

Code

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 Statute 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 Statute 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:

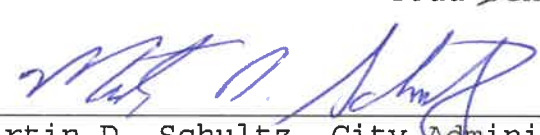
YES: Franzen, Thalman, Osterberg, Jensen

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.