



# Board of County Commissioners Agenda Request

## 4A

Agenda Item #

**Requested Meeting Date:** October 8, 2024

**Title of Item:** Housing Trust Fund Guidelines: document approval

<input checked="" type="checkbox"/> REGULAR AGENDA <input type="checkbox"/> CONSENT AGENDA <input type="checkbox"/> INFORMATION ONLY	<b>Action Requested:</b> <input checked="" type="checkbox"/> Approve/Deny Motion <input type="checkbox"/> Adopt Resolution (attach draft) <i>*provide copy of hearing notice that was published</i>	<input type="checkbox"/> Direction Requested <input type="checkbox"/> Discussion Item <input type="checkbox"/> Hold Public Hearing*
<b>Submitted by:</b> Mark Jeffers		<b>Department:</b> Administration
<b>Presenter (Name and Title):</b> Mark Jeffers, Economic Development Coordinator		<b>Estimated Time Needed:</b> 10 minutes
<b>Summary of Issue:</b> Economic Development staff, with collaboration and recommendation by the Economic Development Committee, have created the Housing Trust Fund Guidelines documents. The primary purpose of the Aitkin County Housing Trust Fund (HTF) Program is to assist in financing the production and preservation/stabilization of affordable and mixed-income housing projects in Aitkin County. 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 County. The Trust Fund shall provide loans and grants to property owners, homeowners, local units of government, for-profit housing developers, and non-profit housing developers for the acquisition, capital and soft costs necessary for the creation of new Affordable Infrastructure and Workforce Housing (both rental and owner-occupied). Projects funded by the Trust Fund shall be dispersed throughout the County. DEVELOPER 1. Multi-Family Development Tax Abatement 2. New Construction/Development Incentive Programs 3. New Development/Redevelopment Financing Programs HOMEOWNER 4. Rehabilitation Incentive Programs 5. Minnesota Housing Finance Agency (Minnesota City Participation Program) The Economic Development Committee recommends approval to execute this program. The County Attorney has reviewed all documents and find them proper to form.		
<b>Alternatives, Options, Effects on Others/Comments:</b>		
<b>Recommended Action/Motion:</b> Economic Development requests a motion to approve execution of the Housing Trust Fund Guidelines.		
<b>Financial Impact:</b> <i>Is there a cost associated with this request?</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>What is the total cost, with tax and shipping? \$</i> <i>Is this budgeted?</i> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>Please Explain:</i>		

# **AITKIN COUNTY HOUSING TRUST**

## **FUND GUIDELINES**

### **PROGRAM INTRODUCTION AND PURPOSE**

The primary purpose of the Aitkin County Housing Trust Fund (HTF) Program is to assist in financing the production and preservation/stabilization of affordable and mixed-income housing projects in Aitkin County. 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 County. The Trust Fund shall provide loans and grants to property owners, homeowners, local units of government, for-profit housing developers, and non-profit housing developers for the acquisition, capital and soft costs necessary for the creation of new Affordable Infrastructure and Workforce Housing (both rental and owner-occupied). Projects funded by the Trust Fund shall be dispersed throughout the County.

### **HTF PROGRAM BASIS AND POLICY GUIDANCE**

Managed by the Aitkin County Economic Development Department, the HTF Program administration is guided primarily by the following documents:

- Minn. Stat. §462C.16 Housing Trust Funds for Local Housing Development
- Ordinance Establishing a Housing Trust Fund in Aitkin County, effective 12/12/2023.

### **NEEDS AND PRIORITIES OF THE HTF**

Target Population:

- Very Low Income: gross household income at or below 50% of Area Median Income (AMI), as determined by the US Dept. of HUD.
- Low Income: gross household income at or below 80% of AMI, but more than 50% of AMI.
- Moderate Income: gross household income at or below 115 percent (115%) of AMI, but more than 80% of AMI.

### **HOUSING TYPE SOLUTIONS**

Single- and multi-family new construction, single- and multi-family rehabilitation, new senior housing or 55+ housing construction, ownership or down payment housing assistance-(such as condos, townhomes, or detached single-family houses).

