



**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: September 28, 2004

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Theresa Cunningham, Project Coordinator, Phone 612-673-5237

Presenter in Committee: Theresa Cunningham, Project Coordinator

Approved by: Elizabeth J. Ryan, Interim Director, Housing Policy & Development _____

Subject: Revised Terms for Debt Restructuring for the Homewood Apartments Project at 1239 Sheridan and 1240 Thomas Avenue North

RECOMMENDATION: Request approval to change the terms of debt restructuring for the Homewood Apartments Project to shorten the term and increase the interest rate **tied** to the Applicable Federal Rate (AFR)

Previous Directives:

- On August 6, 2004, the City Council approved debt restructuring for the Homewood Apartment Project to extend the term to 30 years and lower the interest rate to 1% simple interest.
- This project has also received approval of funding in prior years from the City Council/MCDA Board of Commissioners

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 5

Neighborhood Notification: Northside Residents Redevelopment Council (NRRRC), the City recognized neighborhood representative organization, is co-owner of the Homewood Apartments and a partner in the proposed renovation project.

City Goals: Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

Comprehensive Plan: 4.91 Minneapolis will grow by increasing its supply of housing. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

Zoning Code: Complies

Living Wage/Job Linkage: N/A

Background/Supporting Information

The MCDA currently holds three outstanding notes on the referenced properties. Two of the existing MCDA notes at Thomas and Sheridan Homewood Apartments reached their maturity dates in 2001. The third note has a current maturity date of June 27, 2024.

The developer is requesting approval for the newly created limited partnership, Homewood Limited Partnership (HLP) to 1.) assume the first two notes which total \$812,024 plus accrued interest and modify the interest rate and term, and 2.) assume the third note (\$99,959 plus accrued interest) with no changes to the terms. HLP estimates the total amount due on each loan as of an October 15, 2004 estimated closing date to be as follows:

Outstanding Mortgages/Positions & Terms	Original Principal	Current Rate	Estimated Accrued Interest	Estimated Total Principal and Interest
1240 Thomas (2 nd mortgage, 12/86 - 2/14/01)	\$407,995	3%	\$219,412	\$627,407
1239 Sheridan (3 rd mortgage, 12/92 - 2/14/01)	\$404,029	3%	\$225,878	\$629,907
1239 Sheridan (4 th mortgage, 10/94 - 6/27/2024)	\$99,959	1%	\$9,947	\$109,906
Total	\$911,983		\$455,237	\$1,367,220

HLP is proposing that the first two loans be assumed and combined into one note with a principal amount equal to the total outstanding principal balance and any accrued

interest as of closing, estimated to be approximately \$1,257,314. The new terms requested are a simple interest rate of 2% or more, depending on the current Applicable Federal Rate (AFR) for long-term debt in the month of October (the anticipated closing month), and a term of sixteen (16) years. The third loan would be assumed by HLP with no modification of the terms.

The City had previously approved the restructure of the first two loans with terms of 1% simple interest and a thirty (30) year term. The developer is now requesting a higher interest rate and shorter term to accommodate the underwriting requirements of the tax credit deal. The net effect to the City is an increase in interest due at maturity of approximately \$25,000 with a shorter term of sixteen (16) years instead of thirty (30) years.

Attachment – Project Data Worksheet