

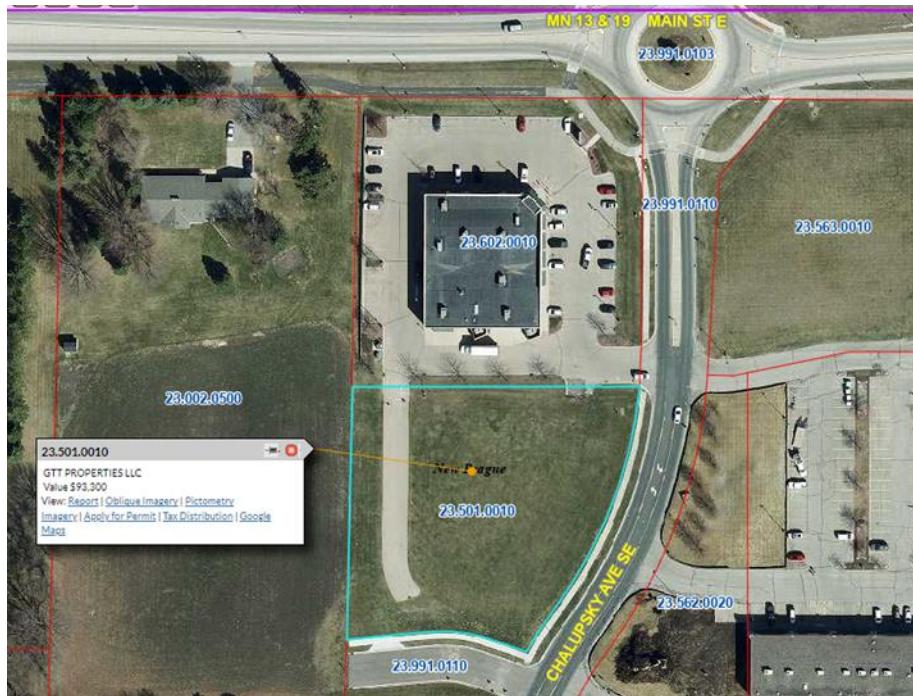


118 Central Avenue North, New Prague, MN 56071
phone: 952-758-4401 fax: 952-758-1149

MEMORANDUM

TO: HONORABLE MAYOR AND CITY COUNCIL
CC: JOSHUA M. TETZLAFF, CITY ADMINISTRATOR
FROM: KEN ONDICH, PLANNING/COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: INTRODUCTION OF POSSIBLE 54-UNIT APARTMENT BUILDING, MINNESOTA HOUSING FINANCE AGENCY APPLICATION FOR WORKFORCE HOUSING DEVELOPMENT PROGRAM, AND POSSIBLE TAX ABATEMENT
DATE: MARCH 22, 2024

This memo is being written to introduce a possible apartment development that could occur on PID 23.501.0010 (Lot 1, Block 1, Deutschland First Addition) which is the vacant lot immediately south of Walgreens.



The current owner of the property is GTT Properties, LLC (Marv Deutsch) who platted the property, installed a stub of 1st Street NE, rezoned the property, obtained setback variances, and amended the zoning ordinance to allow a 43-unit apartment building on the property back in the year 2020. A new developer, in partnership with Mr. Deutsch, is seeking to construct a 54-unit building with essentially the same footprint as the previously approved 43-unit apartment building (the reason the 54-units fit within the same footprint is because

the units would be smaller than what was previously proposed.) Some additional variances would be needed for the additional units, which are being introduced at the April 3, 2024, Planning Commission Meeting.

As part of the developer's due diligence on the project, they asked the City about any incentives that might be available to make the project financially feasible. Earlier this year, the City learned of the Minnesota Housing Finance Agency opening its application period for its Workforce Housing Development Program with applications due on April 30, 2024. The next time the program would be available would not be until the fall 2025.

The Workforce Housing Development Program assists eligible recipients (the City is an eligible recipient as a city in "greater Minnesota") to finance qualified expenditures to develop market-rate residential rental properties to address the lack of workforce housing in Greater Minnesota. Funds are awarded as deferred forgivable loans to eligible recipients that use the funds to make loans or grants to developers to create new market-rate residential rental properties. As an applicant, the City would be required to secure funds that match one dollar for every two dollars in funding offered through this program.

