later providing oversight of, the LHTF. Grassroots- and coalition-based campaigns can generate greater participation by local residents and stakeholders compared to task-force and planning process-based campaigns, which typically are government and organization staff-driven. However, any of these models may be effective in your community.

Regardless of the type of campaign, key questions to ask related to community involvement are:

- When (how early) and how do **residents and stakeholder organizations** get involved? How can their perspectives shape the LHTF options being considered? Stakeholders might include low-income housing advocates, tenants, nonprofit and public social service agencies, nonprofit housing developers, employers, etc. How might their direct knowledge of, and experience with, housing needs provide examples to the community?
- When and how do **appointed** and **elected** officials get involved? How might they assist in high-level public messaging of the need for a LHTF?
- When and how do **staff of local government and nonprofit housing organizations** get involved? How does their knowledge and expertise inform the LHTF options considered?
- Does the community have the interest and financial ability to hire a consultant to analyze LHTF options (revenue, legal, political, etc.)?
- How could a campaign leverage the time and expertise of **community** in weighing various community needs and determining **overall**

Figure 10 - Estimated Financial Impact on Maximum HRA Levy on Different Types of Property

Estimated Financial Impact of the Maximum HRA levy (0.0185%) to:

Property Value	Property Type	Estimated Levy Impact
$100,000	Homesteaded home	$18.50
$350K	Apartment building, 4+ units	$64.75
$500K	Industrial property*	$92.50
$250K	Commercial property*	$46.25
$3M	Farm	$555.00

*The actual levy amounts may vary by specific property, as differential property class rates apply at varying levels of value, e.g. commercial/industrial properties up to $150,000 in value have a class rate of 1.5 percent, while value over $150,000 is taxed at two percent.

67 Housing Trust Fund Project: http://housingtrustfundproject.org/campaigns/the-basics

priorities of the LHTF? What about **programmatic decisions** about the LHTF?

- Is the LHTF community advisory committee representative of the community?
  - » Are there **affordable housing tenants** or advocates who can personally speak to specific affordable housing needs? (see resolution in Appendix 3)
  - » Are there members **knowledgeable about housing development**, public finance, and programmatic/operational aspects? (see Appendix 3 and 6)

B. Additional Resources

Creating the Housing Trust Fund Proposal.[68] This resource is about the essential elements to include in your trust fund proposal (i.e. similar to the contents presented in this Manual).

Building a Coalition.[69] This resource provides an overview of how to build your coalition (e.g. core group members, hardy supporters, and endorsers). See also: Winning at the Local Level: 5 Housing Trust Fund Campaigns Tell Their Stories.[70]

Making the Case for the Housing Trust Fund.[71] This resource includes key elements of your communication strategy, convincing messages, and powerful arguments.

- For example, MHP has produced a two-page overview about the LHTF legislation passed in 2017 and the future legislative proposal for a State of Minnesota matching dollars. The document included the compelling information that city housing trust funds leverage, on average, $6 in other public/private funds for every $1 the LHTF invests in housing. See Appendix 7.
- Are there local employers willing to invest in a LHTF in your region? There is a compelling argument that if a private employer is willing to invest in affordable or workforce housing in a region, then a local government should also do so.

8. How Should an Entity be Selected to Administer the LHTF?

Given their authorities and duties related to local housing development planning and programs, **a local governmental body** – typically at the city or county-level – or a **development authority** such as a HRA, EDA, or CDA is selected as the entity tasked with developing, funding, and administering a LHTF (see Figure 11 below). The selected organization typically has housing program management experience; may receive, manage, allocate, and expend other funding sources in support of local affordable housing such as HOME or CDBG; and may already be involved in housing development projects (planning, predevelopment, financing, real estate clean-up and assembly, development review and permitting, etc.).

Many communities, especially smaller ones, have very limited staff capacity and should thus carefully consider which entity to select to administer the LHTF.

A. Administrative Costs.

One major aspect to be addressed is how the administrator entity might pay for the staff time spent on LHTF program administration. If utilized as a funding source within a LHTF, federal CDBG funds allow for up to 20 percent of grant funds to be charged as Program Administration costs, while HOME funds allow for up to 10 percent of grant funds to be charged. Local government general levies or HRA levies may also permit its staff to charge LHTF administration time against them. However, this means that these funds utilized for program administration, even if limited, would not be available to allocate for housing project gap subsidies. Remember that Minn. Stat. §462C.16, Subdivision 3 permits local or regional governments operating a LHTF to charge only up to 10 percent of the balance of the fund on administrative expenses.

68 Housing Trust Fund Project: http://housingtrustfundproject.org/wp-content/uploads/2011/10/HousingTrustWorkbook1.pdf

69 Housing Trust Fund Project: http://housingtrustfundproject.org/campaigns/building-a-coalition

70 Housing Trust Fund Project: http://housingtrustfundproject.org/wp-content/uploads/2011/10/winning-at-local-level.pdf

71 Housing Trust Fund Project: https://housingtrustfundproject.org/campaigns/making-your-case

B. Nonprofit Option.

An alternative to local government- or development authority-led management is designating a **mission-driven nonprofit organization** to administer the LHTF. A local nonprofit with an independent board of directors may be an appropriate option in situations where there is minimal local government staff capacity, including no established local HRA or EDA, and/or when private contributions are key funding sources to a LHTF.

9. Who Has an Oversight and/or Advisory Role for the LHTF?

Determining oversight responsibility is an important question for communities considering a LHTF. Minn. Stat. §462C.16 is silent on this, though the law does require annual reporting on an organizational public website (see Section 17 on page 41). If the administrating entity is a city or county government, or HRA, the elected or appointed officials will have the oversight role: City Council, County Board of Supervisors, and HRA Board respectively. The elected/appointed bodies will have authority to approve budgets that allocate funding sources, including levies.

In addition to the elected/appointed bodies, there is a legitimate role for community advisory committees in creating and/or providing regular oversight of a LHTF, which may include a mix of elected officials, administrator entity staff, housing organization staff, and residents with lived experience or some other housing expertise.

Case Study: Red Wing Affordable Housing Trust Fund

Creation: While Red Wing HRA staff initially proposed a subcommittee of the HRA to advise on the development of a LHTF, HRA board members asked for a Community Advisory Committee (CAC) to be created instead. To this end, HRA staff individually invited members with professional backgrounds related to development and real estate. In addition to this expertise, the HRA staff's goal was to include individuals with a very clear understanding that the CAC's specific focus was on the programmatic scope of a LHTF and its operations. CAC members included the current and former HRA board chairs, a local realtor, a citizen with a city planning career, a banker, an architect, and HRA staff. The local director of Habitat for Humanity was a later addition. The CAC's role was to review and make recommendations on the overall funding priorities and broad usage of the AHTF, resulting in a two-page Tactical Plan to guide the HRA. The Tactical Plan states that the CAC will generally meet twice a year. HRA staff plans on convening the CAC on an as-needed basis to review proposals, particularly for larger development project proposals. See Appendix 6.

Ongoing Oversight: HRA board. To make

Figure 11 - Minnesota Communities with LHTFs, and Their Program Administrator Entities

Community with LHTF	Designated LHTF Program Administrator
City of Minneapolis	City of Minneapolis Department of Community Planning and Economic Development
Hennepin County HRA	Hennepin County HRA (levy); in partnership with Hennepin County (entitlement dollars)
City of Red Wing	City of Red Wing HRA
Goodhue County	Southeastern Minnesota Multi-County Housing and Redevelopment Authority

AHTF awards, the funding must be recommended by the CAC, then approved by the HRA board, and then approved by the City Council.

Case Study: City of Minneapolis Affordable Housing Trust Fund

Creation: In 2003, a Minneapolis City Council resolution calling for the creation of a LHTF directed the Mayor and City Council to create an Advisory Committee consisting of up to 15 members experienced in affordable housing, including appointments, as follows:

Mayoral appointments of the Chair and the following seven members: Community Planning and Economic Development (CPED) staff; Minneapolis Public Housing Authority staff; one representative from the Empowerment Zone; one representative from the Neighborhood Revitalization Program (NRP); one representative from the Planning Department; one for-profit developer; and one at-large member.

City Council appointments of the following seven members: one nonprofit developer; one supportive housing provider; three advocates nominated by the Trust Fund Coalition; one low-income tenant; and one at-large member.

In addition, the Council called for the creation of a Housing Trust Fund Revenue Committee including representatives from the Mayor's office, the City Council, the Finance Department and Finance staff, the Minneapolis Community Development Agency (MCDA), the business community, foundations, and the Housing Trust Fund Coalition to identify additional funding strategies to add dedicated revenue to the Trust Fund in time to be incorporated in the Mayor's Proposed Budget, with at least half of the members of the Revenue Committee being also members of the Trust Fund Advisory Committee.

Ongoing Oversight: The City Council approves all awards from the AHTF. The Development Finance Committee (comprised of City staff and private sector finance and development professionals) advise on all funding awards from the AHTF in an amount of $200,000 or more. According to the City's Housing Policy and Development Director, this committee has been in operation since the inception of the AHTF.[72]

72 Interview with Minneapolis Housing Policy and Development Director Andrea Brennan.

III. Operations of a Local Housing Trust Fund

Once your community has determined the priority housing needs to be addressed with a LHTF, decided on funding source(s), created a budget proposal, and designated a LHTF administrator entity, it is time to develop more of the programmatic details of the LHTF.

10. What Types of Uses (Projects and/or Programs) Should the LHTF Support?
11. Which Specific Income and Geographic Targeting Criteria Should the LHTF Use?
12. What Other Criteria Can be Used for Determining LHTF Support?
13. Who are the Eligible Applicants to the LHTF?
14. How Should the LHTF Funds be Distributed (Form of Award)?
15. What is the LHTF Affordability Period and What Mechanism Can Secure it?
16. How are the Results of a LHTF Reported?
17. How Should Planning Occur for Future LHTF Revenues?
18. How Can LHTF Efforts be Coordinated with Other Local Housing Programs?

10. What Types of Uses (Projects and/or Programs) Should the LHTF Support?

Determining the types of funding assistance provided by a LHTF is another step in defining the housing activities eligible for support from the LHTF. Minn. Stat. 462C.16 provides a list of authorized expenditures by a LHTF: the development, rehabilitation and financing of affordable housing, rental assistance, down payment assistance, and homeownership counseling. Figure 12 shows a non-exclusive list of potential options for housing activities and whether these costs are one-time or ongoing in nature.

As well, there may be housing related expenses that your government jurisdiction may support, such as an operating expense subsidy, that are not eligible expenses within a LHTF under MInn. Stat. 462C.16, subd. 3.

11. Which Specific Income and Geographic Targeting Criteria Should the LHTF Use?

Section 2 on page 9 ("How are Specific Needs and Priorities Determined for the LHTF?") discusses considerations for defining your LHTF's target population(s), however, you will need to give specific parameters about which types of households that will be eligible to be served by LHTF program dollars.

A. Income Targeting.

If there is a lack of housing available to low- to moderate-incomes in your community you may choose to use funds for programs that serve people are targeted incomes. For instance:

- Rental projects might target households earning incomes at ≤ 30 percent, ≤ 50 percent, ≤ 60 percent, ≤ 80 percent of Area Median Income (AMI), or a similar threshold (e.g. HUD's definition of Low and Moderate Income).
- Homeownership projects might target households earning incomes up to 80 percent, 115 percent and/or 120 percent of the AMI. These are common thresholds used for Workforce or Moderate income households by HUD and the State of Minnesota.

