

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

10-0413R

RESOLUTION AUTHORIZING A FIRST AMENDMENT TO THE 2007 COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AGREEMENT, A FIRST AMENDMENT TO THE 2008 HOME PROGRAM AGREEMENT AND A FORBEARANCE AGREEMENT WITH AMERICAN INDIAN COMMUNITY HOUSING ORGANIZATION (AICHO); ALL RELATED TO THE GIMAAJII MINO BIMAADIZIYAAN PROJECT.

CITY PROPOSAL:

RESOLVED, that the proper city officials are authorized to enter into a first amendment to the 2007 community development block grant program agreement, substantially in the form of that on file in the office of the city clerk as Public Document No. \_\_\_\_\_, with American Indian Community Housing Organization (AICHO), in part extending the time for completion of project construction, requiring that the mortgage by AICHO, LLC, in favor of AICHO be assigned to the city, and acknowledging that and making the grant non-recourse as to AICHO and AICHO, LLC.

FURTHER RESOLVED, that the proper city officials are authorized to enter into a first amendment to the 2008 HOME program agreement, substantially in the form of that on file in the office of the city clerk as Public Document No. \_\_\_\_\_, with AICHO, making the grant non-recourse as to AICHO and AICHO, LLC.

FURTHER RESOLVED, that the proper city officials are authorized to enter into a forbearance agreement, substantially in the form of that on file in the office of the city clerk as Public Document No. \_\_\_\_\_, with AICHO and AICHO, LLC, pursuant to which the city agrees to forbear from exercising foreclosure for a five year period commencing on the first day on which the last

qualified rehabilitation expenditure which is generating historic tax credits for the project achieves placement in service.

Approved:

Approved for presentation to council:

\_\_\_\_\_  
Department Director

\_\_\_\_\_  
Chief Administrative Officer

Approved as to form:

Approved:

\_\_\_\_\_  
Attorney

\_\_\_\_\_  
Auditor

CD KAH:JC:jle 8/4/2010

STATEMENT OF PURPOSE: This resolution finalizes needed amendments to the individual agreements that provide the funding for the AICHO GIMAAJII project. The reason for these amendments is due to the time it has taken to reach the point of closing on the financing from Minnesota housing finance agency, which has required the historic tax credits to be finalized prior to closing. The CDBG amendment updates the time frames to the current schedule, instead of the anticipated timing that was originally contemplated in 2008. Also, the CDBG and HOME amendments add the non-recourse language to the agreements as required for the historic tax credits by the investor.

The tax credit investor has requested the forbearance agreement from all mortgage lenders to minimize the chance of recapture. Investors sometimes protect themselves by getting recapture indemnities from developers if credit-worthy. Nonprofits (and lately, many for-profit developers) rarely have the financial strength required by investors to cover the recapture liability. During the last two years, investors (like lenders) have become much more conservative in their underwriting, and their sensitivity to the risk of foreclosure has increased significantly.

The property to date has been prepared for rehabilitation, meaning the asbestos and lead paint have been removed during the interior demolition in accordance with the remediation plans. All of the renovation plans, which includes the 29 housing units and the American Indian Center, are dependent upon the closing of the financing for this project to be completed as planned.