Staff has worked with our financial consultant, Baker Tilly, to look at if a housing tax abatement could be used as a local match for the workforce housing development program. Mikaela Huot, with Baker Tilly, will be present at the meeting to provide an overview of housing tax abatement and specifically what could be provided for a tax abatement for the proposed 54-unit apartment project, with or without the workforce housing development program funds.

Attached to this memo is also a draft of a resolution that would be necessary for the City Council to pass to allow the application to be submitted for the workforce housing development program. This resolution would commit the city to local match. In this case, the idea is to use funds from a tax abatement, the actual approval of a tax abatement would not occur until its known if the City were awarded program funds.

Monday's meeting is intended only to be an introduction to the project, an introduction to housing tax abatement, and an introduction to the workforce housing development program. If there is Council concurrence, staff would intend to bring back a final version of the resolution included in the packet and more details on a possible tax abatement at the April 15th City Council meeting.

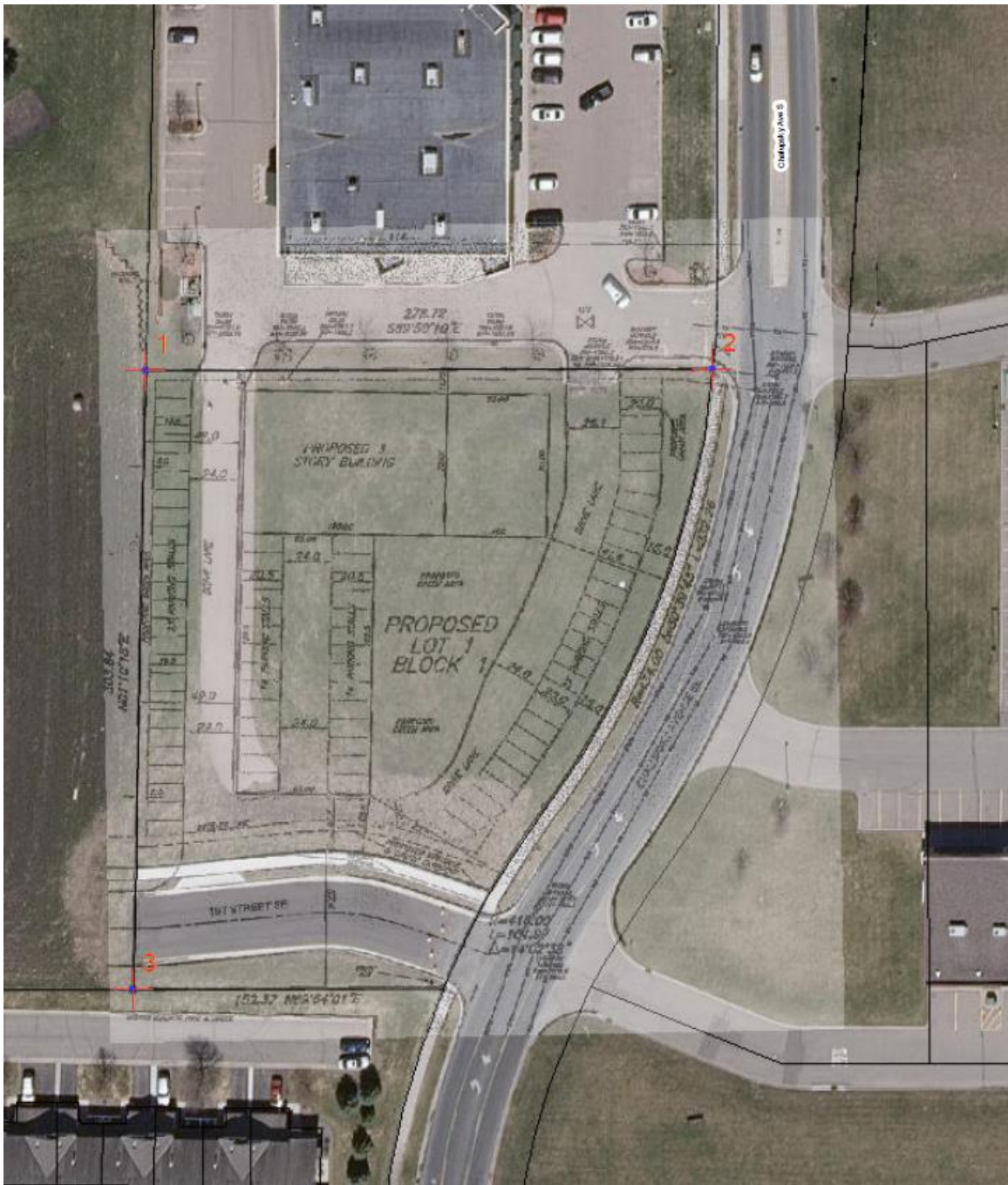
Staff Recommendation

Staff recommends directing staff to move forward with the application for the Minnesota Housing Finance Agency Workforce Housing Development Program, and using a housing tax abatement as the required local match.

Attached:

- Pictures
- Draft Resolution
- Draft MHFA Application

Pictures



(Previously approved site plan for 43-unit apartment building – included setback variances)



(Example Building Elevation – indicative of style and materials only – building may have peaked reroof as shown or flat roof. Different and more appealing colors would be utilized.)



(Google street view of the lot in question)

Draft Resolution

RESOLUTION # _____

**MINNESOTA HOUSING FINANCE AGENCY APPLICATION FOR THE WORKFORCE
HOUSING DEVELOPMENT PROGRAM APPLICATION**

WHEREAS, Recipient has submitted an application (the “Application”) for a project (the “Project”) pursuant to the Workforce Housing Development Program (“Program”) in order to obtain funding from the Minnesota Housing Finance Agency (“Minnesota Housing”).

WHEREAS, on this 15th day of April, 2024, there has been presented to the meeting of the New Prague City Council, a proposal for Recipient, upon selection by Minnesota Housing, to enter in to a Deferred Loan Agreement pursuant to the Program in order to obtain funding from Minnesota Housing.