Case Study: Broad Range Approach. Red Wing's AHTF has two separate income limits for rental and homeownership projects that are inclusive to a broad range of incomes. Eligible rental projects must serve households at ≤ 80 percent of the Area Median Income, with a program requirement of 25 percent of AHTF dollars annually allocated to rental housing projects at ≤ 50 percent of AMI rental assistance units. Homeownership projects may serve households earning incomes up to 115 percent of AMI.

Case Study: Targeted Rental Approach. Minneapolis' AHTF only supports rental or cooperative projects with units serving households at ≤ 60 percent of AMI. In addition, it has a priority for projects serving large families, and at least 30 percent of AHTF

Figure 12 - Possible Activities to be Supported by a LHTF, Who They Serve, and Cost Dimensions

Activity & Beneficiary Type	Type of Cost / Subsidy	
	One-Time	Ongoing
Rental projects/programs		
New renter households	• New construction / rehabilitation: hard costs (including land acquisition, site improvements) & soft costs • Adaptive reuse	• Rental assistance
Existing renter households	• Preservation – including Rehabilitation, Hard & Soft Costs (including refinancing) • Emergency repairs: Hard costs and transaction costs • Weatherization - e.g. energy audits, insulation, weather-stripping, etc.	• Rental assistance
Special Needs Populations (New or Existing renters) • Permanent Supportive Housing • Transitional/Emergency Housing	• Same as above	
Homeownership projects/programs		
New homebuyer households	• New construction / rehabilitation: hard costs (including land acquisition, site improvements) & soft costs • Down payment assistance	
Existing homeowner households	• Rehabilitation activities: Hard costs and transaction costs • Emergency repairs: Hard costs and transaction costs • Weatherization - e.g. energy audits, insulation, weather-stripping, etc.	• Loan loss reserve
Housing services		
Housing counseling for potential or new homebuyers		• Staff costs • Training costs

funds must be allocated to senior housing projects.

Case Study: Targeted Rental Approach. Hennepin County HRA's AHIF supports rental projects serving households at ≤ 60 percent of AMI; the County's parallel funds also have rent limits based on the funding source provided – i.e. HOME-funded rental units must follow those program limits.

B. Geographic Targeting.

In addition to income targeting, you may opt for the LHTF to limit or prioritize LHTF funding to specific sub-geographies of your community. Examples of this include a local government or LHTF administrator targeting neighborhoods or districts that it identifies as having weaker housing markets that could benefit from private investment including high-quality affordable housing, or focusing on major hubs of employment or community services, such as in a downtown or along transit corridors. An alternative is to focus on areas that have only been accessible to high-income households, or areas with generally high property values to promote housing choices for low- and moderate-income people.

Case Study: The City of Minneapolis AHTF has geographic emphases for AHTF dollars that distinguish between concentrated and non-concentrated areas, defined as follows:

The affordable housing emphasis in minority- or poverty-concentrated areas are preservation, rehabilitation, and stabilization. A minority-concentrated area is one with a minority population concentration of 50 percent or higher. A poverty concentrated area is one with a poverty concentration of 45.4 percent (double the city's poverty rate) or higher.

The affordable housing emphasis in communities of color or poverty non-concentrated areas are new construction and positive conversion.

Maps of the city's concentrated and non-concentrated areas are provided in the AHTF RFP; these maps come from Minneapolis' adopted Consolidated Plan.

12. What Other Criteria Can be Used for Determining LHTF Support?

A. Minn. Stat. §462C.16, LHTF Resolution, and Other Local Plans.

A minimum set of criteria to draw upon in reviewing whether your community will support a particular proposal for LHTF dollars is if the proposal meets the requirements of State statute, as it relates to authorized expenditures. Minn. Stat. §462C.16, Subdivision 2 states that local communities may adopt a local housing trust fund by ordinance or participate in a joint powers agreement to establish a regional housing trust fund; your community's LHTF ordinance or official government action (e.g. resolution) may have additional minimum criteria specified, i.e. percentages of funds to be used for specific housing activities, at defined income levels. However, in addition to State statute and the local action establishing the LHTF, a local government (city/county or joint powers agreement) may have an adopted comprehensive plan, HUD Consolidated Plan, and/or housing plan against which LHTF proposals could be reviewed for consistency.

Case Study: Hennepin County HRA and Hennepin County Priorities.[73] *"The Hennepin County Five-Year Consolidated Plan identifies the following Priority Needs:*

Preserve/create multifamily rental opportunities for extremely low and low-income renter households (at or below 30% Area Median Income (AMI) and 50% AMI, respectively). Specifically, this includes creating opportunities

73 Excerpt from Hennepin County Affordable Housing Programs Request for Proposals Guide, Spring 2018 (inclusive of Hennepin County HRA and Hennepin County programs). https://www.hennepin.us/-/media/hennepinus/business/work-with-hennepin-county/federal-housing-programs/2018-Spring-Application-Materials.pdf

for large families, the elderly, persons with mental, physical, or developmental disabilities, and public housing residents.

Preserve/create single family homeownership opportunities for those at or below 80% AMI.

Create housing opportunities for people experiencing homelessness.

Additional County priorities include:

Connecting affordable housing to local employment opportunities, schools, transit corridor development, and supportive services.

Creating new affordable units and preventing the loss of existing viable affordable units.

Supporting a full range of housing choices throughout the county.

Integrating Hennepin County Human Services and Public Health Department (HSPHD) client populations into mixed-income rental developments through a unit commitment.

Promoting diversity and inclusion through contracting.

Promoting Affirmative Action and workforce development including Hennepin County's Workforce Entry Program (WEP)."

B. Competitive Application.

Communities may elect to develop a periodic funding competition, or Request for Proposal (RFP) process, to which housing program and project developers are invited to submit housing proposals for funding awards.[74] Under this scenario, the local community or HRA would evaluate these proposals under the LHTF program requirements, the requirements of the underlying funding sources within the LHTF (e.g. HOME program or HRA levy), as well as a set of locally-determined programmatic criteria that could change from year to year. These latter criteria could be updated periodically based on input from LHTF administrator staff, the oversight body, developers receiving (or not receiving) funding awards, and/or the dynamics of regional housing needs or the market. Examples of review criteria for a LHTF program with a competitive application process might include:

Applicant Experience and Capacity. Has the applicant developed similar projects or managed similar programs in the past of a similar scale, type, and market area? Specifically, does the applicant have:

- The financial capacity to carry out the project?
- The ability to provide, or include a plan for providing, appropriate on-site services, if applicable?
- The ability to provide, or include a plan for providing, ongoing property management, if applicable?

Project Readiness. Is the project "ripe" to proceed? Evidence of this may include applicant documentation of site control, or a purchase agreement; a project concept developed including initial site and building plans and elevations; other predevelopment steps completed such as demolition and site clean-up; financing commitments received from other funders, etc.

Project Financial Feasibility. Does the project's budget pencil out and make financial sense? Here the administrator might review the project's total development costs, proposed rents and other revenues, operating expenses, any debt service,

74 An alternative to a competitive application is a LHTF program that allocates funds to a set of pre-identified organizations, akin to an entitlement program. This alternative is less common and may be more appropriate for LHTFs that aim to fund homeownership program activities to be carried out by a nonprofit housing organization.

rehabilitation needs, scope of work, construction schedule, interim financing, and other gap financing sources to be utilized to support the project.

Cost Reasonableness/Containment. Are the proposed project (development) costs reasonable? Does the applicant document various efforts (to be) taken to manage costs – e.g. any pro-bono predevelopment services, competitive bidding on scopes of work; donated land or buildings; value engineering and innovative designs, and/or reduced or deferred developer or administrative fees to reduce project development costs? Are the proposed project costs within a range of the averages for the region's market?[75] Is the identified funding gap in line with other similar applications within the same funding round or similar market conditions?

Type and/or Amount of Financial Leverage. Does the proposed project have any committed and documented financial leverage or matching funds from other sources, including debt? Some LHTFs may require committed financial leverage from other sources while other LHTF programs may not require it, but still have a preference for such proposals. It is common for competitive housing programs like LHTFs to have, at a minimum, a preference for proposals with a higher amount of financial leverage. Such committed financial leverage might consist of: gap subsidy awards from other public funders, foundations, or other contributors; loan commitments from mission-driven or private lenders (including extended loan terms or interest rate subsidy reductions); and/or applicant contributions to total project costs, including developer equity, or in-kind or pro bono contributions from other sources.

If a LHTF requires, as a part of its application, committed financial leverage from other sources, it by definition is not a provider of up-front gap funds. Alternatively, if there is no requirement of other gap funding commitments, a LHTF will be a first-in or up-front gap funder meaning that if awarded, developers will need additional time to continue to assemble other funding sources for their proposals – leading to a potential lag time in moving toward construction. There is a public benefit provided by a LHTF being a flexible, first-in/up-front funder as it may assist local affordable housing development proposals to get off the ground in your community.

Funding Set-Asides. A community may decide to formally set aside a portion of the funds in the annual LHTF competitive process for proposals that serve specific needs – e.g., households at lower incomes; households including special needs populations; or other local priorities.

Case Study: In 2013, the Minneapolis City Council adopted the Senior Housing Initiative which set a goal of reserving 30 percent of the annual AHTF budget for senior rental housing financing.[76] Separately, in 2017, the City made available an additional $1 million of AHTF available to assist new housing projects serving extremely low income families experiencing homelessness or at risk of homelessness.

Case Study: The Red Wing AHTF requires at least 25 percent of the AHTF funds eligible for disbursement annually to be used to create Assisted Units for low-income households.

Funding Preferences/Priorities. An alternative, or an addition to, a formal set-aside is for a LHTF to provide a simple funding preference, or priority, in the annual LHTF competitive process for proposals serving specific types of community needs.

Case Study: City of Minneapolis. In addition to the formal funding set-aside of the AHTF, the City of Minneapolis also

75 An administrator might consult with RSMeans or other local construction cost index.

76 City of Minneapolis Community Planning and Economic Development. Request for Proposals Affordable Housing Trust Fund Program 2018. May 2018. http://www.ci.minneapolis.mn.us/www/groups/public/@cped/documents/webcontent/wcmsp-209258.pdf.

provides priority points for projects serving seniors (ages 55 years and older) for new construction and/or positive conversion. These points only apply to wards that have not met the Minneapolis Senior Housing Initiative of a minimum of 35 new affordable senior housing units in each ward by 2025. Preference points are given for age-restricted developments or developments that are "senior-oriented without age restriction."[77] Minneapolis' AHTF also provides priority points to family housing proposals including units with three or more bedrooms, with more points provided to projects with a greater proportion of 3+ bedroom units.

Case Study: Red Wing. While Red Wing does not have an explicit funding preference for projects with fewer rental units, it can be utilized to provide a deeper level of financial support to projects with fewer units (i.e. a small project funding preference). For instance, the Red Wing AHTF may assist up to 100 percent of the units within a building or development of one to nine total units, up to 50 percent of the units within a building or development of 10-15 units, and up to 25 percent of the units within a building or development of 16 or more units.

