



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

Date: December 10, 2013

To: Council Member Lisa Goodman, Community Development Committee

Subject: PPL DECC (scattered site) City Authorization for Debt forgiveness

Recommendation: It is recommended that the City Council authorize the forgiveness of existing City subordinate financing in the amount of \$1,114,065 in principal and \$2,159,563 in accrued interest to PPL DECC, LLC in accommodation for the project's syndication and rehabilitation.

Previous Directives:

- 1) On October 18th, 2013, the Council approved CPED's request to reserve \$744,459 in 2014 Federal 9% Low Income Housing Tax Credits (LIHTC) for PPL DECC (scattered site).
- 2) On November 2nd, 2012, the Council approved CPED's request for Housing Trust Funds for PPL DECC.
- 3) The properties that compose the PPL DECC request have over the years received several loans each from MCDA/CPED

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Approved by: Charles T. Lutz, CPED Deputy Director

Thomas A. Streitz, Director of Housing Development

Presenter in Committee: Jon Clevenger ext. 2495

Language Reviewed by Development Finance

Financial Impact

- 1) The City of Minneapolis forgives \$1,114,065 in principal and \$2,159,936 in accrued interest.
- 2) The City of Minneapolis in return, after syndication and refinancing, would receive \$1,720,555 in debt repayment
- 3) The City of Minneapolis will secure a new mortgage of \$814,572 (\$589,572 from Double Flats and \$225,000 from College House)
- 4) There is a CPED administrative fee of \$24,000 associated with this request.
- 5) Please see Attachments A: PPL DECC Recapitalization and Attachment B: PPL DECC Recapitalization- Central Neighborhood Break-Out for more detail.

Community Impact

- 1) Neighborhood Notification: NA
- 2) City Goals: A Safe Place to Call Home; Livable Communities, Healthy Lives
- 3) Comprehensive Plan: 3.3.2: Utilize city housing resources and partnerships to preserve the affordability of existing affordable housing. 3.3.4: Support policies and programs that create long-term and perpetually affordable housing units.

Supporting Information

Project for Pride in Living (PPL) owns and manages 10 properties scattered throughout South Minneapolis. These properties are located at 920 E. 19th Street, 1819 and 1928 Elliot Avenue, 211 W.28th and 2813 Pillsbury Avenue, 1203/1205 E. 21st Street, 3308, 3316, and 3302 4th Avenue and 3144, and 3637 Columbus Avenue (Wards 6, 8) in the Whittier, Ventura Village and Central neighborhoods of Minneapolis. DECC stands for the names of the individual projects, Double Flats, Elliot Apartments, Central Neighborhood Apartments and College House. All of the properties were built between 1900 and 1928.

The scattered site properties are duplexes, four-plexes, a single five unit, a single six unit and a twenty-four unit building. The aforementioned properties consist of two and three story walk ups and garden level properties with a mix of stucco, brick and clap board siding exteriors. Finally, the units are a mix of general occupancy and supportive housing (homeless and mentally ill residents), singles and family housing with two units utilizing Project Based Rental Assistance. All of the units provide affordable housing to households with incomes at or below 50% AMI with a majority of the one-bedroom units as well as a few two- and four-bedroom units directed at households with incomes at or below 30% AMI. Finally, across the buildings and unit mix, the overall project will serve large families (3 and 4 bedroom units) as well as seven units that will serve homeless and mentally ill persons, with service provided by a third party agency.

List of PPL DECC Properties

Property Address	City	ZIP	# of Units
1203 East 21st Street	Minneapolis	55404	4
1819 Elliot Ave. S.	Minneapolis	55404	24
3144 Columbus Ave. S.	Minneapolis	55407	2
3308 4th Ave. S.	Minneapolis	55408	2
3316 4th Ave. S.	Minneapolis	55408	2
3320 4th Ave. S.	Minneapolis	55408	2
3637 Columbus Ave. S.	Minneapolis	55407	4
211 West 28th St.	Minneapolis	55408	6
2813 Pillsbury Ave.S.	Minneapolis	55408	5

Company/Borrower

Project for Pride in Living (PPL) has been a non-profit affordable housing developer since 1972, developing over 1,700 units of affordable housing. PPL is a nationally respected organization and has won several national and regional awards including: Minneapolis/ St. Paul Journal's 2009 "Best in Real Estate: Multifamily Development" for a City of Minneapolis project.