NOW, THEREFORE, BE IT RESOLVED, that Recipient is authorized to enter into a Deferred Loan Agreement, substantially in the form as attached to this resolution as **Exhibit A**, pursuant to the Program in order to obtain funding from Minnesota Housing in an amount not to exceed **\$To Be Determined** (the “Loan”).

BE IT FURTHER RESOLVED, that Recipient is an Eligible Project Area, as defined in Minnesota Statute Section 462A.39, subdivision 2, has the legal authority to apply for financial assistance, and has the institutional, managerial and financial capability to ensure adequate construction, operation, maintenance and replacement of the Project for its design life.

BE IT FURTHER RESOLVED, that Recipient certifies that it will use the Loan for qualified expenditures for the Project to serve employees of business located in the (Eligible Project Area) or surrounding area.

BE IT FURTHER RESOLVED, that the Loan will be matched by the City of New Prague with at least \$1 for every \$2 provided.

BE IT FURTHER RESOLVED, that Recipient certifies that the average vacancy rate for rental housing located in the City of New Prague, and in any other city located within 15 miles or less of the boundaries of the area, has been five percent or less for at least the prior two-year period.

BE IT FURTHER RESOLVED, that the Loan will not exceed 50 percent of the Project costs.

BE IT FURTHER RESOLVED, that the Mayor and City Administrator, or their successors in office, are hereby authorized to execute the Deferred Loan Agreement and such other agreements, and amendments thereto, as are necessary to implement the Project on behalf of Recipient.

BE IT FURTHER RESOLVED, that Minnesota Housing is authorized to rely on the continuing force and effect of these Resolutions until receipt by the Commissioner of Minnesota Housing at its principle office of notice in writing from Recipient of any amendment or alteration of such Resolutions.

Passed by the City Council on this 15th day of April, 2024.

Duane J. Jirik, Mayor

ATTEST: _____
Joshua M. Tetzlaff, City Administrator

Resolution Exhibit A – Deferred Loan Agreement

MINNESOTA HOUSING FINANCE AGENCY DEFERRED LOAN AGREEMENT

This Deferred Loan Agreement is between the Minnesota Housing Finance Agency (“MHFA”) and [GIVE THE FULL NAME OF THE BORROWER INCLUDING ITS ADDRESS] (the “Borrower”).