Case Study: Hennepin County HRA. Hennepin County HRA's AHIF provides a preference for projects where the applicant agrees to designate units for priority occupancy by County Human Services clients. An agreement by the developer to set aside units must include:

a) "A Declaration of Covenants and Restrictions filed against the property reflecting the agreement.

b) Required notification to the county when a unit becomes available. A developer must hold the unit for 14 days while the county works to refer applicants to the project.

c) One county HSPHD [Human Services and Public Health Department] staff contact.

d) An agreed-upon HSPHD-unit specific set of tenant screening. For instance, this tenant screening should consider HSPHD's client history in resolving and reconciling of barriers for tenancy and provide an appeal process to HSPHD clients."[78]

13. Who are the Eligible Applicants to the LHTF?

Communities with competitive LHTF application processes must specify the types of organizations that are eligible to apply for and utilize the proceeds of funding awards. Often, the application is open to nonprofit organizations, including community development corporations; local governments (in the case of a County, regional, or joint powers LHTF); and for-profit developers.

14. How Should the LHTF Funds be Distributed (Form of Award)?

Your community's LHTF will also need to determine the form that a LHTF funding award will take, such as grants or loans, as well as the specific terms of these funding awards. Per Minn. Stat. §462C.16, Subdivision 3, LHTFs may make grants, loans, and/or loan guarantees for the development, rehabilitation, or financing of housing.

A. Grants.

Grants are typically awarded for construction gap subsidy for deeply-affordable, mission-driven housing projects (e.g. permanent supportive housing), homeownership value, or appraisal gap subsidy (where the total development cost to the developer exceeds the appraised value of a housing unit or sale proceeds the developer receives), or activities like ongoing rental subsidies provided to a project owner/property manager to support low-income tenants. A grant or repayment agreement with the developer may specify the requirements of the grant award, including affordability

77 Ibid.

78 Hennepin County. Affordable Housing Programs Request for Proposals Guide. Spring 2018. https://www.hennepin.us/-/media/hennepinus/business/work-with-hennepin-county/federal-housing-programs/2018-Spring-Application-Materials.pdf.

levels and other terms of the award. "Recoverable grants" may be a special version of this, where there is no expectation of repayment to the LHTF administrator unless the conditions of the grant are not met. Funds may be recoverable by (repaid to) the LHTF administrator if there is a change of use, change of ownership, refinance, sale of financed property, or violation of the grant agreement terms.

B. Loans.

It is perhaps more common for LHTF administrators to make awards to housing project proposals in the form of a loan, particularly for rental projects. Terms may vary – from grant-like forgivable loans, to low or no-interest deferred loans, to amortizing mortgages, lines of credit, rental assistance subsidy agreements, etc.

Case Study: The City of Minneapolis typically provides AHTF funding awards as a loan, at zero to one percent simple interest and a deferred lump sum repayment of principal and interest. For projects that have some units with unrestricted rents, the City may also opt for a percent return against surplus cash flow on all rental housing.

C. Loan Guarantees.

An award in the form of a loan guarantee will require the involvement of a third-party lender to provide a loan to a proposed housing project. A LHTF administrator will need to define its conditions for guaranteeing such a third party loan, and most likely will need to require a housing project proposal to have at least a contingent lender commitment included in an application for LHTF support.

15. What is the LHTF Affordability Period and What Mechanism Can Secure It?

Your community's LHTF administrator will need to determine the required affordability period – the amount of time the project must meet affordability criteria – that a LHTF funding award will have, as well as the mechanism to secure this affordability.

A. Homeownership.

When LHTF programs permit homeownership activities as an eligible use, awards are often in the form of a **deferred loan to the homeowner** or first buyer that is either progressively forgivable in five or 10 years (i.e. 20 percent or 10 percent forgivable per year, respectively), or not forgivable and due upon sale of the home (it may extend up to a 30-year period). Often, the household must sign a note and mortgage for this LHTF loan. This means that the affordability period is as little as five years or as much as 30 years long.

If a LHTF award **supports for-sale home construction**, it may be awarded as a grant to support the developer's value or appraisal gap. Unless the developer is putting the home in a community land trust which has a perpetual or 99-year affordability clause that runs with the land, or there is some other deed- or covenant-restricted affordability on the property, the grant will be one-time assistance to the developer and nothing will ensure that any future homebuyers (after the first one resells the property) is low or moderate income.[79]

Case Study: City of Red Wing HRA. In Red Wing, households earning up to 115 percent of the Area Median Income can receive up to $9,000 for homebuyer assistance based on need. The assistance acts as a soft second loan at zero percent interest, i.e. the loan is not forgivable. This means that the borrower does not make monthly payments on this loan. A homebuyer assistance loan is repayable to the HRA when the homeowner sells the home, vacates the house as a primary residence, or at the expiration of the 30-year term.

B. Rental.

79 An example of this is for-sale/homeownership projects where a participating jurisdiction has allocated HOME funds to assist a homebuyer; these are required to have a resale or recapture restriction imposed on the units. If a homeowner sells their home during the affordability period, they must sell it to another qualified low-income buyer (resale) or return some of the proceeds of the sale to the participating jurisdiction in order to cover the HOME funds that were invested in the home (recapture).

Many LHTF programs have rental housing as the major activity to be supported, and awards are often in the form of a deferred loan. The terms of the loan may vary widely, but affordability periods range between 10 and 40 years.

Case Study: City of Red Wing HRA and Goodhue County proposed to have a 15-year affordability period for rental projects supported by their respective LHTFs.

Case Study: City of Minneapolis' AHTF currently requires a 30-year affordability period.

Case Study: Hennepin County HRA's AHIF generally requires a 30-year affordability period, but HOME-funded units by the County must follow HOME program rules requiring a five to 20-year affordability period, depending on the specific type of rental project and investment level.

C. Performance Period.

A successful LHTF program will specify a performance period for a selected project developer to utilize the awarded funds, i.e. key project benchmarks in a development timeline that might include a date by which project funding commitments are secured, a closing date, or other key dates.

Case Study: City of Minneapolis' AHTF reserves project award funding for 15 months from the City Council approval date. At the end of 15 months, if the developer can demonstrate that at least one-third of the total development funds have been raised; can provide evidence that the balance of the development money is likely to be raised; and can provide evidence that a closing will occur within the next 12 months, the City will administratively extend the AHTF funds reservation for an additional 12 months. Once construction begins, the City will retain 12 percent of the AHTF loan funds until the final draw after construction completion.

Case Study: Hennepin County HRA requires AHIF funding to be disbursed by the County to approved projects within two years from the date that the County authorizes the funding award. If funding has not been disbursed in a timely way, it has discretion to recapture the funding. The County also reserves the right to cancel a funding award if the project is not proceeding according to the timeline submitted in the application.

D. Mechanism.

In order to ensure affordability of units funded by a LHTF, restrictive covenants may be filed on the deed of the property, which include the minimum affordability period. If a LHTF-assisted housing is sold or rented to a non-income-eligible household during the affordability compliance period, the LHTF administrator may take action to partially or fully recapture the LHTF subsidy from the awarded entity.

Case Study: The City of Minneapolis and Hennepin County HRA both use restrictive covenants to enforce the affordability period.

16. How are the Results of a LHTF Reported?

To illustrate impact on your community's housing needs, the LHTF administrator will need to provide ongoing reports to characterize the nature of the housing projects and programs supported by LHTF awards, as well as the overall accomplishments in terms of households served in your community. Per Minn. Stat. §462C.16, Subdivision 5, "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."[80]

80 Minnesota Statute §462C.16, Subdivision 5. https://www.revisor.mn.gov/statutes/cite/462C.16.

While the audience of such reports may be the community at large, a major consumer of the report will be the designated oversight entity of the LHTF, likely a City Council, County Board, or HRA Board. The elected/appointed body that has the authority to approve budgets and allocate funding sources to a LHTF in your community will want to understand the experience of the LHTF administrator in implementing the competitive award process, the nature of applications received, the types of housing proposals selected for funding, and some statistics about beneficiary households to be served by each project in your community.

Case Study: City of Red Wing HRA. Currently, the AHTF memorandum requires HRA staff to give the City Council a report on the AHTF once a year, including the amount of funds available, how much was expended in a year, the balance, and how the funds were used. See Appendix 5.

Case Study: The City of Minneapolis AHTF provides a Project Data Worksheet for each project recommended for funding by the City (see excerpt example in Appendix 4). In addition, the City provides a quarterly report for all multifamily projects[81] closed and completed, by multiple City funding sources, including the AHTF.

17. How Should Planning Occur for Future LHTF Revenues?

The LHTF administrator may choose to create a capital or revenue plan to continue to chart out a pathway for securing any new funding sources in addition to the initial seed funding that a community allocates to a LHTF. Toward this end, your community may determine any specific revenue goals for the LHTF, over time, including the mix of funding sources, public and private. This may be an in-house, staff exercise that also has input from, and oversight by, a City Council, County, or HRA Board, but also may involve other input from representatives from other organizations and community members.

Case Study: In addition to the AHTF Advisory Committee, the City of Minneapolis developed an AHTF Revenue Committee in 2002. The charge of this committee was to identify additional funding strategies to add dedicated revenue to the AHTF in time to be incorporated in the Mayor's Proposed Budget for 2004 and subsequent years. At least half of the members of the Revenue Committee were to also be members of the AHTF Advisory Committee. According to current city staff, a **Development Finance Committee** acts in a similar function today, and is comprised of city staff and private sector finance and development professionals that advise staff and the City Council on all funding awards from the AHTF in an amount of $200,000 or more.

Case Study: The City of Red Wing HRA, in its AHTF memorandum, identified a broad list of other funding sources to be secured for the AHTF in the future. In addition to the HRA levy, in addition to a HRA levy, new potential funding could come from private cash contributions (including from employers), matching funds from state or federal governments, or perhaps some portion of City fees collected from dedicated uses related to housing, such as re-inspection fees, or surplus tax increment revenues.

18. How Can LHTF Efforts be Coordinated with Other Local Housing Programs?

A community that establishes a LHTF may find that it has peer communities that have been able to successfully design, launch, and operate a LHTF or similar type of program in the same region, perhaps at a higher level of government (e.g. multi-County

81 City of Minneapolis: http://www.minneapolismn.gov/cped/resources/reports/cped_multifamily_quarterly_reports

HRA) or at the same level (e.g. a peer town/city government or local development authority in the same county). The two programs may be aimed at addressing different or overlapping components of the region's housing needs, and so best practice is to try to align the funding award criteria with some degree of collaboration and cooperation, subject to limitations posed by eligible geography, funding source constraints, and local political realities.

Case Study: Minneapolis AHTF and Hennepin County HRA's AHIF share a geography within Hennepin County, and the latter may fund housing projects and programs in the Minneapolis city limits, parallel to AHTF awards made by the City. The critical factor is the specific funding source at play within Hennepin County's Affordable Housing Programs, and any restrictions on that source. The AHIF includes County HRA levy, which is eligible to be spent anywhere in the county including Minneapolis; County HUD entitlement funds, however, must be spent only in suburban Hennepin County – i.e. cannot be spent within Minneapolis.

Case Study: Minneapolis, Hennepin County, and the City of Saint Paul are large entitlement communities within Minnesota, and fellow funders of affordable housing. These communities are also considered "collaborating partners" to MHFA's Consolidated RFP process. This means that these communities, in cooperation with the State of Minnesota, try to align their application timelines as much as possible, use common application materials where possible, and share funding priorities. A major component of this funding coordination is the allocation of Low Income Housing Tax Credits (LIHTCs) with the two cities acting as sub-allocators of credits and the State allocating credits in the majority of the balance of the state.