### **PROGRAMS SUPPORTED BY THE HTF**

Programs will be made available and promoted by the Aitkin County Economic Development Department with specified time frames. Cities are also eligible to request funding from the Aitkin County HTF for the purpose of supporting programs listed below.

### **DEVELOPER**

1. Multi-Family Development Tax Abatement
2. New Construction/Development Incentive Programs
3. New Development/Redevelopment Financing Programs

### **HOMEOWNER**

4. Rehabilitation Incentive Programs
5. Minnesota Housing Finance Agency (Minnesota City Participation Program)

# DEVELOPER PROGRAMS

## 1. MULTI-FAMILY DEVELOPMENT TAX ABATEMENT

The purpose of this policy is to establish Aitkin County's position relating to the use of TAX ABATEMENT FINANCING (TAF) for private development in accordance with Minnesota Statutes 469.1812 - 1815. This policy shall be used as a guide in processing and reviewing applications requesting TAF assistance. The fundamental purpose of TAF in Aitkin County is to encourage desirable development and/or redevelopment that would not otherwise occur "but for" the assistance provided through TAF.

The County shall consider TAF for projects that serve to accomplish the County's goals for economic development as they may change over time. The goals include facilitating projects that would result in the creation of quality jobs (e.g. stable employment, wages with benefits) and the attraction, retention, and expansion of business and housing options in the County.

Aitkin County is granted the power to utilize TAF by the Minnesota Tax Abatement Act, as amended. It is the intent of the County to provide the minimum amount of TAF, at the shortest term required for the project to proceed. The County reserves the right to approve or reject projects on a case by case basis, taking into consideration established policies, project criteria, and demand on county services in relation to the potential benefits from the project. Meeting policy criteria does not guarantee the award of TAF to the project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

### CRITERIA FOR AWARDING TAF

- The benefits to Aitkin County must be equal to the costs of the abatement, and must benefit the county in one or more of the following ways.
- Increase to Aitkin County's tax base by at least \$500,000.
- Create or retain, five Full Time Equivalent (FTE) jobs paying at a minimum, 140% of the Federal Poverty guidelines for a family of 4, or 115% of the Federal Poverty guidelines for a family of 4, with the difference between the 115% and the 140% consisting of health benefits, within two years of the TAF award date.
- Provide or help acquire needed public infrastructure or public facilities.
- Help develop or revitalize blighted areas.
- Help with soil corrections, brownfield development, or other areas that due to extenuating site problems would not otherwise be developed.
- Help provide access to services for residents of Aitkin County.
- Preference will be given to manufacturing, distribution, housing development or value added business or to a business providing services to these types of businesses.
- Retail business will not be considered for TAF unless the project creates substantial quality employment and substantial tax base.
- Aitkin County will consider the impact of the project on public services, including but not limited to: pollution, traffic, and the need for additional law enforcement
- Aitkin County shall limit the amount of TAF to the increase in new property taxes resulting from the improvement in the property from the project;
- Aitkin County may limit the TAF to a specific dollar amount per year or in total or in any manner the county feels is appropriate.
- The pay as you go financing method for TAF is preferred.
- A non-refundable TAF application fee of \$500.00 shall accompany each submitted TAF request.
- Aitkin County reserves its right to review and if the project requirements are not being fulfilled to modify the abatement every second year after approval of the TAF.
- Before TAF is considered for any project or property, it must be in compliance with all Aitkin

County ordinances, tax payments, or any other legal or financial obligations to Aitkin County. Projects that are within city limits must also be in compliance with all ordinances, tax payments or any other legal or financial obligations to the County.

- A written application on a form provided by the county shall be completed for each TAF request. The Aitkin County Economic Development Committee shall review each request and make written comments to the county board. The Aitkin County Board will make the final decision in the granting of any TAF.

## **2. NEW CONSTRUCTION/DEVELOPMENT INCENTIVE PROGRAMS**

Applicants must have sufficient experience and/or demonstrate sufficient capacity and training in housing development and management to successfully secure financing, construct, complete, and operate the proposed project. All HTF affordable housing projects shall be undertaken and completed by the developer (HTF applicant) and not other members of the development team.