Recitals

1. Under [Minn. Stat. §462A.39](#), MHFA is empowered to enter into this Deferred Loan Agreement.
2. The MHFA is in need of the development of rental housing to serve the employees of local businesses (“Workforce Housing”) in [COUNTY], City of [CITY] pursuant to MHFA’s Workforce Housing Development Program (the “Program”).
3. The Borrower represents that it is duly qualified and agrees to perform all activities described in this Deferred Loan Agreement to the satisfaction of MHFA. The Borrower agrees to minimize administrative costs as a condition of this Deferred Loan Agreement.

Deferred Loan Agreement

1 Term of Deferred Loan Agreement

1.1 *Effective date:*

The effective date of this Deferred Loan Agreement is [SPELL OUT FULL DATE (e.g., July 1, 2022)]. The Borrower must not begin work until this Deferred Loan Agreement is fully executed and MHFA’s Authorized Representative has notified the Borrower that work may commence. No funds will be disbursed to the Borrower until this Deferred Loan Agreement is fully executed.

1.2 *Construction period:*

The construction period for the Program begins with the Effective Date of this Deferred Loan Agreement and continues through the later of [SPELL OUT FULL DATE (e.g., June 1, 2025)] or any extension of this period agreed to in writing by MHFA (the “Construction Period”). All funds provided through this Deferred Loan Agreement must be fully expended in compliance with this Deferred Loan Agreement by the end of the Construction Period.

1.3 *Survival of Terms.*

The following clauses survive the expiration or cancellation of this Deferred Loan Agreement: 8. Liability; 9. State Audits; 11. Publicity and Endorsement; 12. Governing Law, Jurisdiction, and Venue; and 14. Data Disclosure.

2 Duties and Contracts

2.1 *Borrower’s Duties*

The Borrower has made application to MHFA for the purpose of administering a Program project in the manner described in the Borrower’s application (the “Project”) which is incorporated into this Deferred Loan Agreement by reference.

The Borrower, who is not a state employee, is awarded funds to provide financial assistance to address the need for Workforce Housing. The Project includes: [INSERT BRIEF DESCRIPTION OF PROJECT INCLUDING TYPE (NEW CONSTRUCTION/ADAPTIVE REUSE, ETC.), AND NUMBER OF UNITS].

The Borrower will be in compliance with the Workforce Housing Development Program Guide, as amended (the “Program Guide”), which is incorporated into this Deferred Loan Agreement.

2.2 Provisions for Contracts and Sub-grants.

(a) *Contract Provisions.* The Borrower must include in any contract and subcontract, in addition to provisions that define a sound and complete agreement, such provisions that require recipients and subrecipients to comply with applicable local, state and federal laws, rules, regulations and ordinances, as well as any applicable MHFA policies.

(b) *Use of Program Funds.* The Program Funds (as defined below) awarded under this Deferred Loan Agreement may only be used by the Borrower or awarded by the Borrower to third parties as grant funds or loans in accordance with the terms of the Program Guide. All Program Funds must be used by an Eligible Project Area for the Qualified Expenditures of a Market Rate Residential Rental Property (as such terms are defined in the Program Guide). If awarded as a loan, any fees or interest charged cannot unduly enrich any parties involved beyond the approximate cost of the administrative costs associated with the Project.

3 Time

The Borrower must comply with all time requirements described in this Deferred Loan Agreement and the Program Guide. In the performance of this Deferred Loan Agreement, time is of the essence. Project construction must commence and be completed within the Construction Period

4 Loan

4.1 Loan Amount.

The total principal loan amount by MHFA to the Borrower under this Deferred Loan Agreement will not exceed \$[ENTER AWARD AMOUNT] (the "Program Funds").

4.2 Repayment

The Borrower promises to pay to MHFA the Program Funds with simple interest, if any, of 0% per annum accruing on such amounts of principal as may be advanced from time to time.

