



Red Wing Housing and Redevelopment Authority Equal Opportunity Housing/Equal Opportunity Employment

Our Mission

To provide quality, affordable, sustainable housing and community redevelopment programs utilizing resources that develop public and private partnerships.

Statement of Intent

We gather today in this room as one people to discuss and attend to the matters of Red Wing. Together, as a government body and as community members, we agree to treat everyone with courtesy, dignity, and respect. We will listen to all sides of an issue, encourage participation, support each other, act with honor and accountability, and inspire pride in our community. This we commit as we open this meeting.

Meeting Announcement and Agenda Housing & Redevelopment Authority Board Special Meeting City Council Chambers, 315 West 4th Street, Red Wing, MN & Virtually Tuesday, March 12, 2024, at 2:00 PM

1. Workshop Purpose Statement

1.A. The Board Workshop will focus on the topic of the Red Wing Affordable Housing Trust Fund (AHTF). Commissioners will consider a number of items related to the AHTF and provide feedback to staff. Items include:

1. History of the AHTF and Controlling Documents
2. Advisory Committee
3. Current Uses
4. Potential Additional Uses
5. Method of Solicitation - RFP vs. Pipeline
6. Funding Sources - Current and Future
7. Allocation of AHTF Funds
8. Annual Report

2. Announcements

2.A. The next HRA Regular Board Meeting will be on April 9, 2024, at 3:30 p.m. in the City Council Chambers

3. Adjournment

Accommodations for signing interpreter, Braille, large print, etc. can be made. Call City Hall at 385.3600 seven days prior to the need. Hearing assistance devices are available during meetings.



RED WING HOUSING & REDEVELOPMENT AUTHORITY

428 WEST FIFTH STREET, RED WING, MN 55066

TELEPHONE (651) 388-7571
TDD/TTY 711

FAX (651) 385-0551
WWW.REDWINGHRA.ORG

March 12, 2024

To: Red Wing HRA Board of Commissioners

From: Kurt Keena, Executive Director

Re: AHTF Workshop Discussion Items

History of the AHTF and Controlling Documents

The Red Wing AHTF was created in 2015 by City Ordinance pursuant to State Statute 462C.16 and the HRA and City entered into an MOU that outlined the roles and responsibilities of each entity. The AHTF is administered by the HRA with the City Council having approval authority over disbursements from it. A copy of the State Statute and the HRA/City MOU are attached for your reference.

Advisory Committee

The HRA created an Advisory Committee during the exploration and formation stages of the AHTF to help inform the HRA and City about administration and utilization of the AHTF. Members of this committee met with the HRA Executive Director and provided recommendations to the HRA Board and City Council.

The Advisory Committee has met infrequently in the past several years and its ongoing role is ambiguous. I would like the Board to consider winding down this committee as it has achieved its original intent. With an established AHTF now in place this committee seems unnecessary as the HRA Board functions in the role of making decisions related to the AHTF.

Current Uses of the AHTF

There are currently three HRA approved uses of the AHTF. They are:

1. Homebuyer Down Payment Assistance
2. Owner Occupied Repair/Rehab
3. Creation of New Affordable Rental Units

The homebuyer down payment assistance program operates well and is administered in conjunction with local lenders. It provides \$9,000 in assistance to eligible borrowers in the form of a 30 year, 0% deferred and repayable loan. Since the start of the AHTF we have provided 23 loans with a total amount of \$206,000.

The owner-occupied repair/rehab program does not currently work very well and is very administratively burdensome. The program is modeled after the Small Cities Development Program owner occupied rehab program and provides a maximum of \$24,000 to eligible borrowers in the form of a 0% deferred and forgivable loan with a 10-year term. Current issues that make this program challenging to administer are the relatively low loan amount, the lack of contractors willing to take on small projects, and the lack of capacity of the owner to procure bids and oversee the contractor and project. If this use is to continue we should consider substantial revisions to make it more impactful and efficient.

Creation of new affordable rental units has had moderate success to date and is gaining awareness with local building owners. A total of 11 units have been approved with three of

those actually constructed to date. The other eight units should be completed in 2024 or 2025. Developers are eligible to borrow up to \$25,000 per unit in the form of a 15 year, 0% deferred and forgivable loan. The developer pledges to keep 50% of the new units created affordable to renters at or below 60% AMI for a period of 15 years. We have targeted this program to properties in the Downtown or in the West End District in an attempt to incentivize building owners to activate the vacant second or third stories of their properties. The age of the buildings and bringing them up to current codes means that these projects can take time to achieve and require a motivated owner.

