



## COMMUNITY DEVELOPMENT

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### MEMO

To: Finance Committee

From: Jennifer Andrews, Community Development Director

Date: August 6, 2019

Re: Frame Park Commons Conduit Financing

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Bear Development has received conceptual approval from the Plan Commission and Common Council for a new affordable housing project at the corner of White Rock Ave. and Moreland Blvd. To retain the affordability aspect of the project Bear is asking to use a conduit funding mechanism offered through Freddie Mac. This financing tool is only offered to affordable housing projects and offers very favorable terms to the developer allowing them to keep costs low and make the project more financially feasible. If the developer uses a conventional funding method the financing cost will be greater. The developer does expect to ask for TIF assistance for this project. However, the amount of that request will not be known until they have a firm idea of their financing costs.

Normally the Redevelopment Authority would be the conduit for this type of financing. There is no liability to the city when it acts as a conduit for this type of financing. Over the past several years the Redevelopment Authority has issued industrial revenue bonds, a similar conduit financing vehicle, for manufacturers that are expanding. However, since this is an affordable housing project the only body that can provide this conduit financing is the Housing Authority. The Housing Authority could also enter into an intergovernmental agreement with the Redevelopment Authority and allow the Redevelopment Authority to act in its place. If the Housing Authority does allow the Redevelopment Authority to be the conduit for financing the Redevelopment Authority would have to first declare the properties blighted.

Bear Development is on a very short timeline and the approvals must be in place by September 1st. When discussing these two options with the Housing Authority the Executive Director stated the board would have to make the decision at their next board meeting. The Housing Authority board meets on August 15<sup>th</sup>. To meet Bear's deadline, we have proceeded down both approval paths and prepared documents for both scenarios. On either path the last approval would be Common Council on August 20<sup>th</sup>. Redevelopment Authority, Housing Authority and Finance Committee will all meet the week before.



Each approval path has several documents associated with it. Below is a listing the document and a brief explanation of each one for your review. Please feel free to contact me in advance if you have any questions.

Housing Authority Action

Redevelopment Authority Action

Common Council Action

Housing Authority acts as conduit

- Document A – Resolution passed by the Housing Authority agreeing to be the conduit financier.
- Document B – Resolution passed by the Common Council approving the Housing Authority to be the conduit financier.

Redevelopment Authority acts as conduit

- Document C – Intergovernmental agreement between Housing Authority and Redevelopment Authority
- Document D – Resolution passed by the Housing Authority authorizing the Redevelopment to act as the conduit financier
- Document E – Spot blight resolution approved by the Redevelopment Authority
- Document F – Resolution passed by the Redevelopment Authority agreeing to be the conduit financier
- Document G – Resolution passed by the Common Council approving the Redevelopment Authority to be the conduit financier
- Document H – Blight findings