Further, the Program Funds and all accrued interest, if any, less any amounts previously paid or forgiven, are due and payable in one lump sum on the earlier to occur of: (i) a Default (as described below); or (ii) the ___ day of ___, 20___ (the "Maturity Date").

A Default occurs upon written notice by MHFA to the Borrower of noncompliance with this Deferred Loan Agreement or the Program Guide and failure of the Borrower to cure the noncompliance to the satisfaction of MHFA within 30 days of such notice.

Repayment of the Program Funds will be forgiven upon the Maturity Date provided: (i) MHFA has not given the Borrower notice of a Default; and (ii) the Borrower is in full compliance with this Deferred Loan Agreement and the Program Guide.

All amounts due are payable at the offices of MHFA, 400 Wabasha Street North, Suite 400, St. Paul, MN 55102-1109, or such other place as MHFA may designate in writing.

If a failure to pay the amounts due under this Deferred Loan Agreement occurs, and if the same is submitted for collection by MHFA, its successor and assigns, the Borrower must pay all costs of collection, including reasonable attorney's fees.

All parties to this Deferred Loan Agreement, whether principal, surety, guarantor or endorser, hereby waive presentment for payment, demand, protest and notice of dishonor.

4.3 Disbursement

For all disbursements of Program Funds, the Borrower must be in compliance with this Deferred Loan

Agreement and the Program Guide and complete and submit a Workforce Housing Development Program Disbursement Request Form, attached to this Deferred Loan Agreement as **Exhibit A**, to MHFA for review and approval. MHFA will promptly pay the Borrower up to one third of the Program Funds on or after closing. The Borrower may request an additional one third of the Program Funds as needed upon commencement of Project construction. The remaining one third of the Program Funds will be withheld for final disbursement and will not be released until construction completion of the Project and upon completion of all reporting and monitoring requirements pursuant to this Deferred Loan Agreement.

4.4 Return of Funds

The Borrower must promptly return to MHFA any Program Funds that have: (i) not been accounted for in a financial report to MHFA due annually or at Deferred Loan Agreement closeout; or (ii) not been used in compliance with the Program Guide.

4.5 Contracting and Bidding Requirements

The Borrower must comply with all applicable prevailing wage requirements as further described in the Legal Addendum attached to the Program Guide.

The Borrower must not contract with vendors who are suspended or debarred in MN:
<http://www.mmd.admin.state.mn.us/debarredreport.asp>

4.6 Prepayment

The Program Funds may be prepaid in whole or in part at any time without premium or penalty; provided, however, that payment by Borrower to MHFA of the amount of the Program Funds or any portion thereof shall not be deemed to be or constitute a release of Borrower from the terms or requirements of this Deferred Loan Agreement.

5 Conditions of Payment

All activities performed by the Borrower under this Deferred Loan Agreement must be performed to MHFA's satisfaction, as determined at the sole discretion of MHFA's Authorized Representative and in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations. The Borrower will be responsible for repaying any Program Funds found by MHFA to be noncompliant with this Deferred Loan Agreement or used in violation of federal, state, or local law.

6 Authorized Representative

MHFA's Authorized Representative is Sara Bunn, Program Manager, 651.296.9827, sara.bunn@state.mn.us, 400 Wabasha St N, Suite 400, St. Paul, MN 55102 or her successor, and has the responsibility to monitor the Borrower's performance under this Deferred Loan Agreement.

The Borrower's Authorized Representative is [NAME, TITLE, ADDRESS, TELEPHONE NUMBER, EMAIL]. If the Borrower's Authorized Representative changes at any time during this Deferred Loan Agreement, the Borrower must immediately notify MHFA.

7 Assignment Amendments, Waiver, and Deferred Loan Agreement Complete

7.1 Assignment

The Borrower shall neither assign nor transfer any rights or obligations under this Deferred Loan Agreement without the prior written consent of MHFA, approved by the same parties who executed and approved this Deferred Loan Agreement, or their successors in office.

7.2 Amendments

Any amendments to this Deferred Loan Agreement must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original Deferred Loan Agreement, or their successors in office.

7.3 Waiver

If MHFA fails to enforce any provision of this Deferred Loan Agreement, that failure does not waive the provision or MHFA's right to enforce it.

