

Committee Report

Community Development Committee



Committee Meeting Date: August 5, 2024

For the Metropolitan Council: August 14, 2024

Business Item: 2024-210

Clarify policy for Metropolitan Livable Communities Fund grants deployed as loans.

Proposed Action

That the Council authorize Livable Communities Act (LCA) grantees with closed grants that were deployed as loans to use any future loan repayments to continue to support the original project, or to support other projects that will help the grantee (or the participating municipality within which the project is located) meet its affordable and life-cycle housing goals.

Further, the Council directs staff to bring back the topic of structuring awards as grants or loans as a topic for further exploration by the Community Development Committee.

Summary of Community Development Committee Discussion/Questions

Committee members asked clarifying questions about the proposed action, and requested information about the volume and quantity of LCA grant awards that have been deployed as loans. Staff will send this information as a follow-up. Committee members discussed whether there would be value in offering awards as loans rather than grants. Staff confirmed that there will be an opportunity to explore and analyze this option for future awards as part of the LCA Program Update process that is currently underway.

CM Johnson proposed an amendment to the action, to adopt the proposed action for existing grants while also memorializing a commitment to discuss the structure of awards as grants or loans in the future.

The motion on the amendment passed unanimously.

Then, the motion on the proposed action as amended also passed unanimously.

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Clarify policy for Metropolitan Livable Communities Fund grants deployed as loans

District(s), Member(s):	All
Policy/Legal Reference:	MN Statutes sections 473.25 – 473.254
Staff Prepared/Presented:	Sarah Berke, Senior Manager, Housing and Livable Communities (651-602-1198)
Division/Department:	Community Development

Proposed Action

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Background

LCA grant funds for development projects may be deployed as loans to eligible projects by the cities or development authorities who are LCA grantees. Grantees choose to deploy grant funds as loans to increase the eligible basis for a tax credit program, such as the Low-Income Housing Tax Credit. These loans are typically deferred, with a balloon payment and long terms that match the other financing in the project, ranging from 15-40 years, or beyond. Loans are made by the LCA grantee to the development team; the Council is not a direct party to the loans.

The Council's standard LCA grant agreement language requires grantees to request the Council's approval for reinvesting any loan proceeds into the project to support the original grant goals, such as to extend the term of affordability restriction. Council staff approve these requests administratively. If not reused for the original purpose, the grantee is required by the terms of many existing LCA grant agreements to repay any loan principal or interest proceeds to the Council. Most recently, in 2010 (Business Item 2010-12), the Council updated its policies to guide the current practice.

However, grant agreements used between 1999 and 2009 for certain LCA programs allowed grantees a third option: to use any repaid loan funds to implement similar eligible projects that will help the grantee meet its affordable and life-cycle housing goals and implement the purposes of the Livable Communities Act.

Staff have received requests from cities to redeploy funds from repaid loans for a variety of projects and programs that are consistent with the goals of the LCA to address affordable and life-cycle housing goals. Because of the varying practices over the years and across programs, there is clear authority in grant agreements to approve these requests for some, but not all, past LCA grants.

Rationale

In the situations that are relevant for this updated policy, the purpose for the grant and the originally-funded project are complete, and the original grant agreement has been closed, typically at least 10 years prior. The Council is not a party to any loan agreements that our grantees enter into with the project owners. Staff therefore proposes that the Council simplify the process for grantees to manage repaid loan proceeds.

To implement this authority, all past LCA grantees with grants deployed as loans would be required to sign a simple agreement, including the following provisions:

- After the close of the grant period, grantees who receive future repayments from loans made with LCA grants will be authorized to either reinvest these funds to extend the affordability commitment of the original project, or to use the funds to advance their affordable and life-cycle housing goals, consistent with regional housing policy.
- Grantees will be asked to provide an informational report to the Council, at the time that they receive and redeploy any repaid loan principal and interest, sharing their plans for using the funds to advance regional affordable and life-cycle housing goals. This may be submitted in the form of a response to the Housing Policy and Production Survey that the Council conducts annually.
- Grantees will acknowledge that if they do not invest repaid grant funds for one of these purposes, the funds should be repaid to the Met Council to be redeployed for new LCA grant awards, per the original grant agreement terms.
- The new agreement will supersede any conflicting provisions of their prior grant agreement(s), including any annual reporting requirements that extend beyond the termination of the original grant agreement.

This action seeks authority to make this change for all current and future LCA grantees whose awards have already been successfully completed, and closed, consistent with the terms of the original project grant.

