



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

Date: February 3, 2004

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: Lee Pao Xiong, Director, CPED Housing Division _____

Subject: Project Analysis Authorization – Many Rivers West Housing Project

RECOMMENDATION: Approve a Project Analysis Authorization to allow staff to: 1) evaluate the Many Rivers West development proposal, TIF application, and housing revenue bond application; 2) negotiate the terms and conditions of a redevelopment contract with a limited partnership with the American Indian Housing Community Development Corporation (AIHCDC) as the general partner; and 3) prepare redevelopment and TIF plans for this project, subject to final determination of project eligibility, required reviews, public input, notices and hearings.

Previous Directives: On October 13, 2000, the City Council granted preliminary approval of housing revenue bonds for the entire Many Rivers housing project, which was divided into two phases: Many Rivers East (1st Phase) and Many Rivers West (2nd phase). On July 6, 2001, the MCDA Board approved a total of \$987,682 in MCDA Multifamily funds for the Many Rivers project, including both phases. On July 13, 2001, the City Council approved the acceptance of a \$200,000 Local Housing Initiatives Account (LHIA) grant from the Metropolitan Council for Many Rivers West. On July 27, 2001, the City Council approved the allocation of \$200,000 in Empowerment Zone funds for Many Rivers West.

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: Sixth

Neighborhood Notification: The Ventura Village organization has been notified that this report on the Many Rivers West project will be considered by the City Council.

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: Minneapolis will increase its housing that is affordable to low and moderate income households (Section 4.10), and improve the availability of housing options to all of its citizens.

Zoning Code: The site is currently zoned C-2, which permits the proposed development. The developer will be submitting an application for Site Plan Review and the necessary conditional use permits.

Living Wage/Job Linkage: NA

Other:

Background/Supporting Information

Many Rivers was originally proposed by the American Indian Housing & Community Development Corporation (AIHCDC) as a multi-phased, 76-unit housing project that would be located on East Franklin Avenue on the 1500 block (East Site, Phase 1) and the 1400 block (West Site, Phase 2). The total Many Rivers development would consist of two new four-story mixed-use buildings on these two blocks, with a total of 76 rental apartment units. The 50-unit Many Rivers East project closed in June 2002, and was completed August 2003, and is now 100% occupied. AIHCDC is now ready to proceed with the development of the Many Rivers West project, which will include 26 housing units and approximately 5,500 square feet of commercial space (see attached Project Data Sheet). An architectural rendering of the Many Rivers West is also attached to this report.

Development Proposal

The Many Rivers West site consists of a vacant duplex (1915 14th Avenue) and a vacant commercial building (1400 East Franklin) owned by AIHCDC, and a vacant parcel owned by the City (1404-1410 East Franklin). The site is irregular in shape with approximately 28,600 square feet, including an east-west alley to be vacated.

The developer has submitted an Application for Public Financial Assistance for the use of tax increment financing, and also an application for housing revenue bond assistance. Staff has analyzed the eligibility of the Many Rivers West as a tax increment district and found that it does not meet the test for a TIF Redevelopment District since there are only two structures on this site. To qualify as a redevelopment district, 70%

percent of the parcels in the TIF district area need to be occupied by buildings or improvements, and more than 50% of the buildings must be structurally substandard to the degree requiring substantial renovation or clearance. However, since this is a mixed-income housing project, it meets the requirements for a Housing TIF District.

It is estimated that the Many Rivers West project will generate an annual tax increment of approximately \$25,000. The City would issue a pay-as-you-go TIF note to the developer for approximately \$337,000 that would be used in addition to rental revenue to amortize the proposed housing revenue bonds, which will be purchased directly by US Bank. The housing revenue bonds would come from the City 2003 Entitlement allocation, and would also include the automatic 4% low-income housing tax credits (LIHTC). The term of the TIF district will be the maximum statutory term of 25 years, with any excess increment contributed to the City's Affordable Housing Trust Fund.

AIHCDC has also received commitments of \$450,000 from MHFA's Minnesota Affordable Rental Investment Fund (MARIF) program and \$224,400 from Hennepin County's Affordable Housing Investment Fund. The developer has also obtained a reservation for three project-based Section 8 units.

Proposed Sources and Uses

The preliminary sources and uses are shown below.

Uses:

| | |
|------------------------|----------------|
| Acquisition/demolition | \$ 453,300 |
| Construction | 3,907,791 |
| Architect/engineering | 163,700 |
| Legal | 40,000 |
| Developer fee | 244,880 |
| Finance costs | 290,206 |
| Reserves | 220,216 |
| Other soft costs | <u>350,000</u> |
| Totals | \$5,670,093 |

Sources:

| | | |
|-------------------------------------|----------------|-----------|
| Housing revenue bonds: | | |
| Supported by project revenues | \$2,453,004 | |
| Estimated pay-go TIF note | <u>337,489</u> | |
| Total housing revenue bond amount | \$2,790,493 | |
| LIHTC syndication – investor equity | 1,023,657 | |
| Hennepin County AHIF | 224,400 | Committed |
| Met Council LHIA | 200,000 | Committed |
| Empowerment Zone | 200,000 | Committed |
| MHFA MARIF | 450,000 | Committed |
| City Multifamily funds | <u>781,543</u> | Committed |
| Total Sources | \$5,670,093 | |

Unit Breakdown/Affordability

Many Rivers West will have six 1-bedroom units, six 2-bedroom units, and fourteen 3-bedroom units, with the following rents and affordability levels.

| <u>Unit Type</u> | <u># Units</u> | <u>Sq. Ft.</u> | <u>Gross Rents</u> | <u>% of MMI</u> |
|------------------|----------------|----------------|--------------------|-----------------|
| One bedroom | 4 | 608 | \$719 | 50% |
| One bedroom | 2 | 608 | \$756 | Market |
| Two bedroom | 4 | 837 | \$862 | 50% |
| Two bedroom | 2 | 837 | \$942 | Market |
| Three bedroom | 3 | 1,087 | \$1,165 | 30% |
| Three bedroom | 8 | 1,087 | \$1,165 | 60% |
| Three bedroom | <u>3</u> | 1,326 | \$1,310 | Market |
| Total units | 26 | | | |

Since there will be 11 units at or below 50% of MMI, the project complies with the City Affordable Housing Policy, which would require at least 6 units (i.e. 20% of 26).

Project Analysis Fee

If a Project Analysis Authorization is granted, the developer will be assessed a Project Analysis Fee project based on the level of analysis required. At this point, staff estimates that this fee will be approximately \$5,000.

Projected Timetable

The following is a tentative timetable for the Many Rivers West project.

- Project Analysis Authorization considered by the City Council Feb. 13, 2004
- CD Committee considers: final HRB approval, redevelopment contract business terms, sale of City land, and the creation of redevelopment project and TIF District April 6, 2004
- Final approvals by City Council April 16, 2004
- Project closing/construction start June 2004