



**NOTICE OF SPECIAL BOARD MEETING
VIA CONFERENCE CALL ***

Date: Monday February 4, 2019

Time: 3:00 p.m.

Location: Minnesota Housing
400 Wabasha St, Suite 400
St. Paul, MN 55102

Dial-in Number: 1 (888) 742-5095

Conference Code: 4014552918

Please identify yourself when joining the call.

AGENDA

1. Call to Order
2. Approval, Funding Modification for White Pines Apartments, D7974
3. Federal Shutdown Implications
4. Approval of Any Related Administrative Matters that May be Necessary
5. Adjournment

NOTE: The information and requests for approval contained in this packet of materials are being presented by Minnesota Housing staff to the Minnesota Housing Board of Directors for its consideration on Monday February 4, 2019.

Items requiring approval are neither effective nor final until voted on and approved by the Minnesota Housing Board.

The Agency may conduct a meeting by telephone or other electronic means, provided the conditions of Minn. Stat. §462A.041 are met. In accordance with Minn. Stat. §462A.041, the Agency shall, to the extent practical, allow a person to monitor the meeting electronically and may require the person making a connection to pay for documented marginal costs that the Agency incurs as a result of the additional connection.

Item: Commitment Modification, Economic Development and Housing Challenge (EDHC)
– White Pine Apartments, Cloquet, D7974

Staff Contact(s):

Ted Tulashie, 651.297.3119, ted.tulashie@state.mn.us

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Request Type:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Approval | <input type="checkbox"/> No Action Needed |
| <input type="checkbox"/> Motion | <input type="checkbox"/> Discussion |
| <input checked="" type="checkbox"/> Resolution | <input type="checkbox"/> Information |

Summary of Request:

Agency staff requests the adoption of a resolution authorizing a modification to increase the Economic Development and Housing Challenge (EDHC) loan commitment by up to \$1,850,000, to a revised EDHC commitment amount of up to \$2,650,000

Fiscal Impact:

The Agency will not earn any interest revenue on the EDHC loan as it does not carry an interest rate. An inspection fee was charged with the initial loan closing and will not be amended by this modification.

Meeting Agency Priorities:

- Address Specific and Critical Local Housing Needs
- Finance Housing Responsive to Minnesota's Changing Demographics
- Preserve Housing with Federal Project-Based Rent Assistance
- Prevent and End Homelessness
- Reduce Minnesota's Racial and Ethnicity Homeownership Disparity

Attachment(s):

- Background
- Resolution

Background:

At its May 24, 2017 meeting, the Minnesota Housing board (Board) approved a loan commitment for White Pine Apartments under the EDHC program in the amount of \$712,506. At its July 27, 2018 meeting, the Board approved a commitment for a \$817,000 amortizing mortgage under the Low and Moderate Income Rental (LMIR) program. Subsequently, the EDHC loan commitment was increased to \$800,000 (approved by the Minnesota Housing commissioner on September 11, 2018 under Delegated Authority #005). The EDHC loan closed September 26, 2018 and construction is in progress. The following summarizes the changes in the proposal since that time:

DESCRIPTION:	JULY 2018 COMMITMENT	FUNDING MODIFICATION*	VARIANCE
Total Development Cost	\$ 6,959,967	\$ 8,809,967	\$ 1,850,000
Gross Construction Cost	\$ 5,401,239	\$ 7,251,239	\$ 1,850,000
 Agency Sources:			
LMIR	\$ 817,000	\$ 817,000	\$ 0
EDHC	\$ 800,000	\$ 2,650,000	\$ 1,850,000
Total Agency Sources	\$ 1,617,000	\$ 3,467,000	\$ 1,850,000
 Other Non-Agency Sources:			
Syndication Proceeds	\$ 5,146,470	\$ 5,146,470	\$ 0
Energy Rebate	\$ 8,750	\$ 8,750	\$ 0
Sales Tax Rebate	\$ 105,000	\$ 105,000	\$ 0
Local Employer	\$ 1,000	\$ 1,000	\$ 0
Deferred Dev Fee	\$ 72,241	\$ 72,241	\$ 0

*Increase to construction cost is currently estimated.

The reasons for the requested increased EDHC funding are:

- The Minnesota Department of Labor (DLI) has determined that according to Minn. Stat. § 116J.871 state prevailing wages apply to the EDHC program when the funding is used for loans for new construction projects in excess of \$500,000 and should apply to the White Pine Apartments development.
- At this time it is estimated that the total development costs (TDC) will be increased by up to \$1,850,000 due, primarily, to the prevailing wage requirements.
- The funding gap needs to be resolved soon to avoid additional back-pay, allow continued construction draws and allow the project to proceed with construction.
- In addition, since the development received low-income housing tax credits, the development must be completed and placed in service by December 31, 2019 in order to receive those credits.

Minnesota Housing is working with DLI to ensure the Owner and its contractors pay the appropriate prevailing wages both in arrears (since construction already began) and going forward. Staff requests the board approve an increase in the EDHC loan commitment by an amount up to \$1,850,000.

**MINNESOTA HOUSING FINANCE AGENCY
400 Wabasha Street North, Suite 400
St. Paul, Minnesota 55102**

**RESOLUTION NO. MHFA 19-003
Modifying Resolution No. MHFA 17-008**

**RESOLUTION APPROVING MORTGAGE LOAN MODIFICATION
Economic Development and Housing Challenge (EDHC) PROGRAM**

WHEREAS, the Board has previously authorized the EDHC loan commitment for the White Pine Apartment by MHFA Resolution No. 17-008; and

WHEREAS, the development continues to be in compliance with Minn. Stat. ch. 462A and the Agency's rules, regulations, and policies; and

WHEREAS, Agency staff have determined that there are increased development costs created by increased construction costs.

NOW THEREFORE, BE IT RESOLVED:

THAT, the Minnesota Housing Board hereby increases the loan amount under the EDHC Program for the indicated development, upon the following terms and conditions:

1. The maximum amount of the Economic Development and Housing Challenge loan for the development shall be increased from \$800,000 up to \$ 2,650,000;
2. The increase is contingent upon confirmation by the developer that all capital sources necessary for the project to proceed are secured; and
3. All other terms and conditions of MHFA Resolution No. 17-008, with the exception of paragraph 2 (regarding the timing the original loan closure), remain in effect.

Adopted this 4th day of February 2019

CHAIRMAN