- **Density Bonuses:** Offer developers incentives such as increased building density allowances or relaxed zoning regulations in exchange for including affordable housing units in their projects. This can encourage developers to allocate a certain percentage of their units as affordable housing.
- **Fast-Track Approvals and Permitting:** Streamline the approval process or provide expedited permitting for projects that include affordable housing components. Developers often face delays in bureaucratic processes, so offering quicker approvals can be an attractive incentive.
- **Fee Reductions or Waivers:** Reduce or waive certain fees or taxes associated with development projects that include affordable housing. This can include impact fees, permit fees, or property taxes for designated affordable units.
- **Direct Financial Incentives:** Provide financial incentives such as grants, subsidies, or low-interest loans to developers who commit to building or rehabilitating affordable housing units.
- **Land Use Policies:** Allocate publicly-owned land at reduced rates or provide long-term leases to developers specifically for affordable housing projects. This reduces the cost of land acquisition, making it more feasible to develop affordable units.
- **Public-Private Partnerships:** Collaborate with developers through public-private partnerships where the government or housing trust fund contributes resources, land, or financing while developers bring their expertise in construction and management.
- **Technical Assistance and Support:** Offer developers technical assistance, architectural and design support, or access to resources that facilitate the inclusion of affordable housing units without compromising the project's feasibility.
- **Market Incentives:** Showcase the benefits of developing affordable housing, such as access to a broader range of potential tenants or buyers, positive community impact, and potential positive publicity, which can attract socially responsible investors and buyers.
- **Recognition and Awards:** Acknowledge and recognize developers who actively participate in housing trust fund initiatives by publicly highlighting their contributions and successes.
- **Long-Term Partnerships:** Foster long-term relationships with developers by offering ongoing support, collaboration, and a stable pipeline of projects, creating a more attractive environment for investment in affordable housing.

### **3. NEW DEVELOPMENT/REDEVELOPMENT FINANCING PROGRAM**

Applicants must have sufficient experience and/or demonstrate sufficient capacity and training in housing development and management to successfully secure financing, construct, complete, and operate the proposed project. All HTF affordable housing projects shall be undertaken and completed by the developer (HTF applicant) and not other members of the development team.

- Applicants without the necessary experience must enter into joint venture agreements with experienced developers.
- For projects proposed as limited partnerships, the Economic Development Department reserves the right to approve the limited partnership agreement prior to any HTF loan award.
- If the developer is a joint venture, the HTF Application or project will be assessed based on the experience of the "lead developer." The "lead developer" is the entity that has the majority interest in the joint venture or partnership. In all joint ventures, a majority control must be held by the development entity meeting the Economic Development Department. The Economic Development Department will review and approve all joint venture agreements and decide which joint venture partner has the majority control in the management and operation of the joint venture.
- If the proposed project includes a supportive services component designed for very low or extremely low-income families that need services linked to their housing in order to remain stable in the proposed housing project, the property management agent must also provide evidence of managing other housing projects with supportive services from any city or agency from which the agent received funding for providing comparable services.
- Development projects that create and/or preserve affordable housing units are eligible to receive funding. The residential portions of mixed-use and live/work projects that meet the affordability requirements of these guidelines shall be eligible for assistance. Funding may also be provide to assist in the creation of common areas, meeting space, and other space primarily for use by the residents of the assisted units, such as rooms to provide onsite medical or counseling services.
- Activities eligible for funding include new construction, acquisition of property, conversion of non- residential to residential use, relocation, and rehabilitation costs. All reasonable costs associated with acquisition for housing or mixed-use purposes and rehabilitation are eligible for funding. The purchase price of a property to be acquired shall not exceed its appraised value, unless the Economic Development Department finds that the project has sufficient merit to justify paying a higher price, in which case the price shall not exceed the appraised value by more than 10 percent. Conversion to rental housing units shall include activities to make the building safe, decent, and sanitary and to abate lead concerns. All reasonable costs associated with new construction eligible housing projects are eligible for funding.