Potential Additional Uses

The State Statute lists a number of eligible uses for AHTF dollars that cover a broad spectrum of housing related needs. The HRA/City MOU outlines that the expenditures from the AHTF should be targeted toward serving moderate, low, and very low-income residents. Some examples of additional uses in Red Wing include:

- Fund new affordable homeownership units – Goodhue County Habitat for Humanity - Hope Heights development on the former St. John's hospital site.
- Fund new affordable rental units outside the downtown and West End District – Three Rivers Tax Credit Development.
- Match or leverage for federal and state funds to rehab existing affordable housing – Jordan Towers I & II and Public Housing Scattered Sites.
- Rehab of Naturally Occurring Affordable Housing (NOAH) – Bluffview Townhomes, Hillstreet Apartments.

Method of Solicitation – RFP vs. Pipeline

We are currently offering all three programs funded by the AHTF on a pipeline basis. This works well for the homebuyer down payment assistance program. The other two programs are offered on a pipeline basis as we have funds available and relatively few requests. If we expand the eligible areas or increase the funding amounts we may have to consider using a more formal RFP process to insure we are utilizing the funds in the most impactful manner.

Funding Sources – Current and Future

The AHTF is currently funded by an annual allocation of the HRA Levy in the amount of \$125,000. Additional funds will start to flow into the AHTF from TIF District 8 in 2024 and over several years' time is projected to increase to approximately \$100K per year. The exact amount may vary by year and depend on how long the district remains certified. In 2024 we will also be eligible to compete for a one-time match from the State in the amount of \$100,000 to \$150,000. As you can see in the authorizing statute, there are also many other potential funding sources that can be directed to the AHTF.

Allocation of AHTF Funds

There are not currently specific allocations of AHTF funds for any of the three uses. Resources have been adequate fund all the activities on a pipeline basis. In the past, the fund balance at the beginning of the year was allocated to each of the uses with adjustments made throughout the year as needed based on activity and demand. If we expand the uses or eligible activities we may want to once again allocate a portion of the funds to certain activities to insure we are using the limited resources in the highest and best manner.



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Annual Report

The statute calls for an annual report to the authorizing entity. We haven't done a formal report to the City Council during my tenure. Instead, I have been updating them on AHTF activities during my regular HRA update reports periodically throughout the year. We will prepare a formal report for 2023 activities as required.

Other

Are there other considerations or questions related to the AHTF by members of the Board?

Appendix 6. Red Wing HRA Affordable Housing Trust Fund Community Advisory Committee Tactical Plan

Red Wing Affordable Housing Trust Fund Tactical Plan for Use of Funds March 14, 2017

Preamble

The Red Wing Affordable Housing Trust Fund (AHTF) was created in 2015 by the Red Wing Housing and Redevelopment (HRA) and Red Wing City Council (CC). An AHTF Memorandum giving the general guidelines of the AHTF were developed and accepted by both the HRA and CC in 2016. This Tactical Plan is designed to be more specific in the funding and usage of the funds over a specific period of time.

Community Advisory Committee

The HRA created a Community Advisory Committee (Committee) to develop this Tactical Plan. Members of the Committee include Colleen Clark (HRA Board Chair), Greg Schoener (Former HRA Board Chair), Jake Dahl (Realtor), Anthony Nemcek, (Citizen and Planner), Patti Robertson (Banker), Steve Setzer (Architect) and Randal Hemmerlin (HRA). The Committee met several times at the Jordan Tower II Conference Room to discuss the funding and usage of the AHTF.

The Committee shall meet at least twice per year to review and make recommendations on the funding and usage of the AHTF. The HRA shall have control of who is a member of the Committee. The Committee shall determine how the Committee shall function when it meets.

Must follow the AHTF Memorandum

The AHTF Memorandum is the guiding document for the use of the funds and nothing in the Tactical Plan can contradict the AHTF Memorandum.

Funding

The Committee recommends that the AHTF be funded annually \$100,000 per year from the HRA Tax Levy funds. Because of the emphasis of the need for Workforce Housing in the City, the Committee recommends that the HRA create an outreach program to the major employers in the City and contact these employers at least once per year requesting a contribution to the AFHT. In addition, Goodhue County should be contact annually for AHTF funding to assist in housing. It is also recommended that the City through its Planning Department give consideration that a small percent (5% or less) of their building permit fees be dedicated to the AHTF.

The Committee shall decide if the HRA should apply for and accept matching State funds that become available through legislative actions, depending on the requirements of those matching funds.

The AHTF Bank Account

The AHTF funds shall be placed in a FDIC insured checking account. The AHTF will place funds in interest bearing accounts (for example, money market, CDs, etc.) as much as feasible depending on planned usage. The HRA shall determine the best rates available through a phone or written survey and place the funds in the best interest bearing account possible.

