

**Community Development Committee**

For the Metropolitan Council meeting of January 25, 2017

**Subject:** Strategic Land Acquisition for Affordable Housing; Joint Powers Agreement Amendment

**Proposed Action**

That the Metropolitan Council authorize its Regional Administrator to execute an amendment to the Joint Exercise of Powers Agreement with the Minnesota Housing Finance Agency, and any other necessary documents, to allow the assignment of an accompanying grant agreement between Minnesota Housing Finance Agency and Twin Cities Community Land Bank LLC to Land Bank Twin Cities, Inc.

**Summary of Committee Discussion/Questions**

The Community Development Committee recommended approval of the proposed action as part of its consent agenda on Tuesday, January 17, 2017.

## Community Development Committee

Meeting date: January 17, 2017

For the Metropolitan Meeting of January 25, 2017

**Subject:** Strategic Land Acquisition for Affordable Housing; Joint Powers Agreement Amendment

**District(s), Member(s):** All

**Policy/Legal Reference:** Minn. Stat. §§ 471.59; 473.195 Staff

**Staff Prepared/Presented:** Beth Reetz, Director, Community Development Division (651-602-1060)

**Division/Department:** Community Development

### Proposed Action

That the Metropolitan Council authorize its Regional Administrator to execute an amendment to the Joint Exercise of Powers Agreement with the Minnesota Housing Finance Agency, and any other necessary documents, to allow the assignment of an accompanying grant agreement between Minnesota Housing Finance Agency and Twin Cities Community Land Bank LLC to Land Bank Twin Cities, Inc.

### Background

In January 2016, the Council authorized its Regional Administrator to enter into a joint exercise of powers agreement with the Minnesota Housing Finance Agency (Minnesota Housing) to be used to support a five-year pilot program for the acquisition of strategic real estate sites for affordable housing. The Council agreed to provide \$1,000,000 for the pilot program. Minnesota Housing made the Council funds available to the Twin Cities Community Land Bank LLC under a separate grant agreement with Twin Cities Community Land Bank LLC. The Council and Minnesota Housing executed the joint powers agreement in March 2016.

Twin Cities Community Land Bank LLC (“LLC”) operates Strategic Acquisition, Community Lending and Real Estate Service programs in fulfillment of its mission to capture strategic real estate opportunities to benefit people with low to moderate incomes, prioritizing people of color and populations facing barriers. Formed in 2009 as a Minnesota nonprofit limited liability company, LLC became exempt under IRC section 501(c)(3) in 2011. Prior to 2016, the nonprofit Family Housing Fund (“Fund”) was LLC’s parent company and sole member.

Pursuant to the strategic plans of each organization, it was mutually agreed in 2015 that it would be in the best interests of LLC and Fund to become fully independent organizations. To create this independence, the staff of LLC successfully formed a new Minnesota nonprofit corporation named Land Bank Twin Cities, Inc. (“INC”) so that it could accept the transfer of Fund’s membership interests and become the new sole member of LLC. This transfer was successfully completed on December 31, 2015, with INC and its subsidiaries (“Group”) continuing to conduct its programming in an identical manner. The consolidated financial profile of the Group was not affected by this new independent legal structure.

During 2016 the Group took initial steps to streamline its legal structure by transferring to INC the primary governance functions along with all staff members who are now employees of INC. Under current Minnesota law, however, it is not possible to merge or convert a nonprofit LLC into a nonprofit C corporation. Therefore, in order for INC to fully assume the primary program, financial, and fundraising

functions of the Group, a Transition Plan (“Plan”) has been developed to assign the majority of the assets and liabilities of LLC to INC, with an effective date of December 30, 2016. This will allow external partners (funders, lenders, customers) to focus on INC as the primary entity of financial substance within the Group, with a simultaneous reduction in the historical role of LLC and the probable dissolution of that entity over time. For this reason, the Joint Exercise of Powers Agreement between the Minnesota Housing Finance Agency and the Metropolitan Council, must be amended to allow the grant agreement between Minnesota Housing Finance Agency and Twin Cities Community Land Bank LLC to be assigned to Land Bank Twin Cities, Inc, the new independent legal structure and sole member of LLC

The objective of this Plan document is to provide interested parties with the information necessary for them to complete their review of the Plan and to obtain from financial partners any required consents or approvals the assign of their loan obligations from LLC to INC. After such assignments, INC will become the borrower under these agreements with the benefit of substantially all of the assets of the Group as well as virtually all of the net assets (equity) previously held by LLC.

### **Rationale**

This proposed amendment will not impact the scope or intent of the Council’s support for the pilot program for the acquisition of strategic real estate sites for affordable housing. No other changes will be made to the Joint Exercise of Powers Agreement. The overall financial profile of Land Bank Twin Cities INC and its subsidiaries will be unaffected by the proposed assignment. The assignment will have no impact on the strategic acquisition program activities nor on the expectations and commitments made under the grant agreement between Minnesota Housing Finance Agency and Land Bank Twin Cities INC.

### **Thrive Lens Analysis**

This investment supports the Thrive equity outcome by expanding choices of where to live for all residents, across race, ethnicity, economic means, and ability. Expanding housing choice secondarily advances the Thrive livability outcome by enhancing the quality of life in the region.

### **Funding**

The proposed amendment to the joint powers agreement will have no funding implications.

### **Known Support / Opposition**

There is no known opposition to this amendment.