



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

Date: June 18, 2013

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

Subject: Authorization to grant exclusive development rights to Alliance Housing Incorporated for the 27th and Penn site in North Minneapolis

Recommendation: It is recommended that the City Council grant exclusive development rights to Alliance Housing Incorporated for the five residential parcels comprising the 27th & Penn Avenue North for 12 months with a possible extension of up to 6 months approvable by administrative action.

Previous Directives: On January 29, 2013, the Community Development Committee directed staff to issue a Request for Proposals (RFP) for the 27th & Penn Avenue North site.

Department Information

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Approved by: Charles T. Lutz, Deputy CPED Director	_____
Thomas A. Streitz, Director, Housing Policy & Development	_____
Presenters in Committee: Wesley Butler, Manager, Residential Finance	

Financial Impact

- Other financial impact - Eliminates all future property management expenses

Community Impact

- Neighborhood Notification – The Jordan Area Community Council (JACC) has reviewed the two proposals received in response to the RFP and has provided a letter recommending the proposal from Alliance Housing Inc.
- City Goals - Livable Communities, Healthy Lives - Our built and natural environment adds character to our city, enhances our health and enriches our lives. High-quality, affordable housing for all ages and stages in every neighborhood.
- Comprehensive Plan – The Minneapolis Plan for Sustainable Growth identifies Penn Avenue North as a Community Corridor. Community Corridors support new residential development from low- to medium-density in specified areas, as well as increased housing diversity in neighborhoods, where compatible with existing character of the neighborhood. As the project proceeds to development, additional review will be necessary to ensure consistency with the Comprehensive Plan and the Zoning Code.
- Zoning Code – The site is currently in the R1A Single-family District and would require site plan review and a rezoning to the R4 Multi-family Residential District with a variance for lot area (density), or a rezoning to the R5 Multiple-family Residential District. Additional applications may be identified with the actual land use submittal.
- Other – Not Applicable

Supporting Information

On January 29, 2013, the Community Development Committee directed staff to issue a Request for Proposals (RFP) for the 27th & Penn Avenue North site. This site has a total of 26,426 square feet (approximately 0.6 acres) and includes the five properties listed below. All of these properties are either currently owned by the City or are in the process of being acquired from the County through tax forfeiture.

Property Address	Square Feet	Ownership
2712 Penn Avenue No.	5,303	Owned by City
2718 Penn Avenue No.	5,024	City acquiring through tax forfeiture
2720 Penn Avenue No.	5,412	City acquired through tax forfeiture
2724 Penn Avenue No.	5,360	Owned by the City
2800 Penn Avenue No.	5,327	Owned by the City
Total	26,426	

The 27th & Penn site is located in the Jordan neighborhood in the Fifth Ward. It is currently zoned R1A, a Single-family District which allows development of single family homes. However, the City's comprehensive plan (i.e. Minneapolis Plan for Sustainable Growth) identifies Penn Avenue North as a Community Corridor. Community Corridors support new residential development of medium-density in specified areas, as well as increased housing diversity in neighborhoods, where such housing is compatible with the existing character of the neighborhood. Any proposal for multifamily housing on this site would require a rezoning to a minimum of a R4 Multi-family Residential District. The site is also located in a non-impacted census tract in terms of poverty concentration.

Request for Proposals

On Feb 27, 2013, CPED issued the RFP for the 27th & Penn site. The deadline for the submission of proposals was Wednesday, March 27 at 4:00 p.m. CPED received two proposals for medium density, affordable housing development in response to the RFP:

- Alliance Housing Inc.: construction of 38-unit rental apartment building
- The Bethel Group: construction of 28-unit rental apartment building.

Alliance Housing Proposal

Alliance Housing, Inc. (AHI) is proposing a project called Jordan Apartments which will involve the construction of a 38-unit affordable rental apartment building. AHI was created in 1991 by residents and staff at St. Stephen's Shelter. Its mission has been to create, own and manage permanent affordable housing for low income and homeless single adults and families. AHI originally purchased duplexes in South Minneapolis and rented to homeless singles and families at a very low rent. In all, they have purchased and rehabilitated 11 duplexes, an eight-plex, and a 27-unit rooming house, totaling 57 units and have constructed an additional 80 units (64 affordable units and 16 market rate units). Additionally, through a partnership with Aeon and RS Eden, a total of 211 units (185 rehab and 26 new construction units) of supportive housing has been developed.

