



To: Community Land Trust Organizations that were awarded  
Housing Infrastructure Bonds during the 2012 CRV funding cycle

From: Minnesota Housing CRV Team

Date: April 10, 2013

Subject: **Important Additional Guidance for Community Land Trusts regarding obligations in utilizing housing infrastructure bond proceeds**

This memo spells out additional obligations for Community Land Trusts in utilizing housing infrastructure bond proceeds funds. Please note that **these obligations are in addition to** those specified in the CRV Agreement.

**1. Time limits on allocation (and expenditure) of housing infrastructure bond proceeds:**

- Housing infrastructure bonds are issued by Minnesota Housing, with the state paying debt service on them for 20 years. However, as per the Economic Development and Housing Challenge funds requirements, the loans funded by the bonds have a 30-year term – a term similar to deferred loans funded under CRV. After 30 years (i.e., January 1, 2043 [assuming that January 1, 2013 is the Effective Date]), the loans will be fully forgiven as provided in the CRV Agreement.
- The term of the bond begins from when it is issued. Generally, proceeds of the bonds must be spent within three years of the bond issuance; the three-year period is expected to end June 2016.
  - This means that bond proceeds **must be spent by CLT by administrators for the acquisition of property no later than June 2016**, even if sale of the post-construction or rehabilitated property to an end buyer has not yet occurred, or returned to Minnesota Housing for reallocation to other permitted uses or applied to redeem the bonds.
  - The extent to which foreclosed or abandoned properties cannot be found within a 20-month period within the program target area as required by the CRV Agreement may mean that the funds need to be returned to Minnesota Housing (and potentially re-allocated to another CLT that has a demonstrated need for additional funds).

**2. Required documentation for properties acquired with bond proceeds.**

- The enclosed "[Documentation Requirements Guide for Properties Acquired with Housing Infrastructure Bond Proceeds, v. 4.9.13](#)" identifies some acceptable forms of documentation for either "abandoned" or "foreclosed" property purchased with housing infrastructure bond proceeds.
- Documentation must be retained in the file for the period required by the CRV Agreement (i.e., 36 years after the Effective Date), but in any event for bond purposes no less than 23 years.
- **In addition to** submitting the "Certificate of Administrator as to Expenditure of Deferred Loan – Bond Proceeds" and appraisal for each unit where deferred loan - bond proceeds have been applied (as well as the submittal of the Household Demographic Form upon unit sale to an eligible buyer)<sup>1</sup>, **please also email all bond proceeds property documentation** (either to support the property's designation as a "foreclosed" or "abandoned" property) **to Leighann McKenzie at** [leighann.mckenzie@state.mn.us](mailto:leighann.mckenzie@state.mn.us).

<sup>1</sup> The Certificate, appraisal, and Household Demographic Form must be sent to Minnesota Housing via mail or fax (651-296-8292).

3. **Other obligations during the term of the bonds.** In general, the CLT ground lease that is in place assures that properties acquired by the CLT using bond proceeds will remain affordable during the period of the bond.
- However, if during the 20-year period of the bonds, the property is sold to a non-CLT buyer or leased to a ground lessee that does not meet the income limits established in the CLT's ground lease, the CLT must repay all or a portion of the bond proceeds back to Minnesota Housing. If the CLT property is foreclosed upon during the 20-year period of the bonds, this is considered to be out of the CLT's control and funds do not have to be paid back to Minnesota Housing.
  - As per statute, land must be leased by community land trusts, so if during the term of the bonds a CLT is dissolved or sells bond-financed property to another entity, unless the successor or the purchaser is a community land trust, all or a portion of the bond proceeds must be repaid to Minnesota Housing.

**There are additional obligations of the CLT under the CRV Agreement.**

Please see the **Frequently Asked Questions** document enclosed as well.

If you have questions, please contact Luis Pereira at [luis.pereira@state.mn.us](mailto:luis.pereira@state.mn.us) or 651-296-8276.

Enclosed:

**Documentation Requirements Guide for Properties Acquired with Housing Infrastructure Bond Proceeds, v. 4.9.13**  
**FAQs for housing infrastructure bond proceeds, v. 4.9.13**