### **4. REHABILITATION INCENTIVE PROGRAM**

The property must be located within Aitkin County and meet one of the following:

- The residential unit does not meet HUD's Section 8 Housing Quality Standards.

- The residential unit does not meet applicable and current Minnesota State Building Code, Fire Code, Occupancy Codes, National Electrical Code, Uniform Mechanical and Plumbing Codes.
- The residential unit contains health and safety hazards.
- The residential unit lacks safe, reliable water supply or sanitary wastewater disposal.
- The residential unit does not meet Minnesota Energy Efficiency Standards.
- The residential unit does not allow its occupants to age in place.
- The residential unit fails to provide suitable shelter in some other obvious and apparent manner.

Below are examples of work items for which the rehabilitation dollars can be used. There will be no work funded through this program for strictly cosmetic purpose and for which the need described above cannot be documented.

- Furnaces or other heating systems
- Roof repair/replacement (shingles, soffit, fascia, damaged boards, etc.)
- Sewer or water repairs
- Foundation/structural Issues
- Energy efficiency improvements (doors, windows, siding, etc.)
- Lead abatement
- Handicap accessibility

Interested applicants will be taken on a first-come, first-served basis. All property taxes must be current prior to application approval and property owners will be expected to carry insurance that, at a minimum, covers the costs of the rehabilitation work over the life of the loan. There should be no tax liens or past-due assessments or judgments on the property. For properties built prior to 1978, a risk assessment for lead will be performed prior to the work write-up. Lead clearance, if needed, will be performed at completion. The property owner will sign a Note Mortgage, and Loan Agreement for the rehabilitation work prior to the clearance being done, which will include the costs for the risk assessment and clearance. If lead is found to be present, lead-certified contractors will be used to perform all lead-related work. Lien waivers will be required for all work.

**Owner-Occupied Rehab:**

Applicants must occupy the property as their principal place of residence, shall reside in the home at time of application, and the property must be classified homestead. Previous recipients of program benefits are ineligible.

The maximum household income limits for owner occupied rehab is 115% of the AMI as determined by the U.S. Department of Housing and Urban Development. The following table details the income participation.

Income	Homeowner Contribution
101% - 115% of Median	20%
81% - 100% of Median	10%
80% and below	0%

**A. Income Eligibility**

- Annual income will be used to determine eligibility.

- Annual income will be based on current income.
- Income includes:
  - o Wages or salaries, including commissions, bonuses, overtime pay and tips
  - o Business income for self-employed individuals
  - o Rental or real estate income, including payments received from properties being sold on Contracts for Deed
  - o Interest and dividends
  - o Gains from the sale of property or securities
  - o Estate or trust income
  - o Pensions and annuities, including PERA, Social Security, VA benefits
  - o Any financial assistance including but not limited to AFDC, SSI, Welfare, Unemployment Compensation and Worker's Compensation.
- Child support, alimony, and social security received by applicant's children shall not be considered as income. Foster children will not be counted in on family size and the income received for support of foster children will not be used to compute total income.
- Income will be based on the primary wage earners of household, thus excluding income from dependents.
- If the tenant is self-employed and derives income from a business that he/she owns or co-owns, an average of the net income over a two-year period will be evaluated to determine income. Any net loss average for two years will be counted as -0- for eligibility purposes but will be deducted from other income sources for affordability.
- If a portion of this applicant's income is from a part-time business operation, the average of the part-time income for the previous two years will be added to current income.
- If tenant has been self-employed for less than two years, his/her business income for one year will be used to determine income. Proration will be used for partial years.
- If tenant is seasonally employed, current income and any unemployment compensation will be prorated based on past two years' work history.

**B. Verification of Income:** Written verification of all sources of income shall be required. Income verification shall be current (within 90 days of the initial housing inspection for the rehab program). The following are acceptable:

- Third-party income verifications
- Previous two years' tax returns
- Income verification forms completed by employer, agency, institution (bank, insurance company, etc.)
- Visual verification form signed by program administrator
- Copy of current savings passbook or certificate
- Other documentation as appropriate
- Combination of the above as needed to verify all income and assets

**General Contractors:** All rehabilitation work must be performed by a fully licensed and insured general contractor. Contractors performing specified lead-based paint work must be certified. Contractors shall not be debarred and shall have been determined capable based on past performance and ability to perform successfully.

