

WORK SESSION – JANUARY 25, 2011

The work session of the Common Council of the City of Marshall was held on January 25, 2011 in the Professional Room at the Marshall Middle School, 401 South Saratoga Street. The meeting was called to order at 6:55 P.M. by Mayor Byrnes. In addition to Byrnes the following members were present: Hulsizer, Doom, Sanow, DeCramer, Boedigheimer and Ritter. Absent: none. Staff present included: Ben Martig, City Administrator; Dennis Simpson, and Thomas M. Meulebroeck, Finance Director/City Clerk. Also in attendance was Randy Serreyn, EDA Treasurer.

The primary purpose of this work session was to discuss the status of the loans from GMHF, SWMHP and MHFA that were used for Parkway Addition II, III and IV land acquisition and infrastructure improvements. As the lots were sold payments were made on the loans. The slowdown of development has caused a delay from the original projections for the loans to be paid off. The loans and the balances are as follows:

GMHF Infrastructure Loan Repayment – 100%	\$384,753.92 *
GMHF Land Acquisition Loan Repayment – 100%	\$210,684.00 *
GMHF Construction Loan Repayment – 100%	\$300,000.00
SWMHP – Down Payment Assistance Grant (Conditional)	\$168,000.00 City pays \$143,000 * SWMHP forgives \$25,000
GMHF \$800,000 de-allocation of funds Available for application to a balance of \$180,000	NA
GMHF Recoverable Grant (Proposed)	\$131,750.00
MHFA – Land Acquisition	\$112,500.00

*\$738,438 pay back by 3-1-11

The GMHF is calling their loans. The City originally had sought to extend the loans. However, GMHF was proposing to implement an interest rate on the loan going forward so staff sought an alternative proposal that would have the city pay them off but request some be forgiven. The City was attempting to retain a commitment for its homebuyer affordability gap which was funded at \$800,000 but GMHF had suggested pulling and only allowing on a per application basis. GMHF is agreeable to committing \$180,000 to the affordability gap program and also forgiving \$131,750 of a conditional grant related to the other repayments the city is committing to with the project.

The repayment of the \$300,000 of the GMHF relates to the funding used for speculation development. The full amount is proposed to be repaid as the speculation building is not allowed by GMHF and also not of interest to the EDA at this time. These funds are currently being held in the Parkway II funds and would be expensed back to GMHF from the same location.

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The \$143,000 proposed to be repaid to Southwest Minnesota Housing Partnership (SWMHP) relates to land acquisition funding between the State and SWMHP that the City used to acquire Parkway III and IV. The total funding was \$168,000 but \$25,000 is proposed to be forgiven as a grant. The City did not have this as a liability on their books as it was thought to be an unconditional grant. However, the City has been told the funds had to be used for affordable housing and with the EDA and City pursuing an alternative land use for commercial purposes it is required to be paid back. Staff is reviewing the agreements to verify the terms and conditions between SWMHP and the State. If the requirements are clear, staff is supportive of having a formal agreement made and paying this portion back with the grant clearly stated and approved in writing.

SWMHP indicated that the City had received funding from the Minnesota Housing Finance Agency (MHFA) through the SWMHP for land acquisition of Parkways III/IV. The amount is \$112,500 and has not been carried as a liability as we were under the understanding this was an unconditional grant. However, the City has been told that with a change of land use this will be required to be repaid. Staff has suggested transferring this revenue to Parkway II to allow the funding to remain within the overall intent of affordable housing development. SWMHP has indicated that they have discussed this with the State and this would be acceptable. Staff is also reviewing the agreements between SWMHP and MHFA and will also require a new agreement be created to codify this agreement.

The proposed grant agreements with Southwest Minnesota Housing Partnership for the original Down Payment Assistant Grant of \$168,000 and the MHFA Grant of \$112,500 were reviewed.

The current and proposed selling prices for the various lots in Parkway Addition II were discussed. A concern was expressed with the values in comparison to that of private developers.

It was the general consensus of the City Council to move forward with the proposed agreements and that staff review the assessed value of these lots with that of other developments.

The Mayor declared the work session to be adjourned.



Mayor of the City of Marshall

ATTEST:



Financial Director/City Clerk