

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

Date: January 19, 2010

To: Council Member Lisa Goodman, Chair
Community Development Committee

Subject: Alliance Housing's Scattered Site Rehab removal of 2103 2nd Avenue South from the rehab project funded in part by the \$300,000 loan from the 2007 Affordable Housing Trust Fund

Recommendation: Receive and file

Previous Directives:

a) In February, 2008, the Council received the Metropolitan Council Livable Communities Local Housing Incentives Account (LHIA) grant of \$193,000 for Alliance Scattered Site rehab project and authorized staff to execute the related funding agreements.

a) In September, 2008, the Council approved revising the 2007 Affordable Housing Trust Fund Alliance Housing's Scattered Site Rehab project by removing 1844 E. 26th St. from the rehab scope of work and replacing it with 3037 Oakland Ave., and authorized the execution of the necessary documents for the AHTF loan.

b) In December 2007, the Council approved a \$300,000 loan from the Affordable Housing Trust Fund to Alliance Housing Inc. and \$30,000 non-profit admin funds to rehab eight scattered site buildings totaling 28 units.

Prepared by:	Matt Goldstein, Senior Project Coordinator, 612-673-5075
Approved by:	Tom Streitz, Housing Director _____ Wesley Butler, Manager, CPED Multifamily Housing _____
Presenters in Committee:	Matt Goldstein, Senior Project Coordinator

Financial Impact

- No financial impact
- Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

Neighborhood Notification- The official neighborhood organizations representing the area in which the property is located reviewed the rehab project prior to the 2007 AHTF award. The June 26, 2007 review by the Central Area Neighborhood Development

Organization of the rehab included the 3037 Oakland Ave. property even though this property was not included in the 2007 AHTF application.

City Goals – In five years all Minneapolis residents will have a better quality of life and access to housing and services.

Sustainability Targets – The proposed projects meet the affordable housing targets.

Comprehensive Plan – 4.9: Minneapolis will grow by increasing its supply of housing; 4.11:

Minneapolis will improve the availability of housing options for its residents.

Zoning Code – All projects being recommended either comply or will comply with the zoning code.

Supporting Information

To preserve existing affordable housing units, in 2007, the Council approved a \$300,000 loan from the Affordable Housing Trust Fund (AHTF) for Alliance Housing Inc. and \$30,000 of non-profit admin funds to rehab and stabilize eight scattered site properties totaling 28 units. In 2008, the Council approved removing the 1844 – 26th St. E. property from the AHTF award and replacing it with a comparable property (3037 Oakland Ave.) to facilitate the sale of 1844 – 26th St. E. Little Earth of United Tribes.

One of the eight scattered site properties (2103 2nd Ave. S.) is in the Washburn-Fair Oaks historic district. On April 14, 2009, the City Heritage Preservation Commission (HPC) reviewed components of the rehab scope of work for this building (application references are BZH 25805 and BIRE 3060853) and found on that the double-hung (non-lead) windows could be replaced rather than repaired. This decision was based in part on information provided by the owner's architect in their HPC application and presented at the April 14, 2009 meeting. The letter in Attachment A collects the presentation notes from that meeting and indicates that using new windows with a similar visual design as the old ones were more cost effective and energy efficient. The architectural plans were updated to reflect the conditions of the HPC review, the bidding process has been completed consistent with AHTF policy, and a general contractor has committed to the eight building rehab project.

Because the AHTF award involves federal CDBG funds, the rehab scope of work and the City HPC approval information were provided to the State Historic Preservation Office (SHPO) as part of the Environmental Assessment that is required before HUD will release the CDBG funds for this rehab.

In a letter dated October 21, 2009 and included in Attachment B, SHPO disagrees with the City HPC approval and is requiring that the existing windows be repaired rather than replaced. Attachments C and D contain letters that describe the basis for the HPC decision. Since SHPO has not changed its position, the owner has requested that the 2103 2nd Ave. S. property be removed from AHTF award as described in Attachment E.

Changing the City's definition of this project from eight to seven buildings and removing the 2103 2nd Ave. S. property from the AHTF award achieves several objectives. First, it enables the HPC decision to be implemented by eliminating the need for SHPO to review and comment on the plans for 2103 2nd Ave. S. The rehab plans that are consistent with the HPC review could then be implemented. Second, this change enables the entire eight building rehab project to continue with the previously completed bidding process, which preserves the competitive construction pricing and keeps the construction on the fastest schedule. The general contractor that submitted the lowest

responsive bid has agreed to split the accounting for this project into two separate projects (one seven building project and the 2103 2nd Ave. S. project). Third, the other funders are working to make complimentary shifts in their pledged funding to deliver the entire eight building (28 unit) project as contemplated in the bidding process.

Staff has discussed this approach with HUD and the other funders. HUD indicated that this would be acceptable as long as all of the AHTF documents have no references to the property that will be removed from this award. Minnesota Housing Finance Agency and Hennepin County staff indicated that their awards could be shifted in a complimentary manner that directs more of their pledged funding from the seven buildings into the 2103 2nd Ave. S. property.

The owner's consultants with the assistance of their general contractor have split the approved project budget into two separate projects. The costs in Attachment F simply summarize those costs that are only associated with the seven-building project and remove those costs that are related to the 2103 2nd Ave. S. property, the costs from the bidding process remain unchanged. The costs in the updated project data worksheet in Attachment F comply with the City's established underwriting standards for the 21 unit, seven building project.

In February, 2008, the Council received the Metropolitan Council Livable Communities Local Housing Incentives Account (LHIA) grant of \$193,000 for Alliance Scattered Site rehab project and authorized staff to execute the related funding agreements. Because the project definition is changing for the AHTF award, it is necessary to amend the LHIA funding agreement to be consistent with the AHTF award. The amended LHIA agreement will split the project into two projects for accounting and project management purposes, one seven building project and a separate project for the 2103 2nd Avenue South property.

Attached to this report is the following:

- A. October 28, 2009 memo from the owner's architect Cermak Rhoades summarizing the presentation notes for the City HPC meeting and describing the need to replace rather than repair some windows
- B. October 12, 2009 SHPO review letter
- C. October 29, 2009 letter from the owner's consultant Broen Housing Consultant responding to the SHPO review letter
- D. November 3, 2009 letter from Intergovernmental Relations-Office of Grants & Special Projects responding to the SHPO review letter
- E. November 5, 2009 letter from the owner's consultant Broen Housing Consultant requesting the removal of the 2103 2nd Avenue South property from the AHTF award
- F. Updated Project Data Worksheet for Alliance Scattered Site seven building project