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Title: AN ORDINANCE AMENDING CHAPTER 2 OF THE DULUTH CITY CODE, 1959, AS AMENDED, DELETING EXISTING ARTICLE XXXII THEREFROM AND SUBSTITUTING A NEW ARTICLE XXXII THEREFORE ESTABLISHING A NEW HOUSING TRUST FUND AND AMENDING CHAPTER 20 OF SAID CODE BY AMENDING ARTICLE II THEREOF BY CREATING A NEW DIVISION 11, CREATING THE HOUSING TRUST FUND.

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AN ORDINANCE AMENDING CHAPTER 2 OF THE DULUTH CITY CODE, 1959, AS AMENDED, DELETING EXISTING ARTICLE XXXII THEREFROM AND SUBSTITUTING A NEW ARTICLE XXXII THEREFORE ESTABLISHING A NEW HOUSING TRUST FUND AND AMENDING CHAPTER 20 OF SAID CODE BY AMENDING ARTICLE II THEREOF BY CREATING A NEW DIVISION 11, CREATING THE HOUSING TRUST FUND.

CITY PROPOSAL:

The City of Duluth does ordain:

Section 1. That Article XXXII of chapter 2 of the Duluth City Code, 1959, as amended is hereby amended by deleting said article in its entirety and by substituting the following therefore:

Article XXXII. Housing Trust Fund.

Section 2-167. Purpose.

The purpose of the Housing Trust Fund (“HTF”) is to assist in filling existing gaps in the housing financing market, to achieve the following goals:

- a) Increase the housing stock in the city of Duluth, both owner-occupied and rental housing, with an emphasis on affordable housing units;
- b) Invest in increasing availability of affordable housing units in all of the city’s neighborhoods;
- c) Invest in removing blight, improving safety, and encouraging pride in Duluth neighborhoods;
- d) Leverage existing municipal infrastructure;

- e) Promote density in locations where such development would conform to the city's comprehensive plan.

Sec. 2-168. Fund - duration.

This Article governs the administration of funds in the HTF created pursuant to Section 20-32.1 below and any interest generated by any funds within said account. This Article shall be deemed to be repealed when all funds in the HTF have been expended or obligated or on December 31, 2035, whichever occurs earlier. Any funds in the HTF at the time of termination shall be deposited in such other city fund as is directed in a Resolution of the City Council.

Sec. 2-169. Source.

Initial funding of the HTF shall consist of funds transferred to it pursuant to Resolution Number 21-____, from the community investment trust fund, created by Section 54(E) of the Charter, by any funds appropriated thereto from time to time by the City Council and by any funds received by the city designated for deposit therein.

Sec. 2-170. Programs - requirements; limitations.

a) Programs. The programs established to implement the purposes of this Article shall be created by resolution of the City Council and shall be administered by the planning and development division of the city's Planning and Economic Development Department (the "Division"), or its successor. Programs to be created under this Article may include but shall not be limited to those set forth below:

1) Allowable expenditures. All assistance to be provided under this Article shall be in the form of loans as hereinafter provided for. All such loans, with the exception of loans made to build accessory dwelling units, shall be eligible for loan forgiveness as provided for in the program guidelines for each program, subject to the applicant's commitment to provide the finished units at rents or sale prices that are affordable to those earning 80% or less of the area median income ("AMI"). Additionally, the terms of each loan will be determined through an underwriting process conducted by the division and, and, if applicable any implementing agency and after review and recommendation by the review committee provided for in section 2-171 below if requested by the Division or by an implementing agency:

- a. Infill development program. A program to provide low or no-interest construction loans for new single unit, accessory dwelling unit, or multi-unit dwelling projects of up to six units in size on infill development sites citywide.
- b. Comprehensive rehab and conversion program. A program to provide low or no-interest construction loans for existing residential structures requiring substantial rehabilitation where other existing funding sources are inadequate to fund the necessary renovations. Eligible structures may include single or multi-unit structures, not to exceed twenty (20) units, and any conversion project that would create up to twenty (20) new units of housing in a previously mixed-use or commercial structure;
- c. Flexible Multi-Unit Fund. A program to provide gap financing for multifamily residential projects containing more than twenty (20) units. Any project applying for this program must be reviewed by the committee provided for in Section 2-171 below.
- d. Future programs; program adjustments. Additional programs may be established to advance the development of affordable housing in the city.