Usage of AHTF Funds

Many alternatives are possible for the usage of the funds. For the period of January 2017 through December 2017, we anticipate the AHTF will have \$203,842 in funds from tax levy funds. This will

increase \$100,000 annually from tax levy funds, subject to the City Council approval. The Committee recommends the following usage of the funds going forward:

- \$40,000 of the 2016 and 2017 moneys will be used for a Homebuyers assistance plan.
- \$40,000 of the 2016 and 2017 moneys will be used for smaller Multi-family housing developments.
- \$120,000 or what is remaining will of the 2016 and 2017 funds will be bank for a larger Multi-family housing development.
- Going forward, 20% of moneys will be used for a Homebuyers assistance plan.
- Going forward, 20% of moneys will be used for smaller Multi-family housing developments.
- Going forward, 60% of moneys will be used for larger Multi-family housing developments.

Applications for Funds

For Multifamily Proposals, Request for Proposals shall be used to accept applications and will be advertised in the local newspaper of record for dispersing the funds. The HRA shall determine the date for issuing the RFP.

For Single Family Housing Homebuyers Assistance, the HRA shall accept applications on a pipeline basis and continue to process the applications until the funds are expended. The maximum amount of Homebuyers Assistance per applicant is \$9,000. The HRA shall develop Homebuyers Assistance guidelines to be used in the administration of the loans.

Target Projects or Areas

The HRA may consider targeting the funds, as recommended by the Committee to the following:

- Existing buildings that could be converted into housing projects
- Areas of recognized need and blight

1.00 RED WING AFFORDABLE HOUSING TRUST FUND

(1) Purpose and Intent.

There is hereby created and established for the City of Red Wing a fund to be known and denominated as the Red Wing Affordable Housing Trust Fund. This fund shall include a preference for the creation of Workforce Housing units, which shall include moderate, low, and very low income households. The Trust Fund shall be a permanent endowment and continually renewable source of revenue to meet, in part, the housing needs of Moderate, Low Income and Very Low Income households of the City. The Trust Fund is to provide loans and grants to homeowners, and for-profit and non-profit housing developers for the acquisition, capital and soft costs necessary for the creation of new Affordable rental and owner-occupied housing. Preference shall also be given to those projects that ensure that the Assisted Units remain Affordable for the longer period possible. Projects funded by the Trust Fund shall be disbursed throughout the City so no single neighborhood experiences a disproportionate concentration of housing units for Low Income and Very Low Income households.

(2) Definitions.

In this section:

- (a) "Affordable" means a housing unit that has an Affordable Housing Cost.
- (b) "Affordable Housing Cost" means an amount satisfied by:
 - 1. For owner-occupied housing, a housing payment inclusive of loan principal, loan interest, property taxes, property and mortgage insurance, and homeowners association dues which allows a Moderate, Low Income or Very Low Income household to purchase a home, while paying no more than thirty (30%) of their gross household income; and,
 - 2. For rental or cooperative housing, a housing payment, inclusive of a reasonable allowance for heating, which allows a Very Low Income household to rent a unit, while paying no more than thirty (30%) of their gross household income.
- (c) "Area Median Income" means the median income for the Goodhue County area adjusted for family size, as published by the United States Department of Housing and Urban Development.
- (d) "Assisted Unit" means a housing unit that is Affordable because of assistance from the Trust Fund.

- (e) "Commission" means the City of Red Wing HRA Board of Commissioners.
- (f) "Workforce Housing" shall mean owner-occupied or rental housing units that are provided to households with at least one member per unit who is gainfully employed at the time of entry into the unit.
 - (i) Workforce housing may be designed for households that make 50% to 115% of AMI but shall be inclusive of all income levels households who meet the definition of gainful employment and can meet the Affordable Housing Cost as defined in Subpart b (1) and (2).
 - (ii) Gainful Employment is defined as an employment situation where the employee receives consistent work and payment from an employer at 30 hours per week or more.
- (g) "Grants Supervisor" means the Red Wing Housing and Redevelopment Authority Executive Director, or his or her designee.
- (h) "Low Income" means gross household income adjusted for family size that is at or below eighty percent (80%) of Area Median Income, but more than fifty percent (50%) of Area Median Income.
- (i) Moderate Income means gross household income adjusted for family size that is at or below 115 percent (115%) of Area Median Income, but more than Eighty percent (80%) of Area Median Income.
- (j) Project may mean a single family house or a multifamily apartment complex, either as owner-occupied property or rental property.
- (k) "Recipient" means any homeowner, for-profit or non-profit housing developer that receives funds in the form of a loan or a grant from the Trust Fund Account. A Recipient may be an individual, partnership, joint venture, limited liability company or partnership, association or corporation.
- (l) "Tax Incremental Financing Equity Participation Payment" means an equity payment received by the City from a developer pursuant to a TIF Development Agreement in which the tax incremental district has been dissolved.
- (m) "Trust Fund" means the Red Wing Affordable Housing Trust Fund.
- (n) "Very Low Income" means gross household income adjusted for family size that is at or below fifty percent (50%) of Area Median Income.

