



Request for City Council Committee Action from the Department of Community Planning & Economic Development

Date: June 4, 2013

To: Council Member Lisa Goodman, Community Development Committee

Subject: Project Analysis Authorization – Greenway Heights Family Housing

Recommendation: Direct and authorize staff to either 1) continue analysis of the Greenway Heights Family Housing proposal to determine if tax increment financing (TIF) assistance is appropriate and justifiable, or 2) discontinue further TIF Analysis of the project. If further directed analysis concludes that TIF assistance is appropriate, then staff requests authorization to negotiate the terms and conditions of a redevelopment contract and prepare Redevelopment and TIF Plans for the project as needed. All such terms and conditions, plans, and other provisions would be subject to future City Council review, discussion, and approval or denial.

Previous Directives:

On January 11, 2013, the City Council authorized CPED to accept and appropriate a Metropolitan Council Livable Communities Local Housing Incentive Account (LHIA) Grant (\$300,000) awarded to the City of Minneapolis on behalf of Greenway Heights development; and authorized execution of the appropriate Grant and Sub-recipient Agreements.

On November 16, 2012, the City Council authorized the appropriate City officials to sign an Acknowledgement of Receptivity to an LCA Funding Award in the event that the Metropolitan Council awards Livable Communities Local Housing Incentive Account grant funds to the Greenway Heights Family Housing development.

On November 2, 2012, the City Council approved 2012 Affordable Housing Trust Funds (\$525,000) to the Greenway Heights Family Housing development.

On February 10, 2012, the City Council approved 2011 Affordable Housing Trust Fund (\$525,000) and Non-Profit Development Assistance (\$30,000) funds to the Greenway Heights Family Housing development.

Department Information

Prepared by: Theresa Cunningham, Senior Project Coordinator, (612)673-5237

Approved by: Thomas A. Streit, Director, Housing Policy & Development _____

Charles T. Lutz, Deputy Director _____

Presenters in Committee: Theresa Cunningham

Financial Impact

- No financial impact

Community Impact

- Neighborhood Notification: On June 8, 2012, the East Phillips Improvement Coalition forwarded a letter to CPED expressing their full support for this development and the development team.

- City Goals: A safe place to call home, Many People, One Minneapolis, Connected Communities, enriched environment.
- Comprehensive Plan: 3.3: Increase housing that is affordable to low and moderate income households; 4.9: Minneapolis will grow by increasing its supply of housing; 4.11: Minneapolis will improve the availability of housing options for its residents.
- Zoning Code: Various zoning changes and variances are being considered. Ultimately, the development will comply prior to closing on this development.

Supporting Information

This development site is located at the Northeast corner of Bloomington Avenue South and the Midtown Greenway (just north of 29th Street East) in the East Phillips section of the Phillips neighborhood of South Minneapolis. The site is currently owned by PRG, Inc. and will be conveyed at closing to the newly formed applicant, Greenway Partners, LLC. The limited liability company is made up of Phoenix Development Company of Minneapolis, LLC, a for-profit entity with its principals: Loren Brueggemann and R. Michael Buelow; and PRG, Inc., a local non-profit organization, both having extensive affordable housing development experience in Minneapolis. The development will consist of the new construction of 42 one and two-bedroom apartment units in a four-story elevator building with an additional level of underground parking for up to 38 vehicles. No surface parking will be provided on site.

This development is a direct response to the locally identified needs of the Phillips neighborhood. PRG, Inc. stepped up to answer the neighborhood's call when the site was going to be redeveloped in a manner that was inconsistent with the neighborhood needs. With the assistance of the Minnesota Housing's LAAND Program and the Neighborhood Revitalization Program (NRP), the site was acquired in the fall of 2008. Subsequently a significant amount of the neighborhood's affordable rental housing was lost to foreclosure and the neighborhood decided that the highest and best use of this site was the creation of housing affordable for the local workforce. PRG and Phoenix have worked closely with both the Midtown and East Phillips neighborhoods and coalitions to find a housing solution that answered the critical need for large family units, was economically feasible, provided a 24/7 presence on the Greenway, added much needed community space, and addressed the loss of so many affordable housing units to the foreclosure crisis. All units will be affordable to households earning less than 50% of the area median income. Utilities to be paid by the tenant will include hot water, electric, and natural gas heat.

The project will be owned by Greenway Partners, LLC which will be formed when the project is syndicated. Actual investors are yet to be identified. The General Partners will include Loren Brueggeman (45%), R. Michael Bruelow (45%) and PRG, Inc. (10%). Bridget Hust is the developer's legal counsel with Kutak Rock as Bond Counsel. Boarman, Kroos, Vogel Group, Inc. (BKV) has been selected as architect, project engineering will be provided by Loucks Associates, and Frerichs Construction has been selected as the General Contractor.

