



**ECONOMIC DEVELOPMENT AUTHORITY**

<b>AGENDA SECTION</b>	<b>BUSINESS ITEMS</b>
<b>MEETING DATE</b>	<b>08/04/2025</b>

<b>ITEM:</b>	<b>4243 5<sup>th</sup> St Habitat For Humanity Gap Financing Discussion.</b>		
<b>DEPARTMENT:</b>	Community Development	<b>BY/DATE:</b>	Mitchell Forney, 7-31-25
<b>CORE CITY STRATEGIES:</b>			
<input type="checkbox"/> Community that Grows with Purpose and Equity		<input type="checkbox"/> Engaged, Effective and Forward-Thinking	
<input type="checkbox"/> High Quality Public Spaces		<input checked="" type="checkbox"/> Resilient and Prosperous Economy	
<input type="checkbox"/> Safe, Accessible and Built for Everyone		<input type="checkbox"/> Inclusive and Connected Community	

**BACKGROUND**

At the May 5<sup>th</sup> EDA meeting, Community Development staff presented a gap financing request from Twin Cities Habitat for Humanity (TCHFH) for their partnership project at 4243 5th Street NE. At that time, TCHFH identified a total financing gap of approximately \$120,000, comprised of a \$90,000 development gap and a \$30,000 affordability gap. At the May meeting, TCHFH requested \$75,000 in financial assistance to help close the development portion of the gap. During the EDA’s discussion of the request at that meeting, EDA commissioners expressed hesitation about providing the full amount of funding. Commissioners were divided on whether to directly fund the project in full, to offer to fund the project in full but with half as a loan and half as a grant, or to reserve the funds for future initiatives. Since that meeting, staff have worked closely with TCHFH to explore creative solutions to address the funding gap. As a result, staff and TCHFH are bringing forward a revised proposal that balances the project's needs with the EDA’s expressed financial considerations. TCHFH will attend the meeting in person to present on this revised request and provide additional detail about how they finance their projects.

After further discussion, staff and TCHFH have agreed on a reduced request for \$35,000 in financial assistance. This revised figure acknowledges the project’s unique financing challenges while preserving EDA resources for future initiatives. It also reflects unforeseen project costs and changing site conditions, which are described below. Unlike typical Habitat for Humanity projects, the 4243 5th Street project was initiated in direct partnership with the City, at a time when traditional grant programs were unavailable. This challenging timing meant that Habitat had fewer external funding sources than usual, contributing to the financing gap. In addition, unexpected stormwater drainage issues emerged during the course of the project, adding additional costs. After the demolition of the previous structure in December 2023, the site was improperly regraded by the demolition contractor. When an unusual winter rain event occurred, this caused water to flow into a neighboring property’s basement. The demolition contractor had fixed the problem, but during the building of the new home similar issues have emerged. Habitat has since had to regrade the lot and install additional stormwater infrastructure to ensure proper drainage, increasing the project’s cost.

Staff are proposing that the \$35,000 in assistance be provided in the form of a forgivable deferred loan, as outlined in the attached loan documents and resolution. The loan will be contingent on TCHFH completing all requirements outlined in the Pre-Development Agreement executed with the City. Upon completion of these

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requirements, the loan will be forgiven, effectively functioning as a grant. To fund the forgivable loan, staff recommend utilizing pooled TIF resources from the C8 TIF District. Under this structure, the C8 District would loan \$35,000 to the W3W4 Scattered Site TIF District, which would then issue the forgivable loan directly to Twin Cities Habitat for Humanity. The W3W4 District would repay the C8 District using revenue generated from properties within its district. Since the W3W4 District is restricted to funding affordable housing related expenditures, this ensures the proper use of funds. Utilizing pooled TIF dollars also means the proposed loan would not impact the EDA's 2025 budget allocation. Following this transaction, the C8 TIF District would still have approximately \$180,000 available for future affordable housing projects.

**STAFF RECOMMENDATION**

Community Development staff recommend approval of the \$35,000 forgivable loan to TCHFH. This action continues the EDA's strong partnership with Habitat for Humanity and supports the redevelopment of 4243 5th Street NE. The revised request balances the immediate financing needs of the project while preserving funding capacity for future affordable housing opportunities. Staff believe this proposal represents a responsible and collaborative approach to gap financing in a constrained funding environment.

<b>RECOMMENDED MOTION(S):</b>
MOTION: Move to waive the reading of Resolutions 2025-19 and 2025-20, there being ample copies available to the public. MOTION: Move to approve Resolution 2025-19, a resolution authorizing an interfund loan for advance of funds from tax increment financing University Avenue Redevelopment District (no. C8) for costs in connection with the City-Wide Scattered Site Housing Tax Increment Financing District. MOTION: Move to approve EDA Resolution 2025-20, a resolution approving loan to Twin Cities Habitat For Humanity, Inc. and approving a loan agreement relating to a forgivable loan and related loan documents.

**ATTACHMENT(S)**

- 1. Resolution 2025-19**
- 2. Resolution 2025-20**
- 3. Final Draft Loan Agreement**
- 4. Final Draft Promissory Note**
- 5. Original Predevelopment Agreement**