

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 4/19/2016
Referral: N/A
From: Community Planning & Economic Development
Prepared by: Dollie Crowther, Principal Coordinator (x5263)
Presented by: Dollie Crowther
File type: Action
Subcategory: Loan

Subject:

Request for City debt modification for the Opportunity Housing Partnership (OHP) Preservation Project

Description:

Authorizing Opportunity Housing Partnership's request to forgive outstanding interest, approve interest rate reduction and extension of maturity dates for 38 years.

Previous Actions:

In 1992, the City Council approved funds from the Multi-family Rental and Cooperative Housing Program for a total of \$2,970,361 for the Opportunity Housing Partnership project.

On October 21, 2014, the City Council approved a loan of \$650,000 from the Affordable Housing Trust Fund (AHTF) for the Opportunity Housing Partnership Preservation project.

In July 2014 the City Council approved an allocation of 9% LIHTC for the project.

Ward/Address:

Ward 7/ Downtown West Neighborhood/ 706 1st Avenue No., 66- 12th Street So, 1801 LaSalle Avenue

Background/Analysis:

Opportunity Housing Partnership (OHP) was one of the first supportive SRO programs in the community and has operated successfully since 1992 as a community resource to end homelessness. This project was a response to the Minneapolis Hennepin County Task Force on single adults and families. It is considered a true success project for the homeless, operating for 24 years. The program goals center on maintaining housing stability and connecting residents to the community in order to access resources and develop support systems. OHP offers permanent homes with on-site support services and includes three (3) buildings in downtown Minneapolis, The Lamoreaux, Continental and Coyle. All 3 properties house formerly homeless individuals. The properties were built between 1910-1920. The Lamoreaux is a 34 unit building, elevator equipped, six story building located directly across from the south of Target Center. There is a commercial tenant on the first level -O'Donovan's Pub Restaurant, who has occupied this space for 18 years. The Coyle is a 26 DU walk up, 3 story apartment above ground with a half-story garden level. The Continental is seventy units, elevator equipped and has 6 full stories and a half story garden level. It is in close proximity to St. Thomas University. Both the Lamoreaux and the Continental have a front desk that is staffed 24 hours a day.

The project works to preserve the Section 8 Project Based (PBA) subsidy that has provided affordable homes to residents most in need. The developer, Aeon Homes, works with Simpson Housing services to administer Group Residency Housing (GRH) funding with Resource Inc.'s Community Mental Health and Hennepin County. These organizations provide necessary services for homeless, long term homeless and very low income individuals into permanent housing.

OHP currently contains 130 apartment homes. After much internal analysis, input from funders, experience operating the properties and a consideration for the best way to continue to serve the homeless, Aeon opted to reconfigure the Lamoreaux and Continental to provide units with private kitchens and bathrooms, while maintaining the same level of supportive services on site. At present, the residents share 2 community kitchens and 12 apartments share 4 bathrooms. With the reconfiguration, there will also be increased space made available for supportive services. The rehabilitation will decrease the amount of units to 116. This change will also allow four one bedroom units at the Continental which will give preference to couples. The project receives an operating subsidy from MHFA and for 23 years has received a subsidy from the County. Aeon, in collaboration with Simpson Housing Services receives Specialized Choice GRH Supportive Housing Initiative grant funds to hire a mental health case manager who provides important supportive services to residents, even those in Section 8 PBA.

AHTF's in the amount of \$650,000 was approved in 2014 and 9% tax credits (both from MHFA and the City of Minneapolis) with a value of approximately \$11M was approved to assist with the substantial rehabilitation, which includes updates to mechanical, building operating systems, new windows, community space improvements and the reconfiguration of the Lamoreaux.

The project also has State and Federal Historic tax credits which represent approximately \$2.58M in additional equity to the project. OHP has several outstanding loans from MCDA, FHF and the City of Minneapolis. Aeon has approached all the lenders to assist with restructuring the debt. OHP has 2 existing loans with CPED. In the proposed request for debt modification, CPED would forgive all outstanding interest and reset the debt at 0% on the remaining principal balance of the loan. The term for the assumed debt will be extended for 38 years. The new debt will be for 30 years. The City's outstanding debt is presently \$2,970,361 which does not include the interest of approximately \$649,737. To reduce the debt not to exceed the current appraised value, Aeon has agreed to a principal pay down of the CPED assumed debt of \$95,000 to be paid at closing. This refinance is required because the acquisition of the project is based upon the balance of the outstanding debt from all the lenders and an independent appraisal commissioned by the State. The appraisal quoted the acquisition cost at \$3.2M. The assumed debt cannot exceed this amount. To assure the refinance occurs, the FHF has agreed to forgive all the interest of \$1,332,206 on their loan. The principal amount of \$351,378 will be repaid. The FHF loan had an interest rate of 6.89% and was secured in 1992. Per MHFA, the interest on the two existing MHFA loans will be forgiven and MHFA has agreed to forgive \$100,000 of their principal debt. MHFA assumed debt will be \$325,000. The loans and terms are listed below.

	Current Debt*					Proposed Debt				
	Principal	Interest	Total	Interest Rate	Maturity	Principal	Interest	Total	Interest Rate	Maturity
Aeon	\$15,844	\$1,848	\$17,692	2.80%	multiple	-	-	-	-	-
CPED	\$2,230,000	\$523,715	\$2,753,715	1.00%	11/15/2031	\$2,135,000	\$0	\$2,035,000	0.00%	12/31/2052
CPED	\$740,361	\$126,022	\$866,383	1.00%	11/15/2031	\$740,361	\$0	\$740,361	0.00%	12/31/2052
FHF	\$351,378	\$1,332,206	\$1,683,584	6.89%	06/29/2022	\$0	\$0	\$0	0.00%	-
MHFA	\$225,000	\$52,875	\$277,875	1.00%	03/06/2022	\$125,000	\$0	\$125,000	0.00%	12/31/2052
MHFA	\$200,000	\$47,000	\$247,000	1.00%	06/29/2022	\$200,000	\$0	\$200,000	0.00%	12/31/2052

Total	\$3,762,583	\$2,083,666	\$5,846,249	\$3,200,361	\$0	\$3,200,361
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New debt and proposed modification debt is being projected out for 37 years. The new deferred debt will be Hennepin County, MHFA and CPED for a total of \$3,395,361. (See attached Project Data Worksheet).

Financial Review:

No additional appropriation required, amount included in current budget.

The report recommends approximately \$649,737 of interest forgiveness based upon a final amount set at time of closing ; reset the debt at 0% and extension of the term for 38 years.

Attachments:

1. Project Data Worksheet