The maximum HTF deferred loan amount extended to any homeowner occupied unit shall not exceed \$25,000. If the total cost of repairs exceeds the maximum loan limits, the applicant will be responsible to secure additional financing beyond the required matching leverage amount for the applicant's



income. If the applicant is unable to secure the necessary funding, then the scope of the project will be reduced in a manner that is consistent with funding regulations and adopted housing standards. This is a 20-year, zero percent (0%) deferred loan. Full repayment of the principal is due upon the sale, maturity or other transfer of the property, when the owner no longer occupies the property as the principal residence, or the primary mortgage is refinanced and equity is taken out.

#### **Rental Rehab:**

- A. **Occupancy Requirements for Property to be rehabilitated:** A minimum of 51% of the rental units must be occupied by tenants at or below 115% of AMI for Aitkin County as determined by U.S. Department of Housing and Urban Development. Income of tenants must be verified and must remain throughout the term of the loan. Owner is responsible for certifying by April 30<sup>th</sup> of each year that at least 51% of the rental units are occupied by tenants at or below 115% of AMI for Aitkin County as determined by U.S. Department of Housing and Urban Development.
- B. **Program Rent Limits:** All rental units must be within the fair market rent limits established for Aitkin County by U.S. Department of Housing and Urban Development. Rents must stay within these limits for the repayment term of the program. Rent limits are adjusted annually by HUD and incremental annual rent increases are allowed with HRA approval as long as they do not exceed program rent limits.
- C. **Income Eligibility**
- Annual income will be used to determine eligibility.
  - Annual income will be based on current income.
  - Income includes:
    - Wages or salaries, including commissions, bonuses, overtime pay and tips
    - Business income for self-employed individuals
    - Rental or real estate income, including payments received from properties being sold on Contracts for Deed
    - Gains from the sale of property or securities
    - Estate or trust income
    - Pensions and annuities, including PERA, Social Security, VA Benefits
    - Any financial assistance including but not limited to AFDC, SSI, Welfare, Unemployment Compensation and Worker's Compensation.
  - Child support, alimony, and social security received by applicant's children shall not be considered as income. Foster children will not be counted in on family size and the income received for support of foster children will not be used to compute total income.
  - Income will be based on the primary wage earners of household, thus excluding income from dependents.
  - If the tenant is self-employed and derives income from a business that he/she owns or co-owns, an average of the net income over a two-year period will be evaluated to determine income. Any net loss average for two years will be counted as -0- for eligibility purposes but will be deducted from other income sources for affordability.
  - If a portion of this applicant's income is from a part-time business operation, the average of the part-time income for the previous two years will be added to current income.
  - If tenant has been self-employed for less than two years, his/her business income for one



- year will be used to determine income. Proration will be used for partial years.
- If tenant is seasonally employed, current income and any unemployment compensation will be prorated based on past two years' work history.

D. **Verification of Income:** Written verification of all sources of income shall be required. Income verification shall be current (within 90 days of the initial housing inspection for the rehab program). The following are acceptable:

- Third-party income verifications
- Previous two years' tax returns
- Income verification forms completed by employer, agency, institution (bank, insurance company, etc.)
- Visual verification form signed by program administrator
- Copy of current savings passbook or certificate
- Other documentation as appropriate

Combination of the above as needed to verify all income and asset

E. **General Contractors:** All rehabilitation work must be performed by a fully licensed and insured general contractor. Contractors performing specified lead-based paint work must be certified. Contractors shall not be debarred and shall have been determined capable based on past performance and ability to perform successfully.

F. **Funding:** The maximum HTF deferred loan amount extended to any owner will be based on the following but shall not exceed those available in the HTF or 80% of the project costs, whichever is less.

