



TO: Mayor Shaun Sipma
Members of the City Council

FROM: John R. Zakian, DR Grant Program Manager & Chief Resilience Officer

DATE: December 30, 2019

SUBJECT: CONSIDER CDBG-NDR DEVELOPER AGREEMENT WITH BLU ON BROADWAY

I. RECOMMENDED ACTION

City Council consider CDBG-NDR LMI Multi-Family Mixed Use Developer Agreement with Blu on Broadway LLC.

II. DEPARTMENT CONTACT PERSONS

John R. Zakian, DR Program Manager & Chief Resilience Officer, 423-4528

III. DESCRIPTION

A. Background

The City issued a Request for Proposals specifically for mixed use projects either rehab or new construction using CDBG-NDR funds to seek to stimulate needed new investment in both commercial and LMI affordable multi-family housing development. The City received one proposal from Blu on Broadway, LLC for construction of an at least \$10 million new building on a vacant site abutting South Broadway to include ground floor of 10,000 square feet of new commercial tenants and additional floors of 38,462 square feet for 42 units of quality Low/Moderate Income eligible multi-family rental units. More than 50% of the investment for this project will be provided by the Developer complemented by \$4.75 million in CDBG-NDR funds to cover LMI related costs. This project meets two of the primary objectives of the HUD grant which are to provide quality housing for LMI eligible residents and to use CDBG-NDR funds as leverage to generate private investment. The developer agreement, itself, reflects the city's commitment to employing best practices in establishing clear benchmarks, guidelines, accountability, and assurances with the investment of public funds fully embracing lessons learned from past experiences with previous developer agreements.

B. Proposed Project

This project is exceptionally modeled to demonstrate to HUD the capability of using CDBG-NDR funds to support a notable revitalization project which utilizes multiple resources:

- Bank of North Dakota Flex Pace Interest Buy Down program which will provide \$500,000 in interest buy down on the developer side recognizing the CDBG-NDR funds as the required local contribution
- Tax Increment Financing (will be city's first) which incentivizes the Developer to undertake street and utility improvements outside the development site with an estimated cost of \$600,000

Both the Flex Pace and TIF agreements are separate from the CDBG-NDR developer agreement and will require City Council approval. The CDBG-NDR developer agreement

specifies that all such agreements need to be in place before CDBG-NDR funds can be spent. Key provisions of the CDBG-NDR agreement:

- Site and building will be guarantees for LMI multi-family rental for the 42 units for 20 years in the form of Promissory Note and Lien
- Until 80% of total project funds are spent, no draw request can be more than 49% CDBG-NDR funds
- The \$4.75 million of CDBG-NDR funds is in the form of a forgivable loan which will be pro-rated down to zero when the 20 year LMI anniversary period is reached
- None of the CDBG-NDR funds will be released until environmental clearance has been granted by HUD, detailed plans and specifications have been completed by the developer and approved by the City, detailed project budget with line item costs delineating NDR and non-NDR project costs to be completed by the Developer and approved by the city, and proof of ownership of land by the Developer comprising the project site.

IV. IMPACT:

A. Strategic Impact:

This project demonstrates to HUD the ability of the City of Minot to leverage CDBG-NDR grant funds with private sector investment as well as incentive programs to promote sustainable, resilient revitalization

B. Service/Delivery Impact:

This project addresses the City's commitment in the HUD approved CDBG-NDR Action Plan to develop quality multi-family rental housing for low/moderate income households.

C. Fiscal Impact:

The up to \$4.75 million in CDBG-NDR funds for this project represents a needed, significant commitment of funds to meet the deadline of having all CDBG-NDR funds spent by September 30, 2022

V. ALTERNATIVES

N/A

VI. TIME CONSTRAINTS

Approval of the CDBG-NDR Developer Agreement is necessary to commence the environmental review process to secure HUD Release of Funds with the goal to have such release to permit the project to commence construction during the 2020 construction season.

VII. LIST OF ATTACHMENTS

- A. Blu on Broadway, LLC CDBG-NDR Developer Agreement