



# Dakota County

## Legislation Text

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File #: DC-1410, Version: 1

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**DEPARTMENT:** Physical Development Administration

**FILE TYPE:** Consent Action

### TITLE

**Approval Of Amendments To Dakota County Community Development Block Grant Program - Horizon Heights Townhomes Acquisition**

### PURPOSE/ACTION REQUESTED

Approve substantial amendments to the 2020 and 2021 Community Development Block Grant (CDBG) Programs for acquisition of Horizon Heights Townhomes in Burnsville.

### SUMMARY

Three types of substantial amendments to the CDBG Program are permissible by the U.S. Department of Housing and Urban Development (HUD): creation of a new activity or cancellation of an activity, increase or decrease of an activity budget by \$100,000 or more at one time, and change to the location and/or national objective of an activity. The Dakota County Community Development Agency (CDA) administers the CDBG program on behalf of Dakota County.

Horizon Heights Townhomes is an existing 25-unit affordable rental townhome development located at 1 Horizon Heights Road in Burnsville. Horizon Heights was constructed in 1980 and has significant deferred maintenance needs. The development currently has a project-based Housing Assistance Payment contract for 100 percent of the units, allowing residents to pay a percentage of their income towards rent payments, with HUD paying the remaining portion. Christopher Michael Cooper & Associates (CMC), a for-profit developer, is purchasing the property and has committed to maintaining the affordability of the development. Additionally, CMC has committed to completing substantial improvements and maintenance to the development. The total costs for the acquisition and necessary rehabilitation were anticipated to be \$9.1 million. CMC has obtained funding for the project from the Minnesota Housing Finance Agency and the CDA. The CDA is providing a \$500,000 HOPE loan for acquisition and rehabilitation expenses. The rehabilitation costs were anticipated to be \$3.1 million in 2021. CMC has since found additional deferred maintenance that must be addressed, and costs have increased in the last year. The additional expenses will add approximately \$850,000 to the project. CMC is scheduled to close on the purchase and financing of the property by December 31, 2022.

CDA staff is requesting \$600,000 of 2020 and 2021 entitlement CDBG funds be used to assist with acquisition for the project. The CDBG funds would be in addition to the CDA's HOPE loan and would be required to be paid back if the property is no longer used for affordable housing. The CDBG Program received a substantial amount of program income generated from the CDA-administered Home Improvement Loan activity in the last two years. Over \$1.1 million was received in both Fiscal Year 2020 and Fiscal Year 2021. The entitlement CDBG funds could be reallocated without adversely

impacting the Home Improvement Loan program and will help ensure CDBG funds are spent quickly. HUD requires that a grantee have no more than 1.5 times the amount of the current year's CDBG allocation, including program income, on hand on May 2<sup>nd</sup> when it reviews the fund balances for each grantee. This is called the timeliness test. CDA staff is concerned that the timeliness test may not be met unless a substantial amount of CDBG funding can be expended by May. If the Board approves the reallocation of funds, the 2020 and 2021 Dakota County Annual Action Plans must be amended to create the Horizon Heights Acquisition activity in both years and fund it with a total budget of \$600,000. The CDA's Citizen Participation Plan requires public notification of substantial amendments. A public notice for the substantial amendments described above was placed in the *Star Tribune* on September 1, 2022, and also on the CDA and Dakota County websites. No comments were received.

## RECOMMENDATION

Dakota County and CDA staff recommend approval of the substantial amendments to the 2020 and 2021 Dakota County CDBG Program.

## EXPLANATION OF FISCAL/FTE IMPACTS

☒ None      ☐ Current budget      ☐ Other  
☐ Amendment Requested      ☐ New FTE(s) requested

## RESOLUTION

WHEREAS, three types of substantial amendments to the Community Development Block Grant (CDBG) Program are permissible by the US Housing and Urban Development Department (HUD): creation of a new activity or cancellation of an activity, increase or decrease of an activity budget by \$100,000 or more at one time, and change to the location and/or national objective of an activity; and

WHEREAS, the Dakota County Community Development Agency (CDA) administers the CDBG funds on behalf of Dakota County; and

WHEREAS, Horizon Heights Townhomes is a 25-unit affordable townhome development located at 1 Horizon Heights Road in Burnsville, was constructed in 1980, and has significant deferred maintenance needs; and

WHEREAS, a for-profit developer has executed a purchase agreement for Horizon Heights Townhomes and is committed to maintaining affordability and completing significant rehabilitation; and

WHEREAS, Dakota County has available CDBG funds that can be used for the acquisition of Horizon Heights Townhomes; and

WHEREAS, CDA staff recommends substantial amendments to the Dakota County 2020 and 2021 CDBG Programs to create the Horizon Heights Townhomes Acquisition activity in those years and fund the activity with a total budget of \$600,000; and

WHEREAS, CDA staff recommends decreasing the 2020 Inver Grove Heights Home Improvement Loan budget activity by \$100,000 and transferring the funds to the Horizon Heights Townhomes Acquisition activity; and

WHEREAS, CDA staff recommends canceling the 2020 Mendota Heights Home Improvement Loan activity and transferring the funds totaling \$20,530 to the Horizon Heights Townhomes Acquisition activity; and

WHEREAS, CDA staff recommends decreasing the 2021 Eagan Home Improvement Loan budget activity by \$100,000 and transferring the funds to the Horizon Heights Townhomes Acquisition activity; and

WHEREAS, public notice of the substantial amendments was placed in the *Star Tribune* on September 1, 2022, and also on the CDA and Dakota County websites, in accordance with the approved Citizen Participation Plan process, and no public comments were received on the proposed amendments.

NOW, THEREFORE, BE IT RESOLVED, That the Dakota County Board of Commissioners hereby approves the substantial amendments to the 2020 and 2021 Dakota County Community Development Block Grant Programs.

#### **PREVIOUS BOARD ACTION**

None.

#### **ATTACHMENTS**

Attachment: Affidavit of Publication and Public Notice

#### **BOARD GOALS**

- |                                                                   |                                                       |
|-------------------------------------------------------------------|-------------------------------------------------------|
| <input checked="" type="checkbox"/> A Great Place to Live         | <input type="checkbox"/> A Healthy Environment        |
| <input type="checkbox"/> A Successful Place for Business and Jobs | <input type="checkbox"/> Excellence in Public Service |

#### **PUBLIC ENGAGEMENT LEVEL**

- |                                            |                                  |                                  |                                         |
|--------------------------------------------|----------------------------------|----------------------------------|-----------------------------------------|
| <input type="checkbox"/> Inform and Listen | <input type="checkbox"/> Discuss | <input type="checkbox"/> Involve | <input checked="" type="checkbox"/> N/A |
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#### **CONTACT**

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