



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

**Date:** March 3, 2015

**To:** Council Member Lisa Goodman, Chair, Community Development & Regulatory Services Committee

**Subject:** Project Analysis Authorization – Corcoran Triangle

**Request:** Direct and authorize staff to either 1) continue analysis of the Corcoran Triangle proposal to determine if tax increment financing (TIF) assistance is appropriate and justifiable, or 2) discontinue further TIF analysis for the project. If further directed analysis concludes TIF assistance is appropriate, then staff requests authorization to negotiate the terms and conditions of a redevelopment contract with Corridor Plaza, LLC or an affiliated entity; and prepare redevelopment and TIF plans for the project as needed. All such terms and conditions, plans, and other provisions would be subject to City Council review, discussion, and approval or denial.

**Previous Directives:**

- On February 16, 2010 – Approval of \$735,000 Affordable Housing Trust Fund loan.
- April 6, 2010, Authorization to submit Hennepin County TOD grant application in the amount of \$300,000.
- On July 24, 2012 – Authorization to submit LCDA –TOD grant applications to Metropolitan Council.
- On February 12, 2013 – Acceptance of \$505,000 LCDA-TOD grant from Metropolitan Council.
- On October 31, 2014 – Approval of additional \$415,000 from Affordable Housing Trust Fund loan.
- November 3, 2014 – Authorization to submit Hennepin County TOD grant application in the amount of \$200,000.

**Department Information**

Prepared by:	Shalaunda Holmes, Senior Project Coordinator, (612) 673-5266	
Approved by:	Andrea Brennan, Director, Housing Policy & Development	_____
	Charles T. Lutz, CPED Deputy Director	_____
	D. Craig Taylor, CPED Director	_____
Presenter in Committee:	Shalaunda Holmes, Senior Project Coordinator	

## **Financial Impact**

- If Project Analysis Authorization is approved by the Council, the developer will pay a project analysis fee in the amount of \$12,607 to cover the City's costs associated with the analysis of the application for TIF assistance.

## **Community Impact**

- Neighborhood Notification: The developer sent a letter to The Corcoran Neighborhood Association.
- City Goals: A Safe Place to Call Home; Livable Communities, Healthy Lives
- Sustainability Targets: Affordable housing production.

Minneapolis Comprehensive Plan contains the following relevant policy:

- *Policy 1.13: Support high density development near transit stations in ways that encourage transit use and contribute to interesting and vibrant places.*
- *Policy 2.2: Support successful streets and communities by balancing the needs of all modes of transportation.*
- *Policy 3.2: Support Housing Density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities.*
- *Policy 3:3: Increase housing that is affordable to low and moderate income households.*

This project also meets goals and expectations in the Hiawatha Lake Street Station Area Master Plan and the Corcoran Midtown Revival Plan.

Zoning Code: The site is currently an R5 zoning. The current zoning allow for the proposed use with a conditional use permit for a residential community facility for the nine long-term homeless units.

## **Supporting Information**

Corcoran Triangle will be located at 3120 24<sup>th</sup> Ave S. The project is a 135 unit, new construction housing development poised to revitalize the intersection of 32<sup>nd</sup> and Hiawatha, just one block south from Blue Line Lake Street Light Rail Transit (LRT) Station on a triangular vacant parcel. The developer is Corcoran Triangle LLC c/o Wellington Management Inc. The site currently owned by Corridor Plaza, LLC is a 2.78 acre parcel which is leftover right of way from the development of the Hiawatha Light Rail Line. This infill project demonstrates how transit oriented development can fit into uniquely shaped parcels that are often leftover as a result of right-of-way expansions or other infrastructure related impacts. The total square footage for the building is approximately 98,000 square feet.

The building will include individual apartment entrances at street level, common spaces and community spaces both indoors and out, an outdoor plaza area, storm water management demonstration area, tot-lot, outdoor seating, bicycle racks, a new roadway, sidewalks, bike path, native plantings and green spaces.

This transit oriented development will consist of affordable workforce housing made up of nine units at or below 30% area median income for those experiencing long-term homelessness and suffering from HIV/AIDS, 37 units at or below 50% area median income, and 89 units at or below 60% area median income. Clare Housing a nationally recognized service provider will provide support services for the long term homeless residents.

Corcoran Triangle is a four-story building with one level of underground parking that will have 98 spaces. There will also be 67 surface parking spaces. The project will be owned by Corcoran Triangle, LP.

**Project Financing Overview**

The estimated total development cost of the project is approximately \$24,576,770. Developer equity in the project includes deferring a portion of the developer fee of \$875,000. The developer has submitted an application to CPED staff for preliminary approval of Housing Revenue Bonds which carries automatic 4% low income housing tax credits. The tax credits will generate approximately \$6,847,770 of syndication proceeds which is equity to the project. The developer is requesting the issuance of bonds in the amount of \$13 million in Series A, B and C releases. Preliminary estimates of the Series A (NOI supported bonds) in the amount of \$10,188,000 will be secured by a first mortgage on the property. The Series B (TIF supported bonds) in the amount of \$1,510,000 will be secured by a TIF note. The Series C bonds in the amount of \$1,102,000 (24 month construction loan) will be paid back by tax credit syndication proceeds after construction. Pending Council approval of this Project Analysis Authorization request, staff will return to this Committee later this year with recommendations for final HRB approval and final TIF Plan.

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

<b>Program</b>	<b>Amount</b>	<b>Source</b>
Deferred Loan	\$1,850,000	Minnesota Housing
City Affordable Housing Trust Fund	\$1,150,000	City of Minneapolis
Deferred Developer Fee	\$875,000	Developer
Deferred Loan	\$500,000	Family Housing Fund
Hennepin County TOD	<u>\$500,000</u>	Hennepin County
<b>Total Funds Committed</b>	<b>\$4,875,000</b>	

The developer has submitted a request to Hennepin County for AHIF funding. This award announcement is expected in May 2015.

The total developer fee of \$1,880,000 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 \$1,710,000 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, 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.

If the 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.

### **Project Timeline**

The proposed timeline is as follows:

- Upon approval of the TIF PAA March 2015, consideration of redevelopment contract business terms and the creation of a TIF district. (3-4 months process)
- Consideration of preliminary approval of HRB entitlement bond in March 2015
- Consideration of Hennepin County AHIF award in April/May 2015
- Consideration of final approval of TIF Plan in Summer 2015
- Project closing and construction start in fall 2015
- Project completion in summer 2016

### **Preliminary Staff Analysis**

Based on a preliminary review to date, staff concludes that a) the Application for Public Financial Assistance is essentially complete; b) the project appears feasible, based on the preliminary information that the developer has submitted; and c) some level of public financial assistance appears to be justified. While the developer has completed an analysis of the maximum amount of tax increment that the proposed project could generate, staff has not yet verified the accuracy of these estimates nor determined what level of tax increment assistance is appropriate.

### **Project Analysis Fee**

If the Project Analysis Authorization is approved by the City Council, the developer will be assessed a nonrefundable project analysis fee of \$12,607. This fee amount is based on the estimated cost of staff time and other expenses up to the point in time when the request for public financial assistance is either approved or denied by the City Council. Acceptance by the City of the application or project analysis fee does not signify a commitment on the part of the City to grant approval of any requested public assistance. An additional fee may be required if the analysis of this project increases due to unanticipated complexity or if changes occur in the development.