

Request for City Council Committee Action

Date: April 8, 2002

To: Community Development Committee
Ways & Means / Budget Committee

Prepared by: Carsten Slostad (Phone 673-5150)

Approved by: Robert D. Miller, Director _____

Subject: Affordable Housing Fund Awards

Summary of the Request: The CD Committee approved the appropriation of the funds for the Affordable Housing Reserve Fund on February 21, 2002 and the City Council on March 1, 2002. The request is to allocate the appropriated funds for the specific projects approved by the NRP Policy Board. The attached information identifies the proposals submitted, the results from the review process and the amount reserved for each of the approved projects.

Recommendation:

1. Allocate funds appropriated on March 1, 2002 to the NRP Affordable Housing Reserve Fund to the affordable housing projects identified in this report.
2. Refer this report to the MCDA Board of Commissioners for authorization of the appropriate MCDA officers to enter into any contracts or agreements necessary to implement this action.

April 8, 2002

The Honorable Lisa Goodman, Chair
Community Development Committee
Minneapolis City Council
315 City Hall
Minneapolis, Minnesota 55415

The Honorable Barbara Johnson, Chair
Ways and Means Committee
Minneapolis City Council
315 City Hall
Minneapolis, Minnesota 55415

Re: Affordable Housing Reserve Fund Awards

Dear Chairperson Goodman:

At its meeting on March 25, 2002 the Neighborhood Revitalization Policy Board approved and authorized funding for seven affordable housing projects. The funding for these projects will come from the \$4 million NRP Affordable Housing Reserve Fund appropriation that the Minneapolis City Council approved on March 1, 2002. The information attached to this report is provided for your committee to receive and file and for your information. The request is that the City Council allocate these funds to the identified projects, refer these to the MCDA Board of Commissioners and authorize the appropriate City and MCDA officers to execute any needed contracts to implement this action.

At the January 28, 2002 meeting, the Policy Board adopted a resolution to proceed with reviewing the responses to the first affordable housing RFP. This review had been placed on hold in July 2001 until it was clear that funds would be available for any projects that were approved.

Based upon this resolution, staff convened a technical review team consisting of Steve Peacock from LISC, Cecile Bedor from the Metropolitan Council, Carol Stinar from Hennepin County, Hilary Watson from the City of Minneapolis Planning Department and Cynthia Lee of the MCDA. Joe Horan from NRP provided staff support. The members were selected for their knowledge of development, financing and city housing needs.

As part of the review process, NRP contacted all ten (10) of the teams that submitted proposals to offer them the chance to update their submission. A letter was sent requesting this update on January 29, 2002 (the day after the action by the Board) and the deadline for updates was set as February 7. The AHRF Technical Review Team began meeting immediately to review the criteria approved by the Board and develop their review process.

The Honorable Lisa Goodman

The Honorable Barbara Johnson
April 8, 2002
Page 2

The first steps were to examine each proposal and identify questions that Team members had about the original or updated submission. Then, each submitting developer was invited to a 30 minute meeting with the AHRF Technical Review Team to clarify information in the application. These meetings were held on March 6 and 7. Based on the information in their submission and the responses at the interviews, the review team began evaluating each proposal.

After reviewing the submissions, one (Urban Village) did not qualify because it did not address the affordable housing target level in the RFP. A second (the 17th Street Development) did not score the minimum of 25 points required in sections A and B combined. The Ventura Village Carriage House Program also did not receive the minimum of 25 points for section A and B combined and did not meet the minimum required overall score of 70 points. The remaining seven proposals were identified as worthy of support and the AHRF Technical Review Team recommended that they be funded at the levels included in the attached reviews of each proposal.

The attached materials show the ratings of the AHRF Technical Review Team for each proposal, by individual criteria, and a summary of each submission. The summary contains the characteristics of each submission, a brief narrative description of the project, the strengths and weaknesses identified by the review team and the amount of AHRF funds recommended.

