



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

Date: November 19, 2013

To: Council Member Lisa Goodman, Community Development Committee

Referral to:

Subject: Diamond Hill Townhomes (aka Bossen Terrace Townhomes) (5701 Sander Dr) – City Authorization to Amend, Extend and Re-subordinate Existing City Financing Documents.

Recommendation: It is recommended that the City Council authorize amendment and re-subordination of its Multifamily Rental and Cooperative Program loan interests and extend the loan maturity date in accommodation of FHA-insured HUD 1st mortgage.

Previous Directives:

On July 17, 1998, the Council approved up to \$3,168,700 Series 1998 City of Minneapolis, Minnesota Multifamily Housing Revenue Bonds for Bossen Terrace Townhomes under Resolution 1998R-246.

On July 6, 1998, the MCDA Board of Commissioners approved up to \$800,000 of Multifamily Rental and Cooperative Program assistance to Bossen Terrace Townhomes under Document 98-179M.

On January 12, 1998, the MCDA Board of Commissioners approved assumption of \$392,000 existing CDBG financing on Bossen Terrace Townhomes by Community Housing Development Corporation under Document 98-029M.

Department Information

Prepared by: Scott Ehrenberg, Loan Portfolio Specialist, 612-673-5067	
Approved by: Thomas A. Streitz, Director of Housing Development	_____
Charles T. Lutz, CPED Deputy Director	_____
Presenters in Committee: Scott Ehrenberg	
Language Reviewed by Development Finance:	_____

Financial Impact

No financial impact

Fees will be collected to offset CPED staff costs

Community Impact

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other

Supporting Information

Bossen Terrace Townhomes is an affordable rental housing project originally constructed in 1983 and acquired by its current owner, CHDC Bossen, LLC, in 1998. Located at 5701 Sander Dr. in the Wenonah Neighborhood, the project is comprised of 66 rental units. All 66 units are currently served by a Section 8 HAP contract set to expire in February, 2014.

The City authorized issuance of up to \$3,168,700 Series 1998 City of Minneapolis (1st Mortgage), Minnesota Multifamily Housing Revenue Bonds and a deferred payment subordinate loan to Bossen Terrace Townhomes. The deferred payment subordinate loan was made with an original principal balance of \$1,192,000 at 0% interest maturing 10/1/2018. The loan's mortgage is currently 5th priority against the property.

CHDC Bossen, LLC is pursuing an FHA-insured HUD 221(d)(4) loan to refinance Bossen Terrace Townhomes that will re-pay the remaining balances of the current 1st and 2nd mortgages. Remaining loan proceeds from the newly originated HUD 1st mortgage combined with additional loan proceeds secured by CHDC Bossen, LLC will facilitate approximately \$2.9 million in proposed site improvements to the property and establish approximately \$280,000 in project reserves.

Site improvements will involve demolition of garages, lowering parking lot elevation, and increasing slope away from the buildings to remedy ongoing damage and costly repairs to building exteriors resulting from poor water drainage at the site. A number of water quality structures will be installed as part of the storm-water system to filter out suspended solids. Additional improvements will include repair of existing water damage to building exteriors as well as new roofs, kitchens, appliances, and numerous water and energy efficiency upgrades. The majority of these site improvements are needed in part to secure a 20-year renewal of Bossen Terrace Townhomes expiring Section 8 HAP contract.

CHDC Bossen, LLC is not requesting any new City / CPED funding as a result of these property improvements.

In accordance with HUD requirements for the new financing, Bossen Terrace, LLC is asking the City to amend and re-subordinate the City's existing deferred payment Multifamily Rental and Cooperative Program subordinate loan and extend the loan maturity date from 10/1/2018 to an anticipated maturity date of 2/28/2044 to remain coterminous with the new HUD 1st mortgage. Extending the loan maturity date will preserve the City's affordability requirements on all 66 rental units in Bossen Terrace Townhomes.

CPED Staff recommends authorization to execute all necessary amendments and subordination agreements in accordance with HUD 1st mortgage requirements.

TABLE A: Bossen Terrace Townhomes Project Refinancing Summary

<u>Bossen Terrace Financing Structure as of 12/31/2012</u>				<u>Bossen Terrace Financing Structure Post-Refi</u>			
<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Lender / Loan</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Lender / Loan</u>
\$1,113,791	5.43%	11/1/2018	Oak Grove - HUD Insured	\$3,600,000	5.2%	2/28/2044	Oak Grove - HUD Insured
\$183,972	5.43%	11/1/2018	Oak Grove - HUD Insured	\$1,063,560	0% (cash flow loan)	2/28/2044	Oak Grove - HUD Insured
\$418,000	0.00%	9/1/2028	MHFA	\$225,265	4.5%	2/28/2044	3rd mortgage - CHDC Bossen, LLC
\$533,440	0.00%	9/30/2018	FHF	\$418,000	0.00%	2/28/2044	MHFA
\$1,192,000	0.00%	10/1/2018	CPED	\$533,440	0.00%	2/28/2044	FHF
\$750,000	0.00%	12/19/2041	MHFA	\$1,192,000	0.00%	2/28/2044	CPED
				\$750,000	0.00%	2/28/2044	MHFA
\$4,191,203	Total			7,782,265	Total		