



Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: June 4, 2013

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Snelling Apartments - Public Hearing; Request for Preliminary and Final Approval of up to \$8 million in Tax Exempt Multi-Family Housing Entitlement Revenue Bonds

Recommendation: Adopt the attached Resolution giving Final Approval of up to \$8 million in Tax-Exempt Multi-Family Housing Entitlement Revenue Bonds for the Snelling Apartments project.

Previous Directives: CPED acquired 2304 Snelling Ave on June 2, 2009, with a combination of City Transit-Oriented Development (TOD) funds and Met Council Land Acquisition for Affordable New Development (LAAND) funds. City Council authorization for this action was granted on May 8, 2009. On May 13, 2010, the City Council authorized the sale of the site to CRS Housing, LLC for development of a 60-unit affordable senior rental project. On February 10, 2013 the City Council awarded Affordable Housing Trust Funds (AHTF) to the project. On March 9, 2012 the City Council authorized acceptance of environmental cleanup funds (ERF, TBRA, and DEED).

Prepared by: Amy Geisler, Senior Project Coordinator (612) 673-5266

Approved by: Thomas A. Streit, Director, Housing Policy & Development _____
Charles T. Lutz, CPED Deputy Director _____

Presenter in Committee: Amy Geisler

Financial Impact

- The project will generate semi-annual administrative fees.

Community Impact

- Neighborhood Notification – The Seward Neighborhood Group has previously reviewed the development proposal and has provided a letter of support.
- City Goals: A Safe Place To Call Home; Eco-Focused; Many People, One Minneapolis; Jobs & Economic Vitality; Livable Communities, Healthy Lives; A City That Works
- Sustainability Targets: Affordable Housing Units – new construction.

- Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.11 Minneapolis will improve the availability of housing options for its residents.
- Zoning Code: The proposed development complies or will comply with the zoning code.

Supporting Information

CommonBond Communities and Seward Redesign are partnering to construct a new rental apartment building for low-income seniors at 2304/2218 Snelling Avenue. The project has been awarded funding through the HUD 202 program, which provides capital funding along with a 40-year Project Rental Assistance Contract (PRAC) that allows residents to pay only 30% of their income towards rent.

The building will be 4 stories and will include 60 apartments for seniors age 62+. It will also include underground parking, community rooms, communal laundry facilities, bike storage and repair, and a CommonBond Advantage Center with staff and resources for residents.

This project is the second phase of Seward Commons, which is the redevelopment of the Bystrom Brothers industrial site adjacent to the Franklin Avenue LRT Station. PPL's Touchstone project is under construction directly south of the Snelling Apartments site, and is scheduled to open to residents in Summer 2013.

This portion of the Seward Commons site was acquired by the City in 2009 in partnership with Seward Redesign. The property will be sold to the developer at the time of closing on the project financing.

Financing Information

In addition to the HUD funds, the project was awarded \$944,584 through the 2011 Affordable Housing Trust Fund (AHTF) RFP process, as well as \$30,000 in Non-Profit Admin funds. Since then, the project has secured a number of other funding sources from Hennepin County, DEED, Federal Home Loan Bank, the State of Minnesota, and the Metropolitan Council.

The developer has informed City staff that HUD is encouraging their award recipients to pair the HUD 202 funds with Housing Revenue Bonds/4% tax credits, in order to leverage additional private funds for these projects. The developer is also seeking to upgrade site and building amenities that would not be feasible without the bond proceeds and tax credit equity. These amenities include upgraded building configuration, exterior finishes, and landscaping to enhance both the Snelling Avenue street presence as well as the building façade that faces the bike path access to the transit station. Other upgrades include a building entrance and bike parking on the bike path frontage, as well as higher-efficiency building systems components. Along with these upgrades, the addition of Housing Revenue Bonds/4% LIHTC to the financing structure means that several already committed sources are no longer needed. This includes funding awards made by the State, Hennepin County, and the City.

CommonBond and Seward Redesign have now submitted an application for up to \$8 million in tax-exempt housing revenue bonds from the City's 2012 entitlement allocation. The bond underwriter proposes to purchase a US Treasury Security with a term of 18 months as collateral for the tax exempt bonds. The bonds will be utilized as construction financing, and will be repaid with the HUD 202 funds when construction is complete. The 4% Low Income Housing Tax Credits will generate an estimated \$4.1 million in equity. Additional detail on the project financing can be found on the attached Project Data Worksheet.

See the table below for a comparison of the previous funding structure with the current structure:

Previous structure		Current structure	
Source		Source	
HUD 202 - Capital Funds	\$ 8,652,360	HUD 202/HRB proceeds	\$ 8,652,360
HUD Predevelopment Grant	\$ 400,000	HUD Predevelopment Grant	\$ 400,000
Affordable Housing Trust Fund	\$ 944,584	4% LIHTC Equity	\$ 4,136,833
CPED Non-Profit Admin	\$ 30,000	Federal Home Loan Bank	\$ 300,000
Federal Home Loan Bank	\$ 300,000	Metropolitan Council LHIA	\$ 150,000
Owner Equity	\$ 25,000	DEED Brownfield Funds	\$ 200,000
Hennepin County AHIF	\$ 400,000	Hennepin County ERF	\$ 135,000
Minnesota Housing	\$ 147,920	Metropolitan Council TBRA	\$ 140,600
Metropolitan Council LHIA	\$ 150,000	Total	\$ 14,114,793
DEED Brownfield Funds	\$ 200,000		
Hennepin County ERF	\$ 135,000		
Metropolitan Council TBRA	\$ 140,600		
Total	\$11,525,464		

Assuming the structure described above is approved as requested, private funding sources will now represent approximately 31% of the TDC. Under the previous structure, private funding represented approximately 3% of the TDC.

The developer has proposed a total developer fee of approximately \$1.45 million that represents 12.7% of the total development cost.

The current status of the 2011/2012, 2013 HRB Entitlement allocation is shown below.

2011 Allocation Remaining	\$20,772,416
Penalty Reallocation	3,729,653
2012 Entitlement Allocation	45,675,992
2013 Entitlement Allocation	45,968,905
TOTAL	\$116,146,966
Currie Park	(\$26,000,000)
Hi-Lake Triangle	(\$ 6,500,000)
City Place Lofts	(\$ 9,840,000)

Commons@ Penn	(\$ 5,000,000)
West Broadway Curve	(\$ 6,000,000)
Broadway Flats	(\$ 4,900,000)
Pillsbury A Mill	(\$35,000,000)
Snelling Apartments	(\$ 8,000,000)
Balance Available for Other Projects	\$ 14,906,966

Bond Purchaser/Underwriter	The Sturges Company
Bond Counsel	Kutak Rock LLP
Council Member Informed	Yes, Ward 2

Attachments

- Project Data Worksheet
- Resolution
- Project renderings