

Community Development Committee

For the Metropolitan Council meeting of September 13, 2017

Subject: Recommendation to Award 2017 Livable Communities Local Housing Incentive Account Funding to Supplement a 2016 Grant

Proposed Action

That the Metropolitan Council (1) award \$100,000 of 2017 Local Housing Incentives Account (LHIA) funding to supplement a 2016 grant to the City of Saint Paul for Como by the Lake, and (2) authorize its Community Development Division director to execute the grant agreement on behalf of the Council.

Summary of Committee Discussion/Questions

Councilmember Wulff asked if any other projects, besides the one in front of the Council for approval, were eligible, but did not request funding, and if there were any projects not moving forward due to the change in tax credit pricing. Staff responded that there were three other eligible projects, but they were able to address any financing gaps with Minnesota Housing tools and Staff were not aware of any projects not moving forward due to financing gaps created by the change in tax credit pricing.

The Committee unanimously approved the recommendation.

Community Development Committee

Meeting date: August 21, 2017

For the Metropolitan Council meeting of September 13, 2017

Subject: Recommendation to Award 2017 Livable Communities Local Housing Incentive Account Funding to Supplement a 2016 Grant

District(s), Member(s): District 14, Jon Commers

Policy/Legal Reference: MN Statutes §473.253

Staff Prepared/Presented: Ryan Kelley, Senior Planner-Livable Communities (651) 602-1541

Division/Department: Community Development/Livable Communities

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That the Metropolitan Council (1) award \$100,000 of 2017 Local Housing Incentives Account (LHIA) funding to supplement a 2016 grant to the City of Saint Paul for Como by the Lake, and (2) authorize its Community Development Division director to execute the grant agreement on behalf of the Council.

Background

The Metropolitan Council approved the 2017 Livable Communities Fund Distribution Plan (FDP) March 22, 2017. ([2017-72 SW](#)) The 2017 FDP included a provision that allowed the Council to award supplemental LHIA awards to projects awarded funding in the 2016 grant cycle due to the unexpected and sudden decline in Low-Income Housing Tax Credit (tax credit) pricing since the 2016 awards were made. The Como by the Lake development in the City of Saint Paul is the only eligible project that requested supplemental funds.

The Council supported the ability to award supplemental LHIA awards due to the impact on affordable housing projects awarded funding through Minnesota Housing from the sudden decline in tax credit pricing. In the fall/winter of 2016 tax credit syndicators began to reduce the price they were willing to pay for credits, thereby reducing the benefit of those credits, due in part to uncertainty regarding potential corporate tax rates. Some syndicators reduced the price they were offering for tax credits which impacted the pro formas of affordable housing developers creating a gap in their development financing.

Minnesota Housing developed a review process for projects awarded funding in 2016 to be reviewed outside of the 2017 Consolidated Request for Proposal (RFP) process to expedite addressing this financing gap, specifically for projects anticipated to get underway in 2017. Minnesota Housing asked funding partners if they would be willing to consider supplemental awards in addition to the strategies Minnesota Housing was exploring to fill such gaps. The Council was willing to consider supplemental funding for projects that had received 2016 LHIA awards, as they had then been reviewed through the RFP process and determined to meet Council priorities, and to only address the gap created by the change in tax credit pricing.

Rationale

The Como by the Lake rehabilitation project in Saint Paul is the only development that was eligible for consideration for supplemental LHIA funds and that requested such funding. Other projects impacted by the reduction in tax credit pricing addressed their funding gap through other sources or Minnesota Housing resources such as: additional funding pools, increasing the deferred developer fee or restructuring mortgage terms.

The funding gap for Como by the Lake directly related to a reduction in tax credit pricing is \$98,734. Como by the Lake addresses local and regional policies for affordable housing, particularly by preserving 89 affordable units in the City of Saint Paul outside of an Area of Concentrated Poverty. Therefore, staff recommend a \$100,000 LHIA award to the City of Saint Paul for the Como by the Lake development. The amount of \$100,000 is recommended due to the precedent of rounding LHIA funding amounts.

Thrive Lens Analysis

Awarding supplemental LHIA funding to the City of Saint Paul for Como by the Lake touches on each of the Council's Thrive Outcomes. The Como by the Lake project is the preservation of affordable housing units in the City of Saint Paul in a location not in an Area of Concentrated Poverty, thus advancing the Thrive equity and livability outcomes. The recommendation to award supplemental funding is to provide greater certainty that this project, to which an investment has already been made, actually comes to fruition, which advances the Thrive stewardship and prosperity outcomes. This investment provides housing choice and opportunity for low-income residents in the region and the preservation of a building benefits the environment and resources by limiting the use of new materials and waste of old materials, thus advancing the Thrive sustainability outcome.

Funding

The Council approved \$2.5 million for LHIA awards in the 2017 Fund Distribution Plan. A supplemental award to the City of Saint Paul of \$100,000 would leave \$2.4 million available for new applications to the 2017 Consolidated RFP. Saint Paul was awarded \$400,000 for Como by the Lake in 2016.

Known Support / Opposition

There is no known opposition to the project. The City of Saint Paul supports this project moving forward.