- Single family rental rehab \$25,000
- Multi-family rental rehab
  - o \$12,500 per unit if at least 51% of the units are leased to tenants with incomes at or below 115% but more than 80% of AMI.
  - o \$15,000 per unit if at least 51% of the units are leased to tenants with incomes at or below 80% but more than 50% of AMI.
  - o \$20,000 per unit if at least 51% of the units are leased to tenants with incomes at or below 50%.

If the total cost of repairs exceeds the maximum loan limits, the applicant will be responsible to secure additional financing beyond the required matching leverage amount. If the applicant is unable to secure the necessary funding, then the scope of the project will be reduced in a manner that is consistent with funding regulations and adopted housing standards. This is a 20-year loan term with zero percent (0%) interest and a deferred lump sum repayment of principal and interest. This means that the borrower will not need to make monthly payments on this loan. If affordability is maintained throughout the entire 20-year term the lump sum repayment will be reduced to 50% of the original principal amount. This loan is payable upon the sale or transfer of the property, the primary mortgage is refinanced and equity is taken out or upon maturity of the note. If at any time affordability is not maintained throughout the term of the loan, the mortgage will be accelerated and the full balance of principal will become due immediately.

## 5. MINNESOTA HOUSING FINANCE AGENCY CITY PARTICIPATION PROGRAM

The Master Servicer will only purchase Mortgages pursuant to this Agreement securing property that, and borrowers who, satisfy the requirements and provisions of this Agreement, the Program, and the Procedural Manual. The City acknowledges that the commitment is effective upon the approval thereof by Minnesota Housing and the delivery of a copy of this Agreement by Minnesota Housing to the City.

**Lender Qualifications.** Lenders must meet Minnesota Housing requirements for participation in programs funded by qualified mortgage bonds.

**Commitment Term.** The term of this Agreement and the City's participation in the Program (the "Commitment Term") will commence on January 16, 2024 and shall continue through November 30, 2024. This Agreement, and the City's participation in the Program, will automatically terminate, without the need for any action by either party hereto, at the end of the Commitment Term.

**Set-Aside Term.** The Commitment Amount will be set-aside and held by Minnesota Housing for the sole use by the City for a period of time to be established by Minnesota Housing, in its sole option and discretion, provided, however, that time period will not be less than six months (the "Set-Aside Term") commencing on a date to be selected and specified by Minnesota Housing. Minnesota Housing will notify the City in writing of the date on which the Set-Aside Term commences.

**Commitment Fees.** There is no commitment fee payable by the City for the commitment by Minnesota Housing to the purchase by the Master Servicer of qualifying Mortgages.

**Purchase Price.** The purchase price of each Mortgage to be purchased by the Master Servicer pursuant to this Agreement will be as set forth in the requirements of the Procedural Manual and posted on Minnesota Housing's website.

**Mortgage Terms.** The terms and conditions for all Mortgages, including but not limited to the interest rate, will be set from time to time by Minnesota Housing, at its sole option and discretion, and communicated to the Lender in accordance with the procedures set forth in the Procedural Manual.

**Area Limitation.** Minnesota Housing, pursuant to this Agreement, is required to purchase only those Mortgages that are for residences located within a geographic area to be established and designated by the City.



## Mark Jeffers

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**From:** James Ratz  
**Sent:** Friday, September 20, 2024 5:13 PM  
**To:** Mark Jeffers  
**Subject:** RE: Housing Trust Fund Guidelines

Good Afternoon Mark,

I have reviewed the above-referenced Guidelines and find them to be appropriate as to form and content.

Thanks!  
Jim

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**From:** Mark Jeffers <mark.jeffers@co.aitkin.mn.us>  
**Sent:** Thursday, August 29, 2024 11:49 AM  
**To:** James Ratz <james.ratz@co.aitkin.mn.us>  
**Subject:** Housing Trust Fund Guidelines

Hello Jim. The Economic Development committee created the attached guidelines as we move forward with our Housing Trust Fund. The committee does not intend to have all of the 5 potential programs going at once, so I will be creating individual documents for each program, 1-5. Could you please review this guideline and offer an opinion to take to the Board.

Thanks.

*Mark Jeffers*

Aitkin County  
Economic Development Coordinator  
C- 218.513.6188