Request for Debt Forgiveness:

PPL is asking for loan modification as well as principal and interest forgiveness from CPED, MHFA and Family Housing Fund, (both MHFA and Family Housing Fund have given their approval), in order to assist in the facilitation of the syndication and the rehabilitation of the PPL DECC project.

PPL DECC LLC needs to take possession of all of the properties from existing owners, with permission of current lenders. By doing so, PPL DECC LLC will assume all of the existing debt. However, portions of principal and interest exceed the value of the real estate and therefore need to be forgiven. The remaining debt that is assumed by PPL DECC LLC, will be repaid when proceeds from the sale of the real estate occurs (currently expected in the middle of 2014). Finally, all of the assumed loans will be secured by all of the PPL DECC LLC's real estate.

The following is a synopsis of each of the scattered site properties financial requests that make up PPL DECC, LLC (Please see attachments for spreadsheet representation of the principal and interest forgiveness request- Exhibit 1 DECC Recapitalization- All Properties and Exhibit 2- PPL DECC Recapitalization-Central Neighborhood- Individual Property Breakout):

Double Flats: 211 W. 28th St., 2813 Pillsbury Ave. S.

MCDA/CPED holds the only mortgages at Double Flats.

1. PPL DECC proposes that they would assume the CPED loan in last position that currently matures in 2035 (\$589,572); the accrued interest would be forgiven and finally the loan's term would be extended to 2054 and the mortgage is amended to cover all of the DECC properties.
2. PPL DECC would assume the CPED/MCDA's first position loan of \$204,188 and the accrued interest would be forgiven.
3. Finally, PPL would assume CPED/MCDA loan in second position and principal balance is reduced to \$26,240 from \$541,753 and the accrued interest is forgiven.

It is assumed that the first and second position mortgage would be repaid upon refinancing or syndication.

College House: 1203-1205 21st St. E.

This property has historically been used in a PPL housing program until recently when its condition made it unusable for that purpose. It has always been tax exempt, so therefore there is no tax value available to establish property value. A recent comparable property of a larger-bedroom four-plex in the area sold for \$225,000, so that is the assumed value in this analysis.

MCDA/CPED is again the only mortgagee.

1. PPL proposed that the first mortgage's principal balance is reduced to \$225,000. As a result, CPED would forgive \$68,607 in principal and \$19,548 in interest. Finally, this loan is assumed by PPL DECC LLC and the term is extended to 2054 by CPED, and amended to cover all DECC properties.

Elliot Apartments: 1819 and 1825 Elliot Ave. S.

This is the only one of these properties where the value exceeds the principal originally borrowed. Family Housing Fund holds the first mortgage; MCDA/CPED holds four junior mortgages.

1. The first mortgage, which is held by the Family Housing Fund, in the amount of \$95,000 would be assumed by PPL DECC LLC. The accrued interest of \$166,725 would be forgiven.
2. PPL DECC, LCC would assume the second mortgage of \$656,034, which is held by CPED/MCDA. The accrued interest of \$885,669 would be forgiven.

3. PPL DECC, LLC would assume the CPED/MCDA's third position mortgage with a principal amount of \$28,440. The accrued interest of \$5,498 would be forgiven.
4. PPL DECC, LLC would assume CPED/MCDA's fourth position mortgage with a principal amount of \$112,910. The accrued interest amount of \$131,869 would be forgiven.
5. PPL DECC, LLC would assume the fifth position mortgage with a principal amount of \$90,821.

Central Neighborhood: 3308 4th Ave. S., 3316 4th Ave. S., 3320 4th Ave. S., 3144 Columbus Ave. S., 3637 Columbus Ave. S.

3308 4th Ave. S.

1. PPL DECC LLC would assume Family Housing Fund's first position mortgage with a principal amount of \$70,950.
2. PPL DECC LLC would assume the CPED/MCDA second position mortgage with a requested \$95,050 in principal. CPED/MCDA would forgive \$12,675 in principal and \$144,666 in accrued interest.
3. CPED/MCDA would forgive the third mortgage debt (principal \$40,428 and accrued interest \$7,765).

