



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

Date: January 18, 2005

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Jerry LePage, Phone 612-673-5240

Presenter in

Committee: Jerry LePage, Project Coordinator

Approved by: Elizabeth Ryan, Director of Housing Policy & Development _____

Subject: Revision in the Rent Restrictions for the Paige Hall Housing Project
(727 5th Avenue South) - Central Community Housing Trust

RECOMMENDATION: Approval of a proposed revision in the rent restrictions for Paige Hall related to the previously approved funding from the Affordable Housing Trust Fund.

Previous Directives: On December 19, 2003, the City Council approved a loan of up to \$500,000 for Paige Hall project for the Central Community Housing Trust from the Affordable Housing Trust Fund and up to \$30,000 in Non-Profit Administrative funds.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- 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

Ward: Seventh.

Neighborhood Notification: Neighborhood group review has occurred for each of the proposals being recommended for funding.

City Goals: Complies with Goal 2, Strategy A, to preserve and expand the number of affordable housing units throughout the City.

Comprehensive Plan: Project complies.

Zoning Code: Project complies.

Living Wage/Job Linkage: Not applicable.

Affirmative Action Compliance: Projects will comply.

Other:

Background/Supporting Information

The Paige Hall project, which is located at 727 5th Avenue South, was among the first tax credit projects in the nation and has now come to the end its tax credit compliance period. The building was built in 1928 by the Women's Christian Association and served as a dormitory for young women until it closed in 1986. In 1988, it was acquired and rehabilitated by the Paige Hall Limited Partnership, whose general partner is the Central Community Housing Trust (CCHT). Paige Hall has 69 units, consisting of 51 efficiencies/studios and 18 one-bedroom units.

In the fall of 2003, CCHT submitted an application for City assistance in response to the 2nd round Affordable Housing Trust Fund (AHTF) RFP. In December 2003, the City Council approved \$500,000 in assistance for Paige Hall in the form of a 30-year, 1% interest, deferred loan for the purpose of updating the building systems and doing some remodeling & appliance replacement in the units and common areas. CCHT has also received approval of \$284,000 in funding from MHFA and \$200,000 from the Family Housing Fund (FHF). A Project Data Worksheet is attached as **Exhibit 1**, which outlines the sources and uses for this project.

The Paige Hall project also has an existing deferred City loan of approximately \$2.2 million that was originated in July 1988, based on a 40-year term and 1% interest. This loan will remain in place on the current terms. This financing required that all 69 units be affordable at or below 50% of MMI, and none at or below 30% of MMI. Currently, there are no other mortgages on the property and no amortizing debt.

The AHTF proposal submitted by CCHT in late 2003 assumed that 48 of the 69 units would be affordable at 30% of MMI and that the remaining 21 units would be affordable at 50%. However, upon further analysis of recent cost and revenue trends, CCHT is requesting a revision of these rent restrictions to 35 units at 30% of MMI and 34 units at 50%. In the attached letter (**Exhibit 2**), CCHT is requesting this change to create more flexibility in the rent structure and to provide long-term financial viability. Without project-based Section 8 rent assistance, it is very difficult for a project like this to maintain a large number of units in the long term with affordability at the 30% level. However, even with this revision, Paige Hall will still have all of its units affordable, some at the 30% level (35 units) and some at the 50% level (34 units).

CCHT's current request only deals with this change in the affordability structure of the project. CCHT is not asking for any additional City funding. The \$500,000 from the City Affordable Housing Trust Fund, along with the MHFA and the FHF funds, are sufficient for the project to proceed. MHFA and the FHF also support this proposed change in the project's rent restrictions.