- e. Up to five percent (5%) of any specific contract entered into for purposes of program implementation may be allocated for program administration as an allowable expenditure.

2) Prohibited expenditures. The following are uses that are not eligible for payment of HTF funds:

- a. Expenses for pre-development activities, studies, promotions, evaluations;
- b. General operating costs of projects such as salaries, benefits, supplies, utilities, insurance;
- c. Administrative or other overhead costs of projects;
- d. Furnishings, fixtures, and equipment and non-architectural decorations;
- e. Soft costs related to or incidental to projects, including legal, architectural, engineering, market assessment, appraisal or other services;
- f. Public infrastructure costs such as streets, sidewalks, lights, sewers, utilities that do not directly serve the project property;

b) Program requirements.

1) Programs established pursuant to subsection (a) above may be implemented directly by the city through its staff, by contract with an implementing agency, including but not limited to the Duluth Housing and Redevelopment authority, or by a combination thereof.

2) Any such implementing agency shall make a report, in a form acceptable to the city, at least annually, on its activities and expenditures, and account for all expenditures revenues, a detailed summary of new housing created and rehabilitated, and any other relevant information requested by the Division.

3) Commencing on the effective date of this Article, during each five years of the HTF's existence, not less than Fifty (50%) percent of the HTF funds authorized to be expended during said time period shall be used to construct or physically improve residential housing which is affordable to a household with a total income equal to or less than 80 percent of the area median income as calculated by the federal government.

Sec. 2-171. Programs; review committee.

There is hereby established a HTF Review Committee ("committee") to advise the division, implementing agencies if any, and the city council concerning programs of the HTF and the making of loans thereunder. Said committee shall consist of five members who shall be residents of the city of Duluth or employed in the city of Duluth. Members shall serve a term of three years. Members shall be appointed by the mayor with approval of the city council. One member shall be a City official, one shall be a representative of the Local Initiative Support Corporation Duluth, one shall be a representative of the Duluth HRA official, and two shall be members at large. The committee shall adopt reasonable bylaws to establish its annual meeting calendar, and to provide for meeting rules and regulations to conduct its business.

Sec. 2-172. to Sec. 2-174. Reserved.

Section 2. That Article II of Chapter 20 of the Duluth City Code, 1959, as amended, is hereby amended by adding a new Division 11 which reads as follows:

Division 11. Housing Trust Fund

§20-32.1 Housing trust fund created

There is hereby established in the treasury of the city of Duluth a fund designated as the housing trust fund (the “HTF”) for the purpose of funding the city’s housing improvement programs as described in Article XXXII of Chapter 2 of this code. This Division shall be deemed to be repealed when all funds in the HTF have been expended or obligated or on December 31, 2035, whichever occurs earlier.

Section 3. This ordinance shall take effect thirty (30) days after its passage and publication.

STATEMENT OF PURPOSE: The purpose of this ordinance is to create a new program, entitled the Housing Trust Fund (“HTF”), under Chapter 2 of the City code. This ordinance repeals a now-expired program under Article XXXII, known as the Housing Investment Fund, and establishes a new program under the same Article. The Housing Investment Fund operated from 2005 to 2011, and was an investment in housing using the Community Investment Trust funding.

This ordinance will rely upon a specific fund in the City under Chapter 20 of City code that is dedicated in support of the new HTF program. The HTF program (“Program”) will provide funds to encourage the development of new and rehabilitated housing units in Duluth. In particular, the Program will incentivize the creation of affordable housing throughout the city, focusing on smaller-scale infill development, an area of development where there are currently few public resources to assist such projects. The ordinance includes specific requirements for use of funds, and outlines with detail the requirements for development of affordable housing.

The ordinance will provide for establishment of the HTF, but implementation will be addressed in partnership with an ‘implementing agency,’ anticipated to be the Duluth Housing & Redevelopment Authority. As such, further action will be required by the City Council to authorize program expenditures through a contract between the City and the Duluth HRA. Such contract is anticipated to proceed later in 2021, should the ordinance and funding for the HTF be finalized. Program implementation is intended for January, 2022.