(3) Trust Fund Account; Sources of Trust Fund Moneys.

- (a) There is also hereby established a Red Wing Affordable Housing Trust Fund Account, to be maintained by the Red Wing Housing and Redevelopment Authority (HRA). All funds received by the HRA on behalf of the Trust Fund shall be deposited in the Trust Fund Account. Principal and interest from loan

repayments, and all other income from Trust Fund activities, shall be deposited in the Trust Fund Account. All interest earnings from the Trust Fund Account shall be reinvested and dedicated to the Trust Fund Account.

(b) The Trust Fund shall consist of funds derived from the following, but not limited to:

1. Private cash contributions designated for the Trust Fund;
2. Payments in lieu of participation in current or future affordable housing programs;
3. Matching funds from a federal affordable housing trust fund;
4. Principal and interest from Trust Fund loan repayments and all other income from Trust Fund activities.
5. Budgeted payments made by the HRA Tax Levy fund as approved by City Council.
6. Matching funds from a State affordable housing trust fund or a State program designated to fund an Affordable Housing Trust Fund.
7. Employer based funds and matches.

(c) The Trust Fund may consist of funds derived from any other source, including but not limited to the following, subject to approval by the City Council, upon notification from the Finance Director that funds are available.

1. Amounts from the Operating Budget equivalent to City fees collected from dedicated uses related to housing, such as reinspection fees;
2. Tax Incremental Financing Equity Participation Payments;
3. Any other appropriations as determined from time to time by action of the City Council.

(4) Trust Fund Distributions.

(a) The Trust Fund is to function as an endowment fund to fund loans and grants in accordance with this Section. The Trust Fund program shall be administered by the HRA Executive Director. No disbursements may be made from the Trust Fund Account without the prior recommendation of the HRA Commission and authorization by the City Council.

(b) Disbursements from the Trust Fund Account shall be made as loans or grants to assist Recipients in the creation of Assisted Units. Recipients may use the funds to pay for: capital costs, including but not limited to the actual costs of

rehabilitating or constructing Assisted Units; preserving affordable units; demolishing or converting existing non-residential buildings to create new Assisted Units; real property acquisition costs; and professional service costs, including but not limited to, those costs incurred for architectural, engineering, planning and legal services which are attributable to the creation of Assisted Units.

- (c) Trust Fund moneys may not be used for operating expenses of any program, or supporting services such as childcare or any other social program.
 - (d) At least 25% of the funds eligible for disbursement annually shall be used to create Assisted Units for Low Income households.
 - (e) Funding for Rental Assisted Units shall be available only to households whose gross income, adjusted for family size, is at or below eighty percent (80%) of Area Median Income at time of entry into the unit.
 - (f) Owner-occupied Assisted Units shall be available to households who are Moderate, Low Income or Very Low Income.
 - (g) The HRA Commission shall periodically review the terms of assistance, and structure these terms to encourage the longest period of affordability possible.
 - (h) Loans or grants from the Trust Fund shall be used to develop Assisted Units within a project. The Trust Fund may assist up to one hundred percent (100%) of the units within a building or development of one (1) to nine (9) total units, up to fifty percent (50%) of the units within a building or development of ten (10) to fifteen (15) units, and up to twenty-five percent (25%) of the units within a building or development of sixteen (16) or more units.
 - (i) Assisted Units shall be distributed throughout the building or development so as to avoid a disproportionate concentration in any one area.
 - (j) The HRA Commission shall give preference to projects not located in any Tax Incremental District whose project expenditure period has not expired.
 - (k) Notwithstanding the stated purpose in subsection (1) herein to create the Fund as a continually renewable source of revenue, the Commission may, in its discretion, recommend that disbursements from the Trust Fund Account may be made as grants at any time that the Trust Fund Account balance exceeds \$50,000. The Commission will revisit this amount from time to time to ensure that the objectives of the AHTF are being met and the amount is set at the proper level to achieve the objectives.
- (5) HRA Commission's Powers and Responsibilities.
- (a) The Commission shall have the following powers and duties as regards to the Trust Fund:

1. Recommend policies, goals and objectives for the Trust Fund program to the Mayor and the City Council;
 2. Review project funding requests and recommend to the Mayor and the City Council all disbursements from the Trust Fund;
 3. Investigate and recommend to the Mayor and City Council additional sources of money for deposit to the Trust Fund Account; and
 4. Publish and distribute requests for proposals and notices of funding availability.
- (b) All projects considered for funding will be reviewed prior to HRA Commission action by the HRA staff, and the Executive Director shall submit to the Commission comments and recommendations.
- (c) The Commission shall within thirty (30) days following the close of each fiscal year prepare and submit an annual report to the City Council on the activities undertaken with funds from the Trust Fund. The report shall specify the number and types of units assisted, the amount loaned per Assisted Unit, the amount of state, federal and private funds leveraged, the geographic distribution of Assisted Units and a summary of statistical data relative to the incomes of assisted households, including their monthly rent or mortgage payments, and the sales prices of owner-occupied Assisted Units.
- (6) **Term of Affordability.**
- (a) The minimum term of affordability for any Assisted Unit shall be fifteen (15) years. The Commission shall give preference to those projects that ensure that the Assisted Units remain Affordable for the longer period possible.
 - (b) Assisted Units shall be deed restricted to ensure long term affordability.
 - (c) The HRA will utilize loan agreements with the recipients of the Trust Fund. The loan agreement will clearly state the conditions and requirements for recipients use of Trust Fund monies, including the term of compliance, transfer or sale requirements and other requirements as specified.
 - (d) In those cases where an Assisted Unit is sold or transferred, or where an Assisted Unit is no longer Affordable, the initial Recipient of assistance from the Trust Fund shall be obligated to repay to the Trust Fund the original loan amount, plus a pro-rated percentage of the appreciated value of the Assisted Unit as determined by the Commission.
 - (e) The HRA Staff and Commission shall enforce all debt and lien instruments to the fullest extent of the law. The Commission may recommend to the City Council, debt settlement offers, if it is determined to be in the best interest of the City.

(7) Exception Authority.

- (a) The City Council may make exceptions to any part of this memorandum if it is determined to be in the best interest of the City.**

Office of the Revisor of Statutes

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2023 Minnesota Statutes

[Authenticate](#)  [PDF](#)

462C.16 HOUSING TRUST FUNDS FOR LOCAL HOUSING DEVELOPMENT.

Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given to them.

(b) "Commissioner" means the commissioner of the Minnesota Housing Finance Agency.

(c) "Fund" means a local housing trust fund or a regional housing trust fund.

(d) "Local government" means any statutory or home rule charter city or a county.

(e) "Local housing trust fund" means a fund established by a local government with one or more dedicated sources of public revenue for housing.

(f) "Regional housing trust fund" means a fund established and administered under a joint powers agreement entered into by two or more local governments with one or more dedicated sources of public revenue for housing.

Subd. 2. **Creation and administration.** (a) A local government may establish a local housing trust fund by ordinance or participate in a joint powers agreement to establish a regional housing trust fund.

(b) A local or regional housing trust fund may be, but is not required to be, administered through a nonprofit organization. If administered through a nonprofit organization, that organization shall encourage private charitable donations to the fund.

Subd. 3. **Authorized expenditures.** Money in a local or regional housing trust fund may be used only to:

- (1) pay for administrative expenses, but not more than ten percent of the balance of the fund may be spent on administration;
- (2) make grants, loans, and loan guarantees for the development, rehabilitation, or financing of housing;
- (3) match other funds from federal, state, or private resources for housing projects; or
- (4) provide down payment assistance, rental assistance, and home buyer counseling services.

Subd. 4. **Funding.** (a) A local government may finance its local or regional housing trust fund with any money available to the local government, unless expressly prohibited by state law. Sources of these funds include, but are not limited to:

- (1) donations;
- (2) bond proceeds;
- (3) grants and loans from a state, federal, or private source;
- (4) appropriations by a local government to the fund;
- (5) investment earnings of the fund; and
- (6) housing and redevelopment authority levies.

(b) The local government may alter a source of funding for the local or regional housing trust fund, but only if, once altered, sufficient funds will exist to cover the projected debts or expenditures authorized by the fund in its budget.

Subd. 5. **Reports.** A local or regional housing trust fund established under this section must report annually to the local government that created the fund. The local government or governments must post this report on its public website.

Subd. 6. **Effect of legislation on existing local or regional housing trust funds.** A local or regional housing trust fund existing on July 1, 2017, is not required to alter the existing terms of its governing documents or take any additional authorizing actions required by subdivision 2.

History: [2017 c 94 art 11 s 8](#)