List of Appendices

Appendix 1. **Minnesota Statute §462C.16**

Appendix 2. **City of Bloomington LHTF Ordinance**

Appendix 3. **City of Minneapolis AHTF City Council Resolution (Excerpt from City Council Minutes)**

Appendix 4. **City of Minneapolis AHTF Project Data Worksheet Example**

Appendix 5. **Red Wing HRA Affordable Housing Trust Fund (AHTF) Memorandum**

Appendix 6. **Red Wing HRA Community Advisory Committee Tactical Plan**

Appendix 7. **MHP's LHTF state legislative proposals 2017 and 2019**

Appendix 8. **Minnesota State Rules for Community Development Block Grants**

Appendix 9. **Ordinance establishing Alexandria Housing Trust Fund 2019**

Appendix 10. **Other Key Links**

Appendix 1. Minnesota Statute §462C.16

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*

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Print

Bloomington, MN Code of Ordinances

ARTICLE VIII: AFFORDABLE HOUSING TRUST FUND

§ 9.38 ESTABLISHMENT OF TRUST FUND.

The city will establish an affordable housing trust fund for the purpose of collecting funds related to the city's affordable housing programs pursuant to this chapter. Such funds will include but not be limited to payment of fees in lieu of opportunity housing units and shared appreciation dollars collected at the closing of sales of designated properties. The funds in the affordable housing trust fund and all earnings from investment of said funds will be expended exclusively to provide housing affordable to households at or below 60% of AMI and to moderate income households in the city.

(Ord. 2019-16, passed 2-25-2019)

§ 9.39 APPLICABLE HOUSING TRUST FUND ELIGIBLE ACTIVITIES.

(a) The funds collected for deposit in the affordable housing trust fund may be utilized for the following affordable housing activities:

(1) Acquisition and construction of affordable housing units;

(2) Gap financing for affordable units created at the extremely low, very low, and low income levels;

(3) Enhancement of county, state, and federal affordable housing programs;

(4) Purchase or rehabilitation, or both, and long-term preservation of NOAH units to be affordable to households at or below 60% of AMI;

(5) Home rehabilitation of existing single family owner-occupied units to retain affordability;

(6) Low cost financing or grants in support of accessory dwelling units creation affordable to households at or below 60% of AMI;

(7) Predevelopment services in support of affordable housing creation;

(8) Development fee waiver and deferral of fees in support of affordable housing creation;

(9) Land acquisition and land banking for affordable housing creation;

(10) Housing and economic development services in support of housing creation for low income families of two or more, non-disabled individuals, veterans, and homeless population;

(11) Support for paying the difference between affordable rents and market rate rents to preserve affordable housing due to loss of subsidy of expiring tax credit developments or sale of NOAH property;

(12) Infrastructure improvements;

(13) Relocation assistance; and

(14) Other activities to support affordable housing as determined by the City Council.

(b) The City Council from time-to-time may authorize by resolution additional activities that may be funded through the affordable housing trust fund.

(Ord. 2019-16, passed 2-25-2019)

§ 9.40 FINANCIAL OVERSIGHT OF THE AFFORDABLE HOUSING TRUST FUND.

The City Manager, or designee, will administer and supervise the affordable housing trust fund account and the city's Finance Department will administer the fund.

(Ord. 2019-16, passed 2-25-2019)

JANUARY 31, 2003

RESOLUTION 2003R-016
By Goodman and Johnson

Amending The 2003 Minneapolis Community Development Agency Appropriation Resolution.

Resolved by The City Council of The City of Minneapolis:

That the above-entitled resolution, as amended, be further amended by increasing the appropriation in Fund SCD0 (Community Development 595) by $226,000 from the projected fund balance.

Adopted. Yeas, 12; Nays none.

Passed January 31, 2003.

Approved February 6, 2003. R.T. Rybak, Mayor.

Attest: M. Keefe, City Clerk.

Comm Dev & W&M/Budget - Your Committee, having under consideration the Sheridan Neighborhood Revitalization Program (NRP) Action Plan, now recommends the following:

1) Approve Modification #9 to the Sheridan NRP Action Plan that would create a new strategy to fund bicycle-related physical improvements and would reallocate $546,375.16 between existing plan strategies;

2) Authorize the proper City officers to execute the contracts or agreements required for implementation; and

3) Transmit this action to the Board of Commissioners of the MCDA to authorize the proper MCDA officers to execute the required contracts or agreements.

Comm Dev & W&M/Budget - Your Committee, having under consideration a request to approve passage and summary publication of a resolution establishing an Affordable Housing Trust Fund that would enhance the City's ability to produce affordable rental housing, now recommends approval.

Your Committee further recommends that this action be transmitted to the Board of Commissioners of the Minneapolis Community Development Agency (MCDA) to provide a direction to MCDA staff to draft program guidelines and criteria in conjunction with the Trust Fund Advisory Committee.

Johnson moved to postpone the above report until dollar amount allocations for Neighborhood Revitalization Program and Minneapolis Community Development Agency support have been determined. Seconded.

Lost. Yeas, 3; Nays, 9 as follows:

Yeas - Lane, Johnson, Colvin Roy.

Nays - Schiff, Zerby, Lilligren, Johnson Lee, Niziolek, Benson, Goodman, Zimmermann, Ostrow.

The report was adopted.

Yeas, 10; Nays, 2 as follows:

Yeas - Schiff, Zerby, Lilligren, Johnson Lee, Niziolek, Benson, Goodman, Colvin Roy, Zimmermann, Ostrow.

Nays - Lane, Johnson.
Passed January 31, 2003.
Approved February 6, 2003. R.T. Rybak, Mayor.
Attest: M. Keefe, City Clerk.

Resolution 2003R-017, establishing a Minneapolis Affordable Housing Trust Fund, was passed January 31, 2003 by the City Council and approved February 6, 2003 by the Mayor. A complete copy of this resolution is available for public inspection in the office of the City Clerk.

The following is the complete text of the unpublished summarized resolution.

RESOLUTION 2003R-017
By Goodman, Benson, Ostrow, Lilligren, Zerby, Schiff

Establishing a Minneapolis Affordable Housing Trust Fund.

Whereas, the City of Minneapolis continues to experience an affordable housing crisis; and

Whereas, the Minneapolis Consolidated Plan for 1998-2003 estimated a shortage of 14,776 units affordable to families earning less than 30% of the Metropolitan Median Income (MMI); and

Whereas, the Minneapolis Affordable Housing Task Force recommended that the City "reprioritize the use of major funding already allocated for housing" and "dedicate significant new revenue sources to this affordable housing effort;" and

Whereas, the City adopted the recommendations of the City/County Homelessness Task Force on Singles (2000) and on Families (2001) calling for 1,850 new affordable units for singles and youth and 1,330 new affordable units for families within five years; and

Whereas, the City has passed a resolution adopting an Affordable Housing Policy for the City of Minneapolis (Resolution No. 99R-312) requiring that all housing developments receiving City subsidies make at least 20% of their units affordable to people earning 50% or less of the MMI; and

Whereas, metro vacancy rates recently rose for the market overall, but vacancy rates remained low for affordable units. As of March 2002, vacancy rates were 2.9% for units under $500 and 2.5% for units between $500 and $599. In 2001, the average rent in Minneapolis for a two-bedroom unit was $1,050 and rents have not gone down since that time; and

Whereas, in its 2002 Agency Plan, the Minneapolis Public Housing Authority (MPHA) reported 6,001 families on its waiting list, of whom 5,401 were families with extremely low incomes; and

Whereas, more than 230 states, counties, and cities, including Denver, Indianapolis, St. Louis, Austin, Salt Lake, Nashville and San Diego have established housing trust funds, and the City of Seattle recently passed a referendum for an $86,000,000, seven-year property tax levy for affordable housing; and

Whereas, the common meaning of an "affordable housing trust fund" is a dedicated source of revenue for affordable housing, spent down and replenished each year; and

Whereas, a housing trust fund can help target housing funds where they are most needed, for families earning below 50% and 30% of the MMI; and

Whereas, a housing trust fund supports the transparent and accountable tracking of public dollars by creating a discrete fund with concrete and achievable goals; and

Whereas, the Mayor and many other elected officials of the City of Minneapolis have identified affordable housing as the top development priority for the City, and respondents to the recent McKinsey survey of City residents also identified affordable housing as the number one development priority for the City; and

Whereas, the two Affordable Housing Summits convened in 2002 by the Mayor produced a clear mandate for the establishment of a Housing Trust Fund as the number one priority in addressing the affordable housing needs of the City;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

1) That the City of Minneapolis will establish and administer an Affordable Housing Trust Fund dedicated to preserve and expand the supply of affordable rental housing for people with incomes at or below 50% and 30% of the MMI.

2) Be It Further Resolved that the Housing Trust Fund will be capitalized at a level of approximately $10,000,000 in 2003. The sources of funding for 2003 will include the existing Multifamily Rental and Cooperative Program. This Program would include approximately $6,600,000 from existing Multifamily Community Development Block Grant (CDBG) funds, Emergency Shelter Grant (ESG) funds and HOME, plus $400,000 in 2003 from various CDBG programs to be determined as part of the 2003 CDBG budget process.

In addition, it is recommended that the 2003 levy funds of $2,000,000 and approximately $1,000,000 of uncommitted 2002 levy funds be included in the Trust Fund in 2003.

The Trust Fund may accept other funds from governmental or private sources, such as the proposed Federal Housing Trust Fund and private foundation grants. Any such funds will be in addition to the dedicated City appropriations described above.

3) Be It Further Resolved that the City will make every reasonable effort to award all of the Trust Fund dollars each year. Priority will be given to the projects that demonstrate long-term affordability for persons or families with incomes at or below 50% and 30% of MMI, in accordance with the City's Affordable Housing Policy.

4) Be It Further Resolved that the City will establish guidelines for the use of Trust Fund resources, and these guidelines will be reviewed annually by the Trust Fund Advisory Committee with future recommendations made to the City Council for approval.

5) Be It Further Resolved that the Advisory Committee will include up to 15 members experienced in affordable housing. The make-up of the Committee will include appointments as follows:

The Mayor will appoint the Chair and the following 7 members:

1 - representative from Community Planning and Economic Development (CPED);

1 - representative from the MPHA;

1 - representative from the Empowerment Zone;

1 - representative from the Neighborhood Revitalization Program (NRP);

1 - representative from the Planning Department;

1 - for-profit developer; and

1 - at-large member.

The City Council will appoint the following 7 members:

1 - non-profit developer;

1 - supportive housing provider;

3 - advocates nominated by the Trust Fund Coalition;

1 - low-income tenant; and

1 - at-large member.

The responsibilities of the Advisory Committee will include:

a) Recommending guidelines and specific criteria for Trust Fund use according to the principles and priorities of this Resolution;

b) Reviewing and commenting on annual reports that clearly delineate how funds are awarded, in accordance with program guidelines; and

c) Establishing a Housing Trust Fund Revenue Committee which will include representatives from the Mayor's office, the City Council, the Finance Department and appropriate Finance staff, the Minneapolis Community Development Agency (MCDA), business community, foundations, and the Housing Trust Fund Coalition to identify additional funding strategies to add dedicated revenue to the Trust Fund in time to be incorporated in the Mayor's Proposed Budget for 2004 and subsequent years. At least one-half of the members of the Revenue Committee will also be members of the Trust Fund Advisory Committee.

