

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

Date: February 15, 2011

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

Subject: Holden Building - Public Hearing and Request for Preliminary Approval of up to \$15.3 million in Tax Exempt Multi-family Housing Entitlement Revenue Bonds

Recommendation: Adopt the attached Resolution giving Preliminary Approval of up to \$15.3 million in Tax-Exempt Multi-family Housing Entitlement Revenue Bonds for the Holden Building Multi-Family Housing project.

Previous Directives: None

Prepared by: Tiffany Glasper, CPED Senior Project Coordinator (612) 673-5221

Approved by: Charles T. Lutz, CPED Deputy Director

Thomas A. Streitz, Director, Housing Policy & Development

Presenter in Committee: Tiffany Glasper

Financial Impact

- The project will generate semi-annual administrative fees.

Community Impact

- Neighborhood Notification – The North Loop Neighborhood Group supports the development proposal and has been notified that this report is being considered by the City Council.
- City Goals: A Safe Place To Call Home; Eco-Focused; Many People, One Minneapolis; Jobs & Economic Vitality; Livable Communities, Healthy Lives; A City That Works
- Sustainability Targets: Affordable Housing Units – new construction.
- Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.11 Minneapolis will improve the availability of housing options for its residents.
- Zoning Code: The proposed development complies or will comply with the zoning code.

Supporting Information

North Loop Historical Partners, LLC is proposing to purchase The Holden Building, a 7-story warehouse building with conjoined single story annex, containing approximately 184,000 square feet on a .70 acre site, located at 607 Washington Avenue North. The building was originally established in 1912 (main building) and

1937 (annex) and has been classified as an historic structure. The building has historically been occupied by retail and light industrial uses and has been vacant for the last seven years.

The annex building is being purchased, financed and redeveloped separately from the housing portion of the project. It is proposed to contain a retail/commercial component that will likely include a neighborhood bar/restaurant.

The proposed project consists of redevelopment as 120 units of rental housing and 92 stalls of enclosed parking occupying the main building. There will be 86 stalls of underground and at-grade parking and an additional six stalls on the site. The rental units will consist of sixty one-bedroom units and sixty two-bedroom units with 20% of the total units (24 units) affordable at or below 60% MMI, which would be consistent with the City's requirement if the proposed changes to the Affordable Housing Policy are approved.

The proposed development also includes approximately 5,000 square feet of frontage along Washington Avenue for leasing and management offices and a workout facility.

No demolition is proposed; the original building will be retained and rehabilitated.

The Historic Preservation Commission (HPC) is requiring an additional 3,000 square feet of space along 7th Avenue be occupied. This elevation has no windows except for transom windows which are approximately 8' off the ground. The developer has identified a tenant for this space. Additionally, the HPC is requiring the windows facing the alley to be rebuilt, that any newly installed brick façade match the existing brick, retain the loading docks "as is" and not alter them with stairs or ramps. The developer is also being required to minimize work and damage around the "ghost sign" along the affected elevation. All doors along the first level will be replaced with matching product and the commercial frontage along Washington will all be replaced with store front glass as originally detailed. The front entry of the building will be re-opened at the original location.

Financing Information

The total development cost (TDC) of the project is estimated at \$25.9 million. To date, no funds have been approved for the project. The developer has submitted an application to HUD seeking insured first mortgage funding for the project. An approval is expected within the next 90 days.

The project is also eligible for Federal Historic Tax Credits and State Historic Tax Credits and the developer is in the process of applying for these two sources of funds. We expect Federal Historic Tax Credits in the amount of \$3,751,532 and State Historic Tax Credits in the amount of \$3,668,165.

North Loop Historic Partners, LLC has now submitted an application for housing entitlement revenue bond (HRB) financing and is requesting the issuance of up to \$15.3 million in tax-exempt housing revenue bonds from the City's 2010

entitlement allocation. The bonds are expected to be issued in Series A bonds only. The bonds are proposed to be credit-enhanced by HUD. The use of housing entitlement revenue bonds also automatically includes the availability of 4% low income housing tax credits, which in this case are expected to generate \$2,767,315 in syndication proceeds.

Assuming the funding mentioned above is approved as requested, the Holden Building project will leverage about \$24 million in non-local funding sources. These sources represent about 95% of the combined total development cost (TDC) of \$25.9 million. Further analysis of the financing of the project shows that public funding makes up approximately 5 % of the total development cost and private funds make up the remaining 95%.

Please refer to the attached Project Data Worksheet for information on proposed funding sources.

The developer has proposed a total developer fee of approximately \$2.3 million that represents 8.8% of the total development cost, which is in compliance with the CPED Housing Developer Fee Policy.

The current status of the 2010/2011 HRB Entitlement allocation is shown below.

HRB Entitlement	\$120,608,911
Riverside Plaza	(\$69,950,000)
Holden BLDG.	(\$15,043,601)
Balance	\$ 35,615,310
Year 2011 Allocation	\$ 45,326,000
Available HRB Remaining	\$ 80,941,310

Bond Purchaser/Underwriter	HUD
Bond Counsel	Kennedy & Graven
Council Member Informed	Yes, Ward 5

Attachments

- Project Data Worksheet
- Site Plan and Building Elevations
- Resolution