3316 4th Ave. S.

1. PPL DECC would assume Family Housing Fund's first position mortgage with a principal amount of \$11,985.
2. PPL DECC would assume CPED/MCDA's second position mortgage with a principal amount of \$146,734. CPED/MCDA would forgive \$197,051 in accrued interest.
3. PPL DECC would assume CPED/MCDA's third position mortgage with the request principal amount of \$2,781. CPED/MCDA would forgive \$34,886 in principal and \$7,235 in accrued interest.

3320 4th Ave. S.

1. PPL DECC would assume Family Housing Fund's first position mortgage with a principal amount of \$7,651.
2. PPL DECC would assume CPED/MCDA's second position mortgage with a principal amount of \$84,735. CPED/MCDA would forgive \$113,792 in accrued interest.
3. PPL DECC would assume CPED/MCDA's third position mortgage with a principal amount of \$45,474. CPED/MCDA would forgive \$8,734 in accrued interest.

4. PPL DECC would assume MHFA's fourth position mortgage with a principal amount of \$26,640.

3144 Columbus Ave. S.

1. PPL DECC would assume Family Housing Fund's first position mortgage with a principal amount of \$10,647.
2. PPL DECC would assume CPED/MCDA's second mortgage with a principal amount of \$65,620. CPED/MCDA would forgive \$88,122 in accrued interest.
3. PPL DECC would assume CPED/MCDA's third position mortgage with a principal amount of \$20,466. CPED/MCDA would forgive \$3,931 in accrued interest.
4. PPL DECC would assume MHFA's fourth position mortgage with a principal amount of \$12,267.

3637 Columbus Ave. S.

1. PPL DECC would assume Family Housing Fund's first position mortgage with a principal amount of \$18,767.
2. PPL DECC would assume CPED/MCDA's second position mortgage with a principal amount of \$83,055. MCDA would forgive \$111,536 in accrued interest.
3. PPL DECC would assume CPED/MCDA's third position mortgage with a principal amount of \$57,734. CPED/MCDA would forgive \$11,089 in accrued interest.
4. PPL DECC would assume MHFA's fourth position mortgage with a requested principal amount of \$80,444, secured against all addresses; no interest. The remaining principal balance of \$343,183 is forgiven and satisfaction filed.
5. The fifth mortgage held by CPED/MCDA with a principal amount of \$253,000 and accrued interest in the amount of \$104,679 is forgiven and lien satisfied.

Aggregate summary of all DECC settlements and transactions:

Family Housing Fund will forgive \$166,725 in accrued interest and will satisfy the existing mortgages on Elliot Avenue Apartments and Central Neighborhood. Finally, Family Housing Fund will secure \$215,000 of debt to be repaid by filing new mortgages on all PPL DECC LLC property.

CPED/MCDA will forgive \$1,114,065 in principal and \$2,159,936 in interest, satisfying all of the existing CPED/MCDA loans. In return the CPED will secure a new mortgage of \$814,572 plus receive \$1,720,555 in debt repayment by filing new mortgages on all PPL DECC LLC property.

MHFA will forgive \$343,183 in principal and will satisfy the existing mortgage on Central Neighborhood Apts. Finally, MHFA will file a new mortgage for \$119,351 on all PPL DECC LLC property.

Finally at the time of the sale of PPL DECC LLC real estate, the Seller will accept a note from the Buyer for \$176,795 (the amount that the value of one of the properties exceeds its principal debt).

Please see Attachments A: PPL DECC Recapitalization and Attachment B: PPL DECC Recapitalization- Central Neighborhood Break-Out for more detail.

Recommendation:

CPED Staff recommends the authorization for the forgiveness of existing City subordinate financing in the amount of \$1,114,065 in principal and \$2,159,936 in accrued interest to PPL DECC, LLC in accommodation for the project's syndication and rehabilitation.

The above mentioned \$1,720,555 repaid to CPED will be returned to its original funding sources and used to foster future affordable housing projects.