6) Be It Further Resolved that the Trust Fund will be established as part of the Year 2003 Budget and the first $10,000,000 or more in funds will be awarded by December 31, 2003. The Advisory Committee will begin operating by February, 2003.

Adopted. Yeas, 10; Nays, 2 as follows:

Yeas - Schiff, Zerby, Lilligren, Johnson Lee, Niziolek, Benson, Goodman, Colvin Roy, Zimmermann, Ostrow.

Nays - Lane, Johnson.

Passed January 31, 2003.
Approved February 6, 2003. R.T. Rybak, Mayor.
Attest: M. Keefe, City Clerk.

Appendix 4. City of Minneapolis AHTF Project Data Worksheet example

CPED MULTIFAMILY HOUSING DEPARTMENT
Affordable Housing Inventory Project Data Worksheet

PROJ#: **593**
ACT#: **800**

8/10/2017 8:09:19 AM



Project Status	
Proposed:	6/30/2016
Approved:	☑
Closed:	
Complete:	

Impaction
- (•) Non-Impacted
- ( ) Impacted

Occupancy
- (•) Rental
- ( ) Ownership

Project Name:	Minnehaha Commons
Main Address:	3001 E Lake St
Project Aliases:	
Additional Addresses:	

Ward: 2 Neighborhood: Longfellow

Project Activity
- ☑ New Construction
- ☐ Rehabilitation
- ☐ Stabilization
- ☐ Preservation

Year Built:

Development
- (•) Apartment/Condo
- ( ) Townhome
- ( ) Coop
- ( ) Shelter
- ( ) Transitional
- ( ) Scattered Site/Other

Household
- ☐ General
- ☐ Family w/Children
- ☑ Senior
- ☐ Single
- ☐ Special Needs
- ☑ Homeless

Housing Production and Affordability

UNIT COMPOSITION

UNIT	QTY
0BR	43
1BR	0
2BR	0
3BR	0
4+BR	0
TOT	43

UNIT AFFORDABILITY

UNIT	<30%	<50%	<60%	<80%	MKT
0BR	0	43	0	0	0
1BR	0	0	0	0	0
2BR	0	0	0	0	0
3BR	0	0	0	0	0
4+BR	0	0	0	0	0
TOT	0	43	0	0	0

Shelter Units: + Conversion Units:

Section 8: 10

GENERAL INFORMATION

Alliance Housing, Inc. has partnered with the Touchstone Mental Health to create Minnehaha Commons, a supportive service project for extremely low-income seniors who have experienced homelessness. A life of deferred health care and social isolation exacerbates the physical and psychological challenges faced by aging adults. Those with a history of homelessness and poor health are often determined to be 'medically' 15 years older than their biological age by physicians. Homeless studies show that many homeless people experience mental illness symptoms but may not have received a diagnosis and proper treatment. Others have been misdiagnosed, receiving improper treatments. Minnesota data show that 68% of people with mental illness have at least one chronic health condition, such as diabetes, obesity, COPD, asthma, and hypertension. Studies show homeless individuals often have experienced long term alcohol and drug abuse leading to additional health conditions. A front desk will be staffed throughout the evenings and weekends to provide support to tenants and help them manage guests and ensure safety.

The proposed development project consists of a 31,500 sq. ft. three-story building with 43 studio apartments. The property will have a community room, service provider space/office, property management office, laundry room and front desk on the first floor. There will be a tenant lounge area on the second and third floors and an outdoor patio for informal gatherings. The building also includes adequate storage space to hold property for required time periods when tenants leave without notice.

Partnership: Minnehaha Commons LP

Contact Information:

Developer:
Barbara Jeanetta
Alliance Housing, Inc.
2309 Nicollet Ave
Minneapolis, MN 55404-
Phone: (612) 879-7633 ext
Fax: (612) 870-7446
bjeanetta@alliancehousinginc.org

Owner:
Barbara Jeanetta
Alliance Housing, Inc.
2309 Nicollet Ave
Minneapolis, MN 55404-
Phone: (612) 879-7633 ext-
Fax: (612) 870-7446
bjeanetta@alliancehousinginc.org

Consultant:
Barbara Broen
Broen Housing Consultants
1437 Marshall Ave Suite 202
Saint Paul, MN 55104-
Phone: (651) 645-8474 ext-
Fax: (651) 645-8497
housing@broen.net

Contractor:
To Be Determined
,
Phone: ext-
Fax:

Architect:
Terri Cermak
Cermak Rhoades Architects
275 E 4 St Suite 800
Saint Paul, MN 55101-1696
Phone: (651) 225-8623 ext-
Fax:
tcermak@cermakrhoades.com

Property Manager:
Hayes Gibson International
Phone: (612) 670-9467 ext-
Fax:

Support Services:
Touchstone Mental Health
Phone: (612) 314-1002 ext-
Fax: (612) 874-0157

CPED Coordinator:
Carrie Goldberg
CPED
105 5th Ave S Suite 200
Minneapolis, MN 55415-
Phone: (612) 673-5240 ext-
Fax:
Carrie.Goldberg@minneapolismn.gov

CPED Legal:

CPED Rehab:

CPED Support Coordinator

MPLS Affirmative Action



Project Status	
Proposed:	6/30/2016
Approved:	☑
Closed:	
Complete:	

Impaction
- ◉ Non-Impacted
- ○ Impacted

Occupancy
- ◉ Rental
- ○ Ownership

Project Name:	Minnehaha Commons
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- ☑ Senior
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- ☐ Special Needs
- ☑ Homeless

Housing Production and Affordability

UNIT COMPOSITION

UNIT	QTY
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2BR	0
3BR	0
4+BR	0
TOT	43

UNIT AFFORDABILITY

UNIT	<30%	<50%	<60%	<80%	MKT
0BR	0	43	0	0	0
1BR	0	0	0	0	0
2BR	0	0	0	0	0
3BR	0	0	0	0	0
4+BR	0	0	0	0	0
TOT	0	43	0	0	0

Shelter Units: + Conversion Units:

Section 8: 10

USES AND PERMANENT SOURCES

Project Uses:

Land:	$317,277.00
Construction:	$6,674,424.00
Construction Contingency:	$291,949.00
Construction Interest:	$19,220.00
Relocation:	$0.00
Developer Fee:	$1,073,740.00
Legal Fees:	$80,000.00
Architect Fees:	$277,800.00
Other Costs:	$1,217,319.00
Reserves:	$870,149.00
Non-Housing:	$0.00
TDC:	$10,821,878.00
TDC/Unit:	$251,672.00

Financing Notes:

Project Permanent Sources:

Source / Program	Amount	%	Term	Committed
FHLB *FHLB (2017)*	$250,000.00			
CPED *AHTF (2017)*	$150,000.00			
CPED *AHTF (2016)*	$925,000.00			11/4/2016
Syndication Proceeds	$2,643,289.00			
MHFA *HIB*	$5,192,589.00			
Hennepin County *AHIF*	$250,000.00			5/2/2017
FHLB *FHLB (2016)*	$500,000.00			12/15/2016
Sales Tax Rebate	$136,000.00			8/8/2017
Private Foundations	$55,000.00			6/30/2016
Energy Rebates	$20,000.00			8/8/2017
DHS *Live Well*	$700,000.00			8/4/2016

TDC: $10,821,878.00

Appendix 5. Red Wing HRA AHTF Memorandum

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.

Appendix 6. Red Wing HRA Affordable Housing Trust Fund Community Advisory Committee Tactical Plan

Red Wing Affordable Housing Trust Fund
Tactical Plan for Use of Funds
March 14, 2017

Preamble

The Red Wing Affordable Housing Trust Fund (AHTF) was created in 2015 by the Red Wing Housing and Redevelopment (HRA) and Red Wing City Council (CC). An AHTF Memorandum giving the general guidelines of the AHTF were developed and accepted by both the HRA and CC in 2016. This Tactical Plan is designed to be more specific in the funding and usage of the funds over a specific period of time.

Community Advisory Committee

The HRA created a Community Advisory Committee (Committee) to develop this Tactical Plan. Members of the Committee include Colleen Clark (HRA Board Chair), Greg Schoener (Former HRA Board Chair), Jake Dahl (Realtor), Anthony Nemcek, (Citizen and Planner), Patti Robertson (Banker), Steve Setzer (Architect) and Randal Hemmerlin (HRA). The Committee met several times at the Jordan Tower II Conference Room to discuss the funding and usage of the AHTF.

The Committee shall meet at least twice per year to review and make recommendations on the funding and usage of the AHTF. The HRA shall have control of who is a member of the Committee. The Committee shall determine how the Committee shall function when it meets.

Must follow the AHTF Memorandum

The AHTF Memorandum is the guiding document for the use of the funds and nothing in the Tactical Plan can contradict the AHTF Memorandum.

Funding

The Committee recommends that the AHTF be funded annually $100,000 per year from the HRA Tax Levy funds. Because of the emphasis of the need for Workforce Housing in the City, the Committee recommends that the HRA create an outreach program to the major employers in the City and contact these employers at least once per year requesting a contribution to the AFHT. In addition, Goodhue County should be contact annually for AHTF funding to assist in housing. It is also recommended that the City through its Planning Department give consideration that a small percent (5% or less) of their building permit fees be dedicated to the AHTF.

The Committee shall decide if the HRA should apply for and accept matching State funds that become available through legislative actions, depending on the requirements of those matching funds.

The AHTF Bank Account

The AHTF funds shall be placed in a FDIC insured checking account. The AHTF will place funds in interest bearing accounts (for example, money market, CDs, etc.) as much as feasible depending on planned usage. The HRA shall determine the best rates available through a phone or written survey and place the funds in the best interest bearing account possible.

Usage of AHTF Funds

Many alternatives are possible for the usage of the funds. For the period of January 2017 through December 2017, we anticipate the AHTF will have $203,842 in funds from tax levy funds. This will

increase $100,000 annually from tax levy funds, subject to the City Council approval. The Committee recommends the following usage of the funds going forward:

- $40,000 of the 2016 and 2017 moneys will be used for a Homebuyers assistance plan.
- $40,000 of the 2016 and 2017 moneys will be used for smaller Multi-family housing developments.
- $120,000 or what is remaining will of the 2016 and 2017 funds will be bank for a larger Multi-family housing development.
- Going forward, 20% of moneys will be used for a Homebuyers assistance plan.
- Going forward, 20% of moneys will be used for smaller Multi-family housing developments.
- Going forward, 60% of moneys will be used for larger Multi-family housing developments.

Applications for Funds

For Multifamily Proposals, Request for Proposals shall be used to accept applications and will be advertised in the local newspaper of record for dispersing the funds. The HRA shall determine the date for issuing the RFP.

For Single Family Housing Homebuyers Assistance, the HRA shall accept applications on a pipeline basis and continue to process the applications until the funds are expended. The maximum amount of Homebuyers Assistance per applicant is $9,000. The HRA shall develop Homebuyers Assistance guidelines to be used in the administration of the loans.

Target Projects or Areas

The HRA may consider targeting the funds, as recommended by the Committee to the following:

- Existing buildings that could be converted into housing projects
- Areas of recognized need and blight

Local Housing Trust Funds legislation

Minnesota Housing Partnership

To grow and sustain their economies, cities are looking for creative ways to make housing development work. Local Housing Trust Funds (LHTF) are a **proven tool** to help meet local housing needs.

