

Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: January 27, 2009

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Authorization to enter into agreement with entitlement issuers

Recommendation: Authorize the Finance Officer to sign an agreement with other bond entitlement issuers to allow them to transfer bonding authority to Minneapolis

Previous Directives: The City Council authorized the carryforward of \$12,379,000 of the 2007 bond entitlement authority for future issuance.

Prepared by: Mark Anderson, Senior Contract Management Specialist

Approved by: Tom Streitz, Director, Housing Policy & Development _____

Chuck Lutz, Deputy CPED Director _____

Presenters in Committee: Mark Anderson

Financial Impact

- No financial impact

Community Impact

- City Goals- A Safe Place to Call Home – In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Supporting Information

In December of 2007, the City Council authorized the carryforward of \$12,379,000 of Minneapolis' tax exempt bond entitlement authority. This allowed the City to issue bonds using this authority beyond 2007.

Shortly after this authorization was given the bonding market collapsed making it all but impossible to issue bonds. Under state law, if an entitlement issuer does not issue bonds for some or all of their entitlement authority that is carried forward, then that issuer is penalized by a reduction in the following year's entitlement authority by any amount that has not been issued. This would mean that Minneapolis' 2009 entitlement authority would be reduced by \$12,379,000. This bonding authority is then proportionately distributed to the other entitlement issuers.

Observing the condition of the bonding markets and anticipating this potential problem, in the fall of 2008 staff made contact with the Minnesota Housing Finance Agency and other entitlement issuers to try to work out a solution. Minneapolis' argument was simply that market conditions were beyond Minneapolis' control and that the city should not be penalized for non-issuance given those conditions. Negotiations concerning this matter went into December of 2008 until all parties came to a consensus of agreement.

The decision was made to seek a legislative change for all entitlement issuers for any amounts of their 2008 and 2009 entitlement authority that is carried forward through 2011. With regard to Minneapolis' 2007 carryforward amount, the final agreement was to allow the 2009 entitlement reduction to occur, but have an agreement between all the entitlement issuers that allows them to transfer that authority back to Minneapolis.

This solution is acceptable under current state law and it allows Minneapolis to preserve all of its authority so that when the bonding market returns to acceptable conditions, the City can use this authority to continue to serve single family and multifamily housing programs.

To complete this process, staff requests that the City Council to authorize the Finance Officer or his designee to sign this agreement.