The AHI proposal for the 27th & Penn site includes 18 studios apartments, 15 one-bedrooms,

and 5 two-bedrooms. There will be 8 units affordable at 30% of AMI, 29 affordable at 60% of AMI, and 1 unit that will be market rate and occupied by an onsite caretaker. The building will have three floors of housing over underground parking for 20 cars. In 2012, AHI submitted an application for \$950,000 under the City's RFP for the Affordable Housing Trust Fund (AHTF). However, CPED did not recommend AHTF funding because the AHI proposal was still in the early stages of development and AHI lacked site control. Additional project information is included on the Project Data Worksheet, which is attached as **Exhibit 1**. The preliminary plans and elevations are attached as **Exhibit 2**.

The total proposed development cost is about \$8 million. If AHI is selected as the developer and awarded development rights, it plans to submit applications for affordable housing funding to MN Housing, Hennepin County, Federal Home Loan Bank, and City's AHTF program when the RFP's for these programs are issued. AHI will also be submitting applications to the City and to MN Housing for 9% low income housing tax credits. If AHI is selected as the developer of the site and is successful in securing all of these funding sources, it hopes to close and start construction in spring/summer 2014.

Bethel Group Proposal

Bethel Group, Inc. is proposing the construction of a 28-unit affordable rental apartment building. Bethel indicates that it has developed many single family properties over the past years in several north Minneapolis neighborhoods, but it did not include a list of those single family projects in its proposal. Bethel also states that, as a company, it has never developed a project of the size it is now proposing. However, Bethel further states the principals of the company and service partners have worked on projects like this in a subcontractor capacity and feels it could deliver a quality product if given an opportunity.

The Bethel Group proposal includes 12 one-bedroom units and 16 two-bedroom units. The building would be four stories and would have 28 parking spaces in a surface parking lot. The proposal does not clearly specify the proposed affordability levels of the 28 units. However, based on its stated monthly rents (i.e. \$730 for one-bedroom and \$921 for two-bedroom), staff has determined that all 28 units would be affordable at 60% of MMI. Additional project information is included on the Project Data Worksheet, which is attached as **Exhibit 3**. The preliminary plans and elevations are attached as **Exhibit 4**.

In general, the Bethel proposal is lacking in details and falls short of providing the minimum information called for in the RFP. The proposal does not include any financial information in terms of a development cost budget and a listing of funding sources with amounts. It also did not include an operating budget and cash flow. The lack of a capital development budget and an operating pro-forma makes it impossible for staff to assess project feasibility. The Bethel Group did indicate that, if selected as the developer, it would seek private bank financing and also submit funding applications to MN Housing and City's AHTF program for affordable housing funding and to Hennepin County for TOD funding, when the RFP's for these programs are issued.

Bethel's proposal also did not include a development timeline.

Jordan Area Community Council Review

In early May, Alliance Housing and the Bethel Group presented their development proposals to the Jordan Area Community Council (JACC). JACC evaluated the two proposals and has indicated its support for the Alliance Housing proposal. JACC's letter of support is attached as **Exhibit 5**).

Recommendation

Based on CPED staff evaluation of the two development proposals and the input received from the Jordan Area Community Council, CPED is recommending the granting of exclusive development rights to Alliance Housing, which will allow it the opportunity to continue its planning and fund raising process for its proposal. The development rights would be for a 12-month period, with a possible extension of up to an additional 6 months approvable by administrative action. Per City policy, Alliance would also be responsible for payment of the City's property management costs as of the date of final City Council action on the granting of development rights.

Exhibits:

1. Project Data Worksheet – Alliance Housing
2. Project Plans & Elevations – Alliance Housing
3. Project Data Worksheet – Bethel Group
4. Project Plans & Elevations – Bethel Group
5. Jordan Area Community Council (JACC) letter