Local housing trust funds are a **consistent, flexible resource** for the development of housing within a local jurisdiction. These trust funds allow communities to attract additional resources from public and private organizations and jump start projects that draw investment and jobs.

Administered by local jurisdictions, LHTFs enable communities to prioritize developments that maximize benefit to the local community.

With more than **770 city, county and state housing trust funds** in 47 states and Washington, D.C., housing trust funds can be created in small and large cities, rural counties, and metropolitan areas. On average, city housing trust funds leverage $6 in additional public and private funds for every $1 the trust fund invests in housing.

Nationwide, these funds generate more than **$1 billion per year**.

Housing trust funds in MN

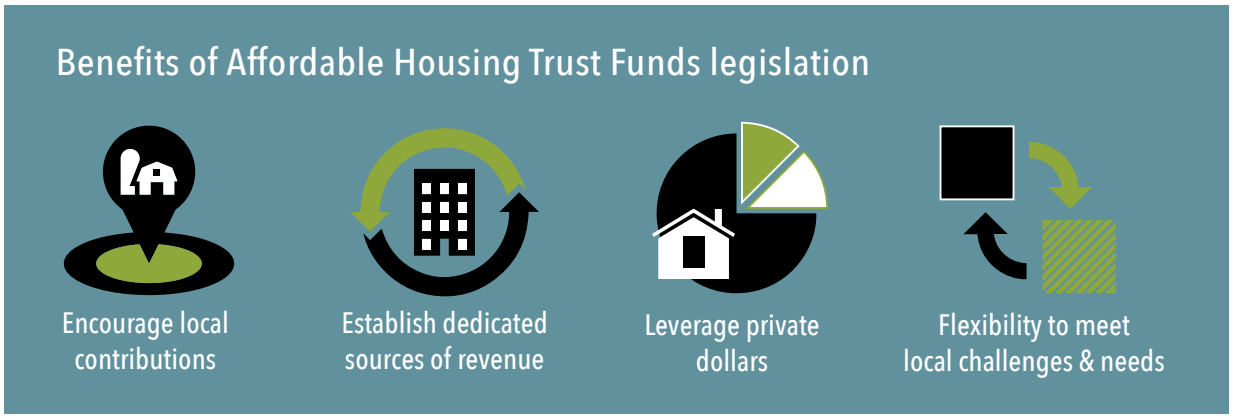
ROCHESTER: From 1999 to 2012, the City of Rochester's housing trust fund **leveraged $22 million in funds and served more than 1,000 households**. According to Steve Borchardt, Housing Initiative Director for the Rochester Area Foundation, "there's no question" the fund helped to attract development and jobs to the area.

RED WING: The City of Red Wing recently established a trust fund, which is funded by maximizing the HRA levy. As of early 2017, **more than $200,000 has been invested in the fund**.

MINNEAPOLIS: The City of Minneapolis created its Affordable Housing Trust Fund (AHTF) in 2003, and resources it with a combination of city and federal resources. As a direct result of the AHTF the city tax base has expanded by up to $800 million, **leveraging $9 for every dollar invested in the fund.**

Minneapolis Affordable Housing Trust Fund





PROPOSED LEGISLATION

In 2017, MHP secured passage of **enabling legislation** that provides local jurisdictions with **clear direction and promote the establishment of local trust funds** that bring together public as well as private investment.

Close to half of U.S. cities indicated that their housing trust fund **received initial funds to jumpstart its implementation**. The legislation rewards local jurisdictions for directing HRA levy funds to the trust fund.

This year we are requesting **$2 million in one-time state matching funds** to reward communities that dedicate local resources to their trust funds. Additionally, we are asking for **$100,000 to provide technical assistance grants** to communities requiring assistance in establishing a local housing trust fund.

Addressing workforce housing needs

Throughout Minnesota, there is a growing need for decent homes that are affordable to residents across the income spectrum. Leaders across the state recognize this critical need and are eager to address housing challenges in their communities.

For instance, in Mankato, local leaders face significant challenges in providing adequate workforce housing. **"We need more tools in the toolbox, and we just don't have them,"** says Patricia Ziegler of the Mankato Economic Development Agency.

Deanna Hemmesch, with the Central Minnesota Housing Partnership, has the same need for additional tools. **"Many of my small town projects could utilize a housing trust fund,"** she says, "because they don't have a way to leverage funds." Without those dollars her projects often aren't competitive in applying for state funding.

CONTACT: Libby Murphy, MHP Deputy Policy Director
libby.murphy@mhponline.org, 651-925-5556

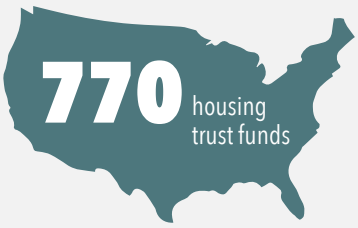
Minnesota Housing Partnership **2019 State Legislative Agenda**

Local Housing Trust Fund State Match

To grow and sustain their economies, cities are looking for creative ways to make housing development work. Local Housing Trust Funds (LHTF) are funds established by local government dedicating local public revenue for housing.

Local housing trust funds are a **consistent, flexible resource for housing** within a local jurisdiction. Trust funds help communities leverage public and private resources and jumpstart projects that draw investment and jobs. LHTFs enable communities to prioritize developments that **maximize benefit to the local community.**

With a growing need for affordable, quality homes for Minnesotans, state investments that leverage public and private local funds are smart policy.



There are more than **770 city, county and state housing trust funds** in 47 states and Washington, D.C.



Nationwide, these funds generate more than **$1 billion per year**.



On average, **every $1** a city trust fund invests in housing **leverages $6** in additional public and private funds.

Leaders across Minnesota are eager to address housing challenges in their communities.

In **Mankato,** local leaders face significant challenges in providing adequate homes for the growing number of working households. "We need more tools in the toolbox, and we just don't have them," says Patricia Ziegler of the Mankato Economic Development Agency.

Deanna Hemmesch, with the **Central Minnesota Housing Partnership**, has the same need for additional tools. "Many of my small town projects don't have a way to leverage funds," she says. Without those dollars, her projects often aren't competitive in applying for state funding.

PROPOSED LEGISLATION

$10 million State Match Fund for Local Housing Trust Funds

MHP is coordinating efforts with local government partners to secure a $10 million appropriation to match local investments and incentivize creation of LHTFs.

State investments are proven to motivate communities to create and resource LHTFs.

Nearly half of U.S. cities with LHTFs received initial funds to launch their LHTF.[2] Since 2003, Iowa has provided state funds to stimulate creation of local housing trust funds, incentivizing establishment of 26 local housing trust funds serving 95 of the state's 99 counties.[3]

We must act now to establish a state match fund to spur the creation of Local Housing Trust Funds.

Leaders in Winona, a growing community, identified **creation of an LHTF as an important tool to support housing needs**. City Manager Steve Sarvi says a state matching fund could make a "crucial difference" in helping communities leverage local investment in an LHTF. "As we envision the next 30 years we're asking, **how do we continue to attract new talent and remain a viable community?**" Sarvi says. "Communities like Winona can use local housing trust funds to help answer that question. We're ready to step up and invest to support business growth and ensure community members can make ends meet. And **a state matching fund would give us the leverage we need to jumpstart those local investments**."

A PROVEN TOOL IN COMMUNITIES ACROSS MINNESOTA

ROCHESTER: The City of Rochester's housing trust fund **leveraged $22 million in funds and served more than 1,000 households** from 1999 to 2012. According to Steve Borchardt, Housing Initiative Director for the Rochester Area Foundation, "there's no question" the fund helped to attract development and jobs to the area.

RED WING: In 2015, the City of Red Wing established an Affordable Housing Trust Fund (AHTF), which is funded by maximizing the HRA levy. Since then, the AHTF has **accumulated at approximately $100,000 per year to nearly $300,000 today.** To date, the AHTF has provided homebuyer assistance loans to at least five families.

MINNEAPOLIS: The City of Minneapolis created its Affordable Housing Trust Fund (AHTF) in 2003, and resources it with a combination of city and federal resources. As a direct result of the AHTF the city **tax base has expanded by up to $800 million**, leveraging $9 for every dollar invested in the fund.

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Learn more at mhponline.org

1. *Opening Doors to Homes for All: The 2016 Housing Trust Fund Survey Report*, Center for Community Change, 2016
2. Local housing trust funds must provide a 25% local match threshold to receive state funds. Iowa Code section 16.181.

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1

CHAPTER 4300

DEPARTMENT OF EMPLOYMENT AND ECONOMIC DEVELOPMENT

COMMUNITY BLOCK GRANTS

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GENERAL

4300.0100 DEFINITIONS.

Subpart 1. **Scope.** As used in this chapter, the following terms have the meanings given them.

Subp. 2. **Application year.** "Application year" means the state fiscal year beginning July 1 and ending June 30.

Subp. 2a. [Renumbered subp. 3a]

Subp. 2b. **Business and community development application.** "Business and community development application" means the official consolidated application form as developed by the Department of Employment and Economic Development to be used to apply for funding assistance from various assistance programs administered by the Business and Community Development Division.

Subp. 3. **Business and community development need.** "Business and community development need" means a demonstrated deficiency in housing stock, public facilities, economic development opportunities consistent with part 4300.1901, or other services which are necessary for developing or maintaining viable communities.

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Subp. 3a. **Commissioner.** "Commissioner" means the commissioner of the Minnesota Department of Employment and Economic Development.

Subp. 4. **Competitive grant.** "Competitive grant" means a grant application that is evaluated and ranked in comparison to other applications in the same grant category and includes housing, public facilities, and comprehensive applications.

Subp. 5. **Comprehensive program.** "Comprehensive program" means a combination of at least two interrelated projects which are designed to address community development needs which by their nature require a coordination of housing, public facilities, or economic development activities. A comprehensive program must be designed to benefit a defined geographic area, otherwise known as a program area.

Subp. 5a. **Division.** "Division" means the Business and Community Development Division in the Department of Employment and Economic Development to which the program is assigned.

Subp. 5b. **Economic development grant.** "Economic development grant" means an agreement between the state and an eligible recipient through which the state provides money to carry out specified programs, services, or activities designed to create new employment, maintain existing employment, increase the local tax base, or otherwise increase economic activity in a community.

Subp. 6. **Economic development project.** "Economic development project" means one or more activities designed to create new employment, maintain existing employment, increase the local tax base, or otherwise increase economic activity in a community.

Subp. 7. **Eligible activities.** "Eligible activities" means those activities so designated in United States Code, title 42, section 5305 (1981) and as described in Code of Federal Regulations, title 24, sections 570.200 to 570.207 (1981).

Subp. 8. **General purpose local government.** "General purpose local government" means townships as described in Minnesota Statutes, chapter 365; cities as described in Minnesota Statutes, chapters 410 and 412; and counties.

Subp. 9. **Grant.** "Grant" means an agreement between the state and an eligible recipient through which the state provides funds to carry out specified programs, services, or activities.

Subp. 10. **Grant close out.** "Grant close out" means the process by which the division determines that all applicable administrative actions and all required work have been completed by the grant recipient and the department.

Subp. 11. **Grant year.** "Grant year" means any period of time during which the United States Department of Housing and Urban Development makes funds from any federal fiscal year available to the state for distribution to local governments under United States Code, title 42, sections 5301 to 5316 (1981), and includes the period of time during which the division solicits applications and makes grant awards.

