



ECONOMIC DEVELOPMENT AUTHORITY

AGENDA SECTION	BUSINESS ITEMS
MEETING DATE	3/6/2023

ITEM:	Approve Purchase of 4243 5 th Street and Approval of Inter-fund Loan	
DEPARTMENT:	Community Development	BY/DATE: Mitchell Forney, 3/1/2023

BACKGROUND:

Early in 2023, community development staff were approached by John Rockwell with REMAX Synergy with a seller that was interested in selling their home to the City of Columbia Heights. John has worked extensively with the City in the past. Previously, he was in charge of finding and negotiating on behalf of the EDA for houses that were purchased under the Commercial Revitalization Program. The seller has aged out of the home and now resides in an elderly care facility. The house and garage have slowly fallen into disrepair. The owner's family sought to sell the property to the City rather than to someone that would attempt to flip the house. The home was originally built in 1916 and contains 600 sq/ft of livable space. The house is very small and when combined with the detached garage only takes up about 1/3 of the lot. Community development staff thought that this property was perfect for redevelopment. When staff toured the residence there were holes in the ceiling with garbage bags used to plug areas that had been leaking. Rather than letting the house fall into the hands of a flipper, staff thought it a perfect candidate for affordable home ownership and redevelopment. Staff are purposing a partnership with the non-profit Habitat for Humanity to redevelop an affordable single-family home on the site. Staff have been in contact with Habitat for Humanity, and they will be able to address the project in the spring of 2024.

When looking into financing the project, community development staff along with help from the finance director, found pooled TIF funds in an old redevelopment TIF district, C8. Staff also identified the scattered site TIF district w3/w4. The C8 district and w3/w4 district have historically had a symbiotic relationship. When C8 was decertified, it loaned its pooled funds to w3/w4 to be used in the redevelopment of affordable single-family housing. Specifically housing that was purchased from housing foreclosures during the recession. W3/w4 utilizes TIF acquired from scattered single-family lots, previously redeveloped, to pay back the money loaned from the C8 district. Since the C8 district was established prior to the TIF rules being changed in 1990, the pooled funds have different rules than modern districts, allowing them to remain almost indefinitely or until the district no longer has obligations, i.e. loans. The w3/w4 district was established in 2015 and will be decertified in 2040.

Staff purpose utilizing this symbiotic relationship to loan funds from C8 to w3/w4 in order to purchase 4243 5th Street. W3/w4 will then utilize the TIF it is currently collecting to repay the C8 loan with 5% interest. In order to utilize w3/w4, the property has to meet HUD low-income requirements. Which is why staff believe Habitat for Humanity is the perfect partner. C8 currently has approximately \$385,000 dollars. Staff are requesting an interfund loan for this project in the amount of \$170,000, to cover the \$120,000 purchase price along with demolition costs. Leaving \$215,000 in C8 available for similar projects in the future. The EDA can continue to utilize this relationship to purchase houses until the decertification of w3/w4. If the EDA identifies more properties to purchase, staff recommends modifying w3/w4 to include the homes which would increase the amount of TIF that w3/w4 captures to pay back its loans.

RECOMMENDED MOTION(S):

MOTION: Move to waive the reading of resolution 2023-07 and 2023-08, there being ample copies available to the public.

MOTION: Move to approve Resolution 2023-07, 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 Resolution 2023-08, a resolution approving the purchase agreement between the Economic Development Authority of Columbia Heights, Minnesota, and Lauren M. Bell

ATTACHMENT(S):

- EDA Resolution 2023-07
- EDA Resolution 2023-08
- Location Map
- 4243 5th Street Purchase Agreement