Project Financing Overview

The estimated total development cost of the project is approximately \$9,073,432. Developer equity in the project includes deferring a portion of the developer fees of \$331,256. The developer has submitted an application to CPED staff for preliminary approval of Housing Revenue Entitlement Bonds which carries automatic 4% low income housing tax credits. The tax credits will generate approximately \$2,770,890 of syndicated proceeds which is equity to the project. The developer is requesting the issuance of bonds in an amount not to exceed \$6 million in Series A and B bond releases. Preliminary estimates of the Series A Bond in the amount of \$2,660,000 will be secured by a first mortgage on the property and credit enhanced by a HUD 221(d)(4) deferred loan. The bonds will be un-rated. The Series B bonds will be secured by tax credit equity. Staff will

proceed with approval to the CD Committee for the preliminary application for HRB in July 2013.

The developer has secured financing from the following sources to finance this development:

Program	Amount	Source
221(d)(4) First Mortgage	\$2,260,000	HUD
Affordable Housing Incentive Fund	\$400,000	Hennepin County
Affordable Housing Trust Funds	\$1,050,000	City of Minneapolis
Deferred Developer Fee	\$331,256	Developer
EDHC/Challenge	\$1,260,000	MHFA
Neighborhood Revitalization Program	\$133,000	City of Minneapolis
Non-Profit Admin	\$30,000	City of Minneapolis
Total Funds Committed	\$5,464,256	

The developer has also applied to Hennepin County for assistance under the Transit Oriented Development program; however, the award announcements won't be released until June 2013. If these funds are not realized the developer will fill any gap with an increased deferred developer fee or an increase in the pricing for the syndication of the tax credits.

The total developer fee of \$970,000 falls within the CPED Housing Developer Fee Policy and is subject to further analysis before the amount is finalized. The Project Data Worksheet is attached as a reference with additional information.

Proposed TIF Assistance

The developer is requesting approximately \$420,000 in Pay As You Go TIF assistance. This TIF is intended to assist with the construction of the building. As staff further analyzes the project and the request for TIF assistance, it will include review of the sources and uses of funds, justification for the use of tax increment, terms of the TIF and other sources, and the eligibility of tax increment expenses. At this time, all development cost estimates are preliminary and subject to further review and refinement.

The site is currently vacant and will not require any blight remediation, demolition or excavation. If this Project Analysis Authorization (PAA) is approved by the City Council, staff will proceed into the project analysis stage to address (1) the appropriate level of tax increment financing assistance, if any; (2) eligible costs that can be paid for with the various forms of assistance; (3) the qualification and establishment of a housing TIF district; (4) appropriate sources of financing; and (5) possible recapture of any City financial assistance.

This housing development is a key element of the East Phillips Improvement Coalition's redevelopment plans for the area, and has everything necessary and coveted by busy working families. Located on a transit rich community corridor, the site is readily accessible to public transportation on Bloomington Avenue, Lake Street, and the Light Rail Transit corridor at Hiawatha and Lake Street, less than a mile from the development site. The close

proximity to so many transit options means great access to jobs at Abbott Northwestern Hospital and clinics, the greater Downtown area, the Mall of America, the International Airport, Uptown, and many other surrounding employers. Located adjacent to a city-designated employment growth center, quality affordable housing is very much in demand in this neighborhood.

Project Timeline

The proposed timeline is as follows:

- Upon approval of the TIF PAA in June 2013, proceed with consideration of redevelopment contract terms, the creation of a TIF district. (3 – 4 month process)
- Consideration of preliminary approval of HRB entitlement bonds in July 2013
- Consideration of final approval of entitlement bonds in August 2013
- Project closing and construction start in early winter 2013
- Project completion in early summer 2014

Project Analysis Fee

Upon approval of the PAA by the City Council, the developer will be assessed a non-refundable project analysis fee of \$10,500. This fee is based on the estimated cost of staff time and other expenses associated with analysis of the project for approval or denial by the City Council. Acceptance and review of the application and the PAA fee does not signify a commitment on the part of the City to grant approval of any public assistance. If analysis of this project requires additional work or there are unforeseen complexities, the City at its discretion may charge an additional fee to the developer.

Preliminary Staff Analysis

After staff review and analysis, it was concluded that (a) the Application for Public Financial Assistance is essentially complete (b) the requested amount of tax increment is reasonable based upon the preliminary information submitted and (c) it can be concluded that some level of public assistance may be justified. If approved, staff will continue to analyze the project data to determine the actual amount of assistance necessary. This will require verification of the information presented to staff to determine what the appropriate level of tax increment financing may be.

If the PAA is approved by the City Council, staff will proceed into the project analysis stage to consider the projects requirements for the formation of a Housing TIF district, which will allow the project access to the appropriate amount of TIF assistance.