Subp. 11a. **Housing and community development needs assessment.** "Housing and community development needs assessment" means an analysis of priority community needs as required by Section 104 of the Housing and Community Development Act of 1974, United States Code, title 42, section 5304(b)(3).

Subp. 12. **Infrastructure.** "Infrastructure" means the basic physical systems, structures, and facilities, such as roads, bridges, water, and sewer, which are necessary to support a community.

Subp. 13. **Low and moderate income.** As it applies to federal sources of funding, "low and moderate income" means income which does not exceed 80 percent of the median income for the area,

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with adjustments for smaller and larger families. State funds are not limited to or constrained by low and moderate income requirements.

Subp. 14. **Metropolitan city.** "Metropolitan city" means a city over 50,000 population or a central city of a standard metropolitan statistical area that receives entitlement grants under United States Code, title 42, section 5306 (1981) directly from the United States Department of Housing and Urban Development.

Subp. 15. **Nonentitlement area.** "Nonentitlement area" means an area that is not a metropolitan city or part of an urban county.

Subp. 16. [Repealed, 14 SR 1098]

Subp. 17. **Per capita assessed valuation.** "Per capita assessed valuation" means the adjusted assessed valuation divided by population.

Subp. 18. [Repealed, 20 SR 2254(NO. 42)]

Subp. 19. **Poverty persons.** "Poverty persons" means individuals or families whose incomes are below the poverty level as determined by the most current data available from the United States Department of Commerce, taking into account variations in cost of living for the area affected.

Subp. 20. **Program.** "Program" means the community development block grant program for nonentitlement areas.

Subp. 21. **Program area.** "Program area" means a defined geographic area within which an applicant has determined that there exists a need for community development activities. A program area may be a neighborhood in a community or an entire community.

Subp. 22. **Program income.** "Program income" means gross income earned by the grant recipient from grant supported activities, excluding interest earned on advances.

Subp. 23. [Repealed, 20 SR 2254(NO. 42)]

Subp. 24. [Repealed, 14 SR 1098]

Subp. 25. **Slums and blight.** "Slums and blight" means areas or neighborhoods which are characterized by conditions used to describe deteriorated areas in Minnesota Statutes, section 462.421, or which are characterized by the conditions used to describe redevelopment districts in Minnesota Statutes, section 273.73, subdivision 10.

Subp. 26. **Single purpose project.** "Single purpose project" means one or more activities designed to meet a specific housing or public facilities community development need within a defined program area.

Subp. 27. **Urban county.** "Urban county" means a county which is located in a metropolitan area and is entitled to receive grants under United States Code, title 42, section 5306 (1981), directly from the United States Department of Housing and Urban Development.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1098; 20 SR 2254(NO. 42); L 2003 1Sp4 s 1*

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4300.0200 PURPOSE.

This chapter gives procedures for evaluating applications for grants and awarding them to eligible applicants by the Department of Employment and Economic Development under United States Code, title

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42, sections 5301 to 5316 (1981), and regulations adopted in Code of Federal Regulations, title 24, part 570, and under Minnesota Statutes, section 116J.873.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1098; L 2003 1Sp4 s 1*

Published Electronically: *January 18, 2005*

4300.0300 OBJECTIVE OF THE COMPETITIVE PROGRAM.

The primary objective of this program is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities, principally for persons of low and moderate income. Activities funded under this program shall not benefit moderate income persons to the exclusion of low income persons. All funded activities must be designed to:

A. benefit low and moderate income persons;

B. prevent or eliminate slums and blight; or

C. alleviate urgent community development needs caused by existing conditions which pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available to meet those needs.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403*

History: *8 SR 1263; L 1987 c 312 art 1; 20 SR 2254(NO. 42)*

Published Electronically: *January 18, 2005*

4300.0400 APPLICATION OF FEDERAL LAW.

If it is determined that any provisions of parts 4300.0100 to 4300.3200 are inconsistent with federal law, then federal law controls to the extent necessary to eliminate the conflict.

Statutory Authority: *MS s 116J.401; 116J.403*

History: *L 1987 c 312 art 1*

Published Electronically: *January 18, 2005*

GRANT APPLICATION, EVALUATION, AND DETERMINATION

4300.1100 TYPES OF COMPETITIVE GRANTS AVAILABLE.

Subpart 1. **Single purpose grants.** The division shall approve grant applications for funding for single purpose projects. The division shall place single purpose grant applications in one of the following categories for purposes of evaluation:

A. housing projects which include one or more activities designed to increase the supply or quality of dwellings suited to the occupancy of individuals and families; or

B. public facilities projects which include one or more activities designed to acquire, construct, reconstruct, or install buildings or infrastructure which serve a neighborhood area or community.

Subp. 2. **Comprehensive grants.** The division shall approve comprehensive grants for two or more projects which constitute a comprehensive program as described in part 4300.0100.

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Subp. 3. [Repealed, 11 SR 2416]

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; 11 SR 2416; L 1987 c 312 art 1; 14 SR 1098*

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4300.1101 ECONOMIC DEVELOPMENT GRANTS; NONCOMPETITIVE.

The division shall approve grants for economic development projects for funding throughout the application year, or until the funds reserved have been exhausted.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1098*

Published Electronically: *January 18, 2005*

4300.1200 APPLICATION PROCESS AND REQUIREMENTS.

Subpart 1. **Business and community development application manual.** The division shall make the business and community development application manual, additional instructional materials, and forms available on a year-round basis. The manual and additional materials and forms shall instruct applicants in the preparation of applications and describe the method by which the division will evaluate and rank applications.

Subp. 2. **Eligibility requirements.** Any unit of general purpose local government, including cities, counties, and townships located in a nonentitlement area or electing exclusion from an urban county under United States Code, title 42, section 5302 (1981), may apply for a grant. An eligible applicant may apply on behalf of other eligible applicants. Applications submitted on behalf of other applicants must be approved by the governing body of all local governments party to the application. An eligible applicant may receive only one competitive grant per grant year and no eligible applicant shall be included in more than one competitive application. An eligible applicant may receive one economic development grant in addition to a competitive grant each application year.

Subp. 3. **Disqualification of applicants.** Applications from otherwise eligible applicants shall be disqualified if it is determined by the division that any of the following conditions exist:

A. there are outstanding audit findings on previous economic development or competitive grants and the grantee has not objected on a reasonable basis to the findings or demonstrated a willingness to resolve the findings;

B. previously approved projects have passed scheduled dates for grant close out and the grantee's ability to complete the project in an expeditious manner is in question; or

C. the applicant has not made scheduled progress on previously approved projects and the grantee's ability to complete the project in an expeditious manner is in question.

Subp. 4. **Contents of business and community development application.** The contents of a business and community development application must be consistent with the informational requirements of this chapter and must be on a form prescribed by the division. A complete business and community development application shall include, but not be limited to:

A. needs narrative, summarizing the needs for the proposed project;

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B. project summary, summarizing the activities to be completed and the scope of the project;

C. activities and budget, detailing the estimates associated with each proposed activity;

D. assurances, necessary to comply with the federal or state requirements as a prerequisite to receiving state or federal funding;

E. resolution, from the submission of the local government applicant approving the application and authorizing execution of the grant agreement according to the requirements of the Business and Community Development Division if funds are made available; and

F. supporting materials, attachments that are designed to verify or support information in items A to E.

The division may request additional information from the applicant if it is necessary to clarify and evaluate the application.

Subp. 5. **Time limit for submitting applications.** While competitive applications may be submitted at any time during the year, a formal yearly closing date for receipt of applications shall be established. Complete competitive applications shall be evaluated following the closing date for competitive applications. The notice must be published in the State Register at least 120 days before the closing date. Economic development project applications may be submitted at any time during the application year.

Subp. 6. **Regional review.** The applicant must submit a complete copy of the application to the Regional Development Commission, where such a commission exists, or the Metropolitan Council, where it has jurisdiction, for review and comment in accordance with Minnesota Statutes, section 462.391, subdivision 3, or Minnesota Statutes, section 473.171, respectively.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; 11 SR 2416; L 1987 c 312 art 1; 14 SR 1098; 20 SR 2254(NO. 42)*

Published Electronically: *January 18, 2005*

4300.1300 EVALUATION OF APPLICATIONS.

All applications shall be evaluated by the division. A fixed amount of points shall be established as the maximum score attainable by any application. Points shall be made available within each class of rating criteria according to parts 4300.1400 to 4300.1900. Economic development project applications must meet threshold criteria in order to be evaluated.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1384*

Published Electronically: *January 18, 2005*

4300.1400 COMPARISON OF ALL COMPETITIVE APPLICATIONS; DEMOGRAPHIC POINTS.

Subpart 1. [Repealed, 14 SR 1384]

Subp. 2. **Evaluation of community need.** Up to 30 demographic points shall be awarded based on evaluation of community need, which shall include:

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A. the number of poverty persons in the area under the applicant's jurisdiction;

B. the percentage of persons resident in the area under the applicant's jurisdiction who are poverty persons; and

C. the per capita assessed valuation of the area under the jurisdiction of the applicant, such that points are awarded in inverse relationship to applicants' per capita assessed valuation.

Subp. 3. [Repealed, 14 SR 1384]

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1098; 14 SR 1384*

Published Electronically: *January 18, 2005*

4300.1500 COMPARISON OF COMPETITIVE APPLICATIONS WITHIN CATEGORIES.

After completing the general competition described in part 4300.1400, the division shall place each application in the appropriate grant category in accordance with part 4300.1100. The categories are housing projects, public facilities projects, and comprehensive programs. Two hundred and ten of the total 240 points available for each application shall be awarded based on a comparison of the applications within each of the categories as further described in parts 4300.1600 to 4300.1900.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1384*

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4300.1600 EVALUATION OF HOUSING PROJECTS.

Subpart 1. **Project need.** Up to 90 of the points available in the housing category competition shall be awarded by the division based on evaluation of the need for improvements or additions to the housing stock serving low and moderate income persons as evidenced by:

A. housing units that are occupied by low and moderate income persons and are either substandard or pose a threat to the health or safety of the occupants;

B. an inadequate supply of affordable housing for low or moderate income persons; or

C. other documented conditions that give evidence of the need for improvements or additions to the housing stock serving low and moderate income persons.

Subp. 2. **Project impact.** Up to 90 of the points available in the housing category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will eliminate deficiencies in the housing stock serving low and moderate income persons.

Subp. 3. **Project cost-effectiveness.** Up to 30 of the points available in the housing category competition shall be awarded by the division based on:

A. evaluation of the extent to which the proposed activities will make cost-effective use of grant funds including coordination with, and use of, funds from other public and private sources; and

B. evidence that the cost of the proposed activities per benefiting household is reasonable.

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Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *L 1987 c 312 art 1; 14 SR 1384*

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4300.1700 EVALUATION OF PUBLIC FACILITIES PROJECTS.

Subpart 1. **Project need.** Up to 90 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities are necessary to improve provision of public services to low and moderate income persons or to eliminate an urgent threat to public health or safety.

Subp. 2. **Project impact.** Up to 90 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will reduce or eliminate the need identified under subpart 1, and, in the case of activities designed to improve the provision of public services to low and moderate income persons, an evaluation of the extent to which the proposed activities directly benefit low and moderate income persons.