7.4 Deferred Loan Agreement Complete

This Deferred Loan Agreement contains all negotiations and agreements between MHFA and the Borrower. No other understanding regarding this Deferred Loan Agreement, whether written or oral, may be used to bind either party.

8 Liability

The Borrower must indemnify, save, and hold MHFA, its agents, and employees harmless from any claims or causes of action, including attorney's fees incurred by MHFA, arising from the performance of this Deferred Loan Agreement by the Borrower or the Borrower's agents or employees. This clause will not be construed to bar any legal remedies the Borrower may have for MHFA's failure to fulfill its obligations under this Deferred Loan Agreement.

9 State Audits

Under [Minn. Stat. § 16B.98](#), Subd.8, the Borrower's books, records, documents, and accounting procedures and practices of the Borrower or any other party relevant to this Deferred Loan Agreement or transaction are subject to examination by MHFA and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this Deferred Loan Agreement, receipt and approval of all final reports, or the required period of time to satisfy all MHFA program retention requirements, whichever is later.

10 Workers Compensation

The Borrower certifies that it is in compliance with [Minn. Stat. § 176.181](#), Subd. 2, pertaining to workers' compensation insurance coverage. The Borrower's employees and agents will not be considered MHFA employees. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees and any claims made by any third party as a consequence of any act or omission on the part of these employees are in no way MHFA's obligation or responsibility.

11 Publicity and Endorsement

11.1 Publicity

Any publicity regarding the subject matter of this Deferred Loan Agreement must identify MHFA as the sponsoring agency and must not be released without prior written approval from MHFA's Authorized Representative. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Borrower individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this Deferred Loan Agreement.

11.2 Endorsement

The Borrower must not claim that MHFA endorses its products or services.

12 Governing Law, Jurisdiction, and Venue

Minnesota law, without regard to its choice-of-law provisions, governs this Deferred Loan Agreement. Venue for all legal proceedings out of this Deferred Loan Agreement, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

13 Termination

MHFA may immediately terminate this Deferred Loan Agreement if MHFA finds that there has been a failure to comply with the provisions of this Deferred Loan Agreement or the Program Guide, that reasonable progress has not been made or that the purposes for which the funds were loaned have not been or will not be fulfilled. MHFA may take action to protect the interests of the State of Minnesota, including

the refusal to disburse additional funds and requiring the return of all or part of the funds already disbursed.

14 Data Disclosure

Under [Minn. Stat. § 270C.65](#), Subd. 3, and other applicable law, the Borrower consents to disclosure of its social security number, federal employer tax identification number, and/or Minnesota tax identification number, already provided to MHFA, to federal and state tax agencies and state personnel involved in the payment of state obligations. These identification numbers may be used in the enforcement of federal and state tax laws which could result in action requiring the Borrower to file state tax returns and pay delinquent state tax liabilities, if any.

15 Responsible Contractor Requirement

The Borrower agrees that it and its contractors will fully comply with all applicable provisions contained in [Minn. Stat. §16C.285](#), as amended.

2. BORROWER

The Borrower certifies that the appropriate person(s) has/have executed the Deferred Loan Agreement on behalf of the Borrower as required by applicable articles, bylaws, resolutions, or ordinances.

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

3. MINNESOTA HOUSING FINANCE AGENCY

By: _____
(with delegated authority)

Title: _____

Date: _____

Distribution:

Agency

Borrower

MHFA's Authorized Representative

Workforce Housing Development Program Disbursement Request Form



**Workforce Housing Development Program
Payment Information**

Summary

This form must be completed, signed, and submitted to MHFA prior to receiving a disbursement of funds. To complete the form, enter the amount of funds you are requesting and a summary of what the funds will be used for. Have the form signed by an Authorized Representative. Submit the completed form to Sara Bunn at WorkforceHousingDevProg.MHFA@state.mn.us.

Disbursement Request and Justification

Amount Requested (not to exceed one-third of the total award): _____

Use the space below to document what the funds will be used for:

Authorized Representative Signature

Authorized Representative Name: _____

Authorized Representative Title: _____

Date Signed: _____

Authorized Representative
Signature: _____