

Committee Report

Community Development Committee



Committee Meeting Date: December 5, 2022

For the Metropolitan Council: December 14, 2022

Business Item: 2022-330

Clarification for the Joint Powers Agreement with Minnesota Housing: Grant for NOAH Impact Fund

Proposed Action

That the Metropolitan Council:

1. Affirm its authorization in Business Item No. 2018-286, which authorized the Regional Administrator to negotiate and the Chair to execute a Joint Exercise of Powers Agreement with the Minnesota Housing Finance Agency (Minnesota Housing), to provide a \$1.4 million grant for program support to the Greater Minnesota Housing Fund for the Naturally Occurring Affordable Housing (NOAH) Impact Fund.
2. Further clarify that there will be no expectation of repayment of the grant, subject to annual reporting requirements and the use of the grant funds consistent with the terms and conditions of the grant agreement.

Summary of Community Development Committee Discussion/Questions

Lisa Barajas, Executive Director of the Community Development division, presented the staff's report to the committee. Council member Wulff affirmed her understanding that the item was intended to be a grant and inquired about what happens with the funds as part of the investment fund if they are not returned. Barajas responded that it was her understanding that the funds would be reinvested in the fund and deployed in a future acquisition and preservation cycle.

The Committee unanimously passed the proposed actions at their regularly scheduled meeting on December 5, 2022.



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District(s), Member(s):	All
Policy/Legal Reference:	Minn. Stat. §§ 471.59; 473.195
Staff Prepared/Presented:	LisaBeth Barajas, Executive Director, Community Development (651-602-1895)
Division/Department:	Community Development / Regional Planning

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2. Further clarify that there will be no expectation of repayment of the grant, subject to annual reporting requirements and the use of the grant funds consistent with the terms and conditions of the grant agreement.

Background

In November 2018, the Council approved a Joint Powers Agreement (JPA) with Minnesota Housing to provide \$1.4 million in program support to the Greater Minnesota Housing Fund (GMHF) for the NOAH Impact Fund. Council staff prepared a preliminary draft of a JPA and associated Minnesota Housing grant agreement with GMHF, but the Council and Minnesota Housing have not yet executed a JPA. This delay is due in part to pandemic-related market disruptions and staff changes at the agencies.

Additionally, in working to finalize the JPA, the Council has identified a conflict in the original authorization: The 2018 Council action says the funds will be made available to the GMHF “in the form of a grant” but “using the investment guidelines listed in Attachment 1” of the Business Item; these guidelines then state: “The Council’s investment may be repaid at the time of the term of the investment.”

The proposed action would resolve this conflict in the original Council action and would clarify the Council’s intent to provide the funds in the form of a grant with no expectation of repayment. The grant will be monitored and subject to annual reporting requirements, to ensure the use of grant funds is consistent with the terms and conditions of the grant agreement. GMHF would provide annual reports to the Council until the relevant funding pool administered by the NOAH Impact Fund (tentatively, NOAH Pool II LLC) is fully deployed.

The NOAH Impact Fund supports the acquisition and preservation of properties with, at a minimum, 75% of units affordable at or below 80% AMI. The Fund further targets and prioritizes projects with deeper affordability, and requires that NOAH properties accept Section 8 or other rental assistance. Grant funds will be used only for preserving properties that are located in the seven-county metropolitan area.

Rationale

This action supports direction in the Council's *2040 Housing Policy Plan* which encourages the Council and its partners to "[a]ddress how 'naturally occurring' or unsubsidized affordable housing meets the region's housing needs." Using the Council's funds through the mechanism of the NOAH Impact Fund allows for the quick turnaround necessary to save the affordability of these properties. While the launch of the next phase of the NOAH Impact Fund has been delayed due to COVID-19 impacts and associated market uncertainties since the original Council action, preserving unsubsidized affordable rental housing remains an important strategy to meet the region's housing needs. Providing the funds as a grant will help to offset the increased interest expense due to current market conditions in the overall NOAH Impact Fund pool, contributing to affordability preservation.

Thrive Lens Analysis

This action advances the Thrive outcome of Stewardship by preserving existing affordable housing and the Thrive outcome of Equity by preserving a mix of housing affordability across the region.

Funding

The Council's 2022 Unified Budget authorizes \$1.4 million of its general purpose levy to support the preservation of naturally occurring affordable housing in the region.