Subp. 3. **Project cost-effectiveness.** Up to 30 of the points available in the public facilities category competition shall be awarded by the division based on evaluation of the extent to which the proposed activities will make cost-effective use of grant funds, including consideration of:

A. the extent to which the requested grant funds are necessary to finance all or a portion of the costs;

B. evidence that the cost of the proposed activities per benefiting household or person is reasonable; and

C. the extent to which the project benefits existing, rather than future, population, except in cases where the proposed activities are necessary due to expected development or growth which is beyond the applicant's control.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *L 1987 c 312 art 1; 14 SR 1384*

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4300.1800 [Repealed, 8 SR 1263]

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4300.1900 EVALUATION OF COMPREHENSIVE PROGRAM PROJECTS.

Subpart 1. **Program need.** Up to 90 of the points available in the comprehensive program category competition shall be awarded by the division based on evaluation of need for the proposed comprehensive program, including consideration of:

A. the number of low and moderate income persons in the program area;

B. the percentage of residents in the program area which are of low or moderate income; and

C. the need for the proposed comprehensive program as evidenced by at least two of the following: the need for improvements or additions to the housing stock serving low and moderate income

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persons, the need for new or improved public facilities in the program area, or employment problems in the program area.

Subp. 2. **Program impact.** Up to 90 of the points available in the comprehensive program category competition shall be awarded by the division based on evaluation of the extent to which the proposed comprehensive program will eliminate or reduce the need identified under subpart 1, and the extent to which the proposed program will improve the long term physical or economic condition of the program area and its residents.

Subp. 3. **Program cost-effectiveness.** Up to 30 of the points available in the comprehensive program category competition shall be based on evaluation of the extent to which the proposed comprehensive program will make cost-effective use of grant funds, including consideration of coordination with, and use of, funds from other public and private sources.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *L 1987 c 312 art 1; 14 SR 1384*

Published Electronically: *August 13, 2013*

4300.1901 EVALUATION OF ECONOMIC DEVELOPMENT PROJECTS.

Subpart 1. **In general.** Evaluation of economic development applications consists of eligibility threshold screening and project review. Applications must meet the eligibility thresholds in order to be referred for project review. Applications that fail to meet eligibility thresholds may be revised and resubmitted.

Subp. 2. **Federal and state eligibility thresholds.** Applicants for federal funds shall provide a description of the ways that activities address one of the federal objectives described in part 4300.0300 and the state economic development objectives in items A to D. Each activity proposed for funding must be eligible under current federal regulations.

Applicants for state funds shall describe how they will meet the following state economic development objectives:

A. creation or retention of permanent private sector jobs;

B. stimulation or leverage of private investment;

C. increase in local tax base; or

D. improved employment and economic opportunity for Minnesota citizens to create a reasonable standard of living.

Subp. 3. **Project review.** Applications that meet eligibility thresholds will be awarded points by the division based on evaluation of the two rating categories: project design and financial feasibility. Applications must attain at least 400 of the 600 available points for economic development to be recommended for funding. Applications must score at least half of the points available in each of the two rating categories.

Four hundred points will be awarded based on an evaluation of project design including an assessment of need, impact, and the capacity of the applicant to complete the project in a timely manner. Need for an economic development project must be based on the value and benefit of the project as it relates to securing and improving economic stability while giving consideration to deficiencies in employment opportunities

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and circumstances contributing to economic vulnerability and distress. Consideration of impact must be based on the extent to which the project positively affects or addresses the creation or retention of permanent private sector jobs, the wage level of those jobs, and the increase in tax base. Consideration of capacity must be based on demonstration of administrative capability, realistic implementation schedules, and the ability to conform to state and federal requirements.

Two hundred points will be awarded based on an evaluation of the effective use of program funds to induce economic development. Consideration of financial feasibility must include investment analysis, commitment of other funds, and other factors relating to the type of program assistance requested.

Subp. 4. **Funding recommendations.** Applications that attain at least 400 points will be recommended to the commissioner for funding. Applications not recommended for funding may be revised and resubmitted.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; L 1987 c 312 art 1; 14 SR 1384; 20 SR 2254(NO. 42)*

Published Electronically: *January 18, 2005*

4300.2000 DETERMINATION OF GRANT AWARDS.

Subpart 1. **Funds available for grants.** The amount of funds available for grants shall be equal to the total allocation of federal funds made available to the state under United States Code, title 42, section 5306, after subtracting an amount for costs available to the division for administration of the program, as allowed by that law, plus any money made available by the state legislature. The department is not liable for any grants under this chapter until funds are received from the United States Department of Housing and Urban Development.

Subp. 2. **Division of funds.** Of the federal funds available in each grant year, 30 percent shall be reserved to fund single purpose grants, 15 percent shall be reserved for economic development grants, and 55 percent shall be reserved by the commissioner to fund comprehensive grants. However, the commissioner may modify the proportions of funds available if the commissioner determines that there is a shortage of fundable applications in any category.

Subp. 3. **Funding list.** Within each grant category, a list of applications shall be prepared in rank order of the scores received after evaluation pursuant to parts 4300.1300 to 4300.1900. Based on these lists, and subject to the availability of funds within each category, applications with the highest rank shall be recommended to the commissioner for funding. In the case of a tie between any two applications within any category, the application with the higher demographic points shall receive the higher ranking on the list.

Subp. 4. **Approval by commissioner.** The list of applications recommended for funding, including recommended grant awards, shall be submitted by the division to the commissioner for approval. A decision by the commissioner not to approve any application recommended for funding must be made in writing to the applicant, giving reasons for disapproval.

Subp. 5. **Reduction in amount requested.** The division may recommend an application for funding in an amount less than requested if, in the opinion of the division, the amount requested is more than is necessary to meet the applicant's need. If the amount of the grant is reduced, the reasons for the reduction shall be given to the applicant.

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Subp. 6. **Grant ceilings.** No competitive single purpose grant may be approved for an amount over $600,000. No comprehensive grant may be approved for an amount over $1,400,000. No economic development grant may be approved for an amount over $500,000.

Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *8 SR 1263; 11 SR 2416; L 1987 c 312 art 1; 14 SR 1384; 20 SR 2254(NO. 42)*

Published Electronically: *January 18, 2005*

CONTRACTS AND RECORDS

4300.3100 GRANT AGREEMENTS.

Subpart 1. **Grant contract required.** A grant contract shall be offered to each applicant whose application is approved for funding. The contract must be signed by a person authorized to commit the applicant to legally binding agreements and to execute the contract.

Subp. 2. **Contents of grant contract.** The grant contract must include:

A. a work program that indicates completion dates for major parts of the project and a projected budget supporting the work program;

B. a description of the manner in which payments will be made to grant recipients; and

C. assurances that the grant recipient will comply with all applicable state and federal laws, including the federal laws or regulations for which the state is made responsible for enforcement in Code of Federal Regulations, title 24, sections 570.495 and 570.496.

Subp. 3. **Use of program income.** Program income from sources such as reimbursements to and interest from a grant recipient's loan program, proceeds from disposition of real property, and proceeds from special assessments must be used for eligible activities. The division shall reduce future grant payments by the amount of any unobligated program income that an applicant has and shall take whatever additional action is necessary to recover any remaining amounts owed. In accordance with Code of Federal Regulations, title 24, section 570.494(b)(4), interest earned by grant recipients on grant funds before disbursement is not program income, and it must be returned to the United States treasury.

Subp. 4. **Grant account required.** Grant recipients must establish and maintain separate accounts for grant funds.

Subp. 5. **Restrictions on use of funds.** No grant funds shall be used to finance activities not included in the grant agreement. If it is determined that an improper use of funds has occurred, the division will take whatever action is necessary to recover improperly spent funds.

Subp. 6. **Suspension of payments.** The division shall suspend payments of funds to grant recipients that are not in compliance with applicable state and federal laws, rules, and regulations. Grant recipients must return funds that are improperly expended.

Subp. 7. **Amendments to the agreement.** Amendments to the grant agreement must be in writing.

Subp. 8. **Grant termination.** If the department finds that there has been a failure to comply with the provisions of the grant agreement, that reasonable progress has not been made, or that the purposes for which the funds were granted have not been made, the department may take action to terminate the grant and/or protect the interests of the state, including requiring the return of all or part of the funds already disbursed.

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Statutory Authority: *MS s 116J.035; 116J.401; 116J.403; 116J.873*

History: *11 SR 1042; 11 SR 2416; L 1987 c 312 art 1; 14 SR 1384; 20 SR 2254(NO. 42)*

Published Electronically: *January 18, 2005*

4300.3200 RECORD KEEPING AND MONITORING.

Subpart 1. **Financial records.** Grant recipients shall maintain financial records that identify the source and application of funds for grant supported activities. These records must contain information about grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, income, and other information required by the division under the responsibilities it assumes under Code of Federal Regulations, title 24, section 570.497(b). Financial records, supporting documents, statistical records, and all other records pertinent to a grant must be retained by the grant recipient for three years from the date of submitting the final financial report. No such records or documents may be disposed of while audits, claims, or litigations involving the records are in progress.

Subp. 2. **Audits.** Grant recipients must arrange for and pay for an acceptable independent audit prepared in compliance with OMB Circular A-128, which was published in the Federal Register, volume 50, number 188, page 39083, on September 27, 1985, and the Single Audit Act of 1984, Public Law 98-502, codified as United States Code, title 31, sections 7501 to 7507. Costs incurred pursuant to this requirement are eligible under this program.

Subp. 3. **Financial status report.** Grant recipients shall file financial status reports at the close of each reporting period as designated by the division and shall file a final financial report before grant close out. Financial status reports must be on forms prescribed by the division. The division may not require these reports more often than quarterly.

Subp. 4. **Performance report.** Grant recipients shall also file performance reports at the close of each reporting period as designated by the division and shall file a final performance report before grant close out. Performance reports shall be on forms prescribed by the division. The division may not require these reports more often than quarterly.

Subp. 5. **Access to records.** Representatives of the department, either the state auditor or legislative auditor as is appropriate, and federal auditors shall have access to all books, records, accounts, reports, files, and other papers, things, or property belonging to grant recipients which are related to the administration of grants and necessary for audits and monitoring compliance with parts 4300.0100 to 4300.3200.

Statutory Authority: *MS s 116J.401; 116J.403; 116J.873*

History: *11 SR 2416; L 1987 c 312 art 1; 14 SR 1384*

Published Electronically: *January 18, 2005*

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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 Statue 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 Statue 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.

Appendix 9. Other Key Links

- Housing Trust Fund Project:
    - https://housingtrustfundproject.org
    - 202-339-9345
- League of Minnesota Cities:
    - https://www.lmc.org
    - (651) 281-1200
    - Handbook for Minnesota Cities:
        - https://www.lmc.org/page/1/handbook-for-mn-cities.jsp
- City of Minneapolis AHTF:
    - http://www.ci.minneapolis.mn.us/cped/rfp/AHTF_home
    - 612-673-5240
- Hennepin County HRA AHIF:
    - https://www.hennepin.us/business/work-with-henn-co/ahif-program
    - 612-348-2205
- City of Red Wing HRA:
    - http://redwinghra.org
    - 651-388-7571
- Minnesota Legislative Reference Library:
    - https://www.leg.state.mn.us/lrl
    - (651) 296-8338
- Federal CDBG regulations:
    - https://www.hudexchange.info/programs/cdbg/cdbg-laws-and-regulations