

C Community Development Committee

Meeting date: January 4, 2009

ADVISORY INFORMATION

Date: December 30, 2009

Subject: Authorize LCA Grantees to Use LCDA and TBRA Grants Funds as Loans for LCA-Funded Projects

District(s), Member(s): All

Policy/Legal Reference: Livable Communities Act, Minnesota Statutes 473.25

Staff Prepared/Presented: Paul Burns, Manager, Livable Communities Program, 651-602-1106

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Division/Department: Community Development/Livable Communities

Proposed Action

That the Metropolitan Council authorize LCA grantees to use Livable Communities Demonstration Account (LCDA) and Tax Base Revitalization Account (TBRA) grant funds as loans for LCA-funded project components, provided that: grantees accept responsibility for administering the grant funds as loans; and any grant funds returned to the grantees in the form of loan repayments be used for Council-approved LCA grant-eligible activities or returned to the Council.

Background

In 1999, the Council approved the use of Local Housing Incentive Account (LHIA) grant funds as deferred loans or as revolving funds by the grantees for locally-administered housing loan programs. The Council directed staff at that time to include language in LHIA grant agreements that required the grantees to use those revolved LCA funds for similarly eligible affordable housing activities, or to return the grant funds to the Council.

Council staff recently received a request by a grantee community to allow LCDA grant funds to be used by the community as a loan to a subrecipient rather than a direct grant payment. Using the grant funds as a loan rather than as a grant to the subrecipient made the project more financially feasible because the project was able to secure a larger amount of the federal Low-Income Housing Tax Credits. This fall, applicants for both LCDA and TBRA funds indicated their desire to use the grants as loans in similar tax credit projects if awarded the grant. Staff has received indications that other communities are also supportive of this concept in order to help enhance this financing tool, especially during this current economic climate of challenging funding for housing.

Rationale

Allowing grantees to use LCA grants as loans could provide greater flexibility for new, creative initiatives by communities participating in all LCA programs to develop projects consistent with LCA goals by leveraging a larger amount of federal low-income housing tax credits, to address some of the challenges created by the current climate of restricted access to financing for housing and development in general.

The options available to the Council are:

- To prohibit the use of LCA grant funds as loans to subrecipients, or
- To authorize the use of LCA grant funds as loans to subrecipients with some grant agreement conditions and expectations.

If the Council authorizes LCA grantees to make LCA grant funds available as loans to subrecipients, Council staff recommends that LCA grant agreements be amended to allow grantees the ability to use the grant funds as loans subject to the following terms and conditions:

- Grantees must use the grant funds to implement grant-eligible activities as described in the grant applications and consistent with the Council's grant awards;
- Grantees that use grant funds on a "revolving" basis may use the revolved funds to implement similar eligible projects that will help the grantees meet their affordable and life-cycle housing goals and implement the purposes of the Livable Communities Act if the Council approves the proposed re-uses of revolved funds;
- Grantees must use any interest earned on the loan funds for grant-eligible project activities (grantee administrative costs for administering the loans would not be an eligible cost for which any earned interest could be used);
- Grantees must periodically report to the Council on the use of any grant funds for loan programs and the uses of any interest or other income from the grant funds received from the Council; and
- Grantees must repay any revolved LCA funds not used for eligible purposes and must repay any interest not used for eligible purposes.

Additionally, staff recommend that: (1) LCA grant agreements be amended to include appropriate compliance and reporting requirements for grantees that use LCA grant funds as loans in connection with federal low-income housing tax credit projects; and (2) LCA grant application materials be amended to indicate grant funds may be used for loans, with the stipulations listed above.

Funding

Not applicable

Known Support / Opposition

The City of Minneapolis, and the Metropolitan Consortium of Community Developers (MCCD) have expressed support.