On March 25, 2002 the Policy Board passed the following resolution:

RESOLVED: That the Minneapolis Neighborhood Revitalization Policy Board (Board) hereby approves the recommendations of the Affordable Housing Reserve Fund Technical Review Team for the use of \$ 3,994,000 of NRP program funds from the Affordable Housing Reserve Fund; and

RESOLVED FURTHER: That these funds be awarded to the following projects, contingent upon their being able to comply with all appropriate regulatory requirements and close on the project no more than eighteen (18) months from the date of this approval:

- \$1,000,000 to the Jeremiah Program for its project at 1510 Laurel Avenue
- \$ 624,000 to the Volunteers of America for its Senior Housing project at 1900 Central Avenue N.E.
- \$ 555,000 to Community Housing Development Corp. for its Olson Town Home project at 501 Girard Terrace
- \$ 515,000 to Sherman Associates for Phase I of East Phillips Common at 29th and Bloomington Avenue S.

The Honorable Lisa Goodman

The Honorable Barbara Johnson
April 8, 2002
Page 3

- \$ 360,000 to Powderhorn Residents Group for the Village in Phillips project at 24th and Bloomington Avenue S.
- \$ 400,000 to the Central Community Housing Trust for the Lamoreaux project at 706 1st Avenue N.
- \$ 490,000 to the Brighton Development Corp. for its Lofts on Arts Avenue at 18th St. and 3rd Avenue S.

RESOLVED FURTHER; That the Board authorizes the Director to request: 1) that the City Council allocate the funds appropriated by the City Council on March 1, 2002 for the NRP Affordable Housing Reserve Fund for these specific projects; and 2) that the City Council and the MCDA Board of Commissioners authorize the appropriate City and MCDA officers to execute any needed contracts to implement this action.

Pursuant to this resolution, I make the following recommendations for consideration by your committee:

RECOMMENDATION:

1. Allocate funds appropriated on March 1, 2002 to the NRP Affordable Housing Reserve Fund to the affordable housing projects identified in this report.
2. Refer this report to the MCDA Board of Commissioners for authorization of the appropriate MCDA officers to enter into any contracts or agreements necessary to implement this action.

Sincerely,

Robert D. Miller
Director

Jeremiah Program								
Funding Recommendation	1,000,000.00		Description:					
			21 unit expansion of an 18-unit residential facility low-income single mother and their children in the neighborhood					
General								
neighborhood	Loring Park							
project address	1510 Laurel Ave		Proposal Rating: 104.5					
NRP funding request	1,000,000.00							
NRP units subsidy	47,619.00		Strengths:					
multi-neighborhood	no		family housing					
housing emphasis	new construction		all units are affordable to families below 30% median income					
length of affordability	21 + years		demonstrated strong private sector support for the program					
site control	yes		minimal fees and other soft costs as a percentage construction costs					
total units	21		housing and support services go hand-in-hand					
unit mix	21 - 2 bedrooms		new construction in a non-impacted census tract					
NRP-assisted units	21							
NRP-assisted unit mix	21 - 2 bedrooms		Weaknesses:					
NRP-assisted units at 30%	21		owner is serving as the developer					
NRP-assisted units at 50%	0		53% of total development costs will be committed					
Pro Forma - 1st Year			not a mixed income living environment					
gross revenues	318,168.00							
vacancy	22,272.00							
total net revenue	295,896.00							
effective gross expenses	251,975.00							
net operating income	43,921.00							
cash flow after debt service	43,921.00							
Uses of Funds								

acquisition/relocation	0.00							
construction	3,688,965.00							
fees	105,000.00							
financing and carrying	33,300.00							
reserves	120,000.00							
total	4,019,565.00							
per unit cost	191,408.00							
Sources of Funds		Public	Private	AHRF	Committed			
NRP AHRF	1,000,000.00			##### ##				
Jeremiah Program	500,000.00		500,000.00		500,000.00			
Federal HL Bank	100,000.00		100,000.00					
Empowerment Zone	400,000.00	400,000.00			400,000.00			
MHFA Challenge Grant	150,000.00	150,000.00						
Family Housing Fund	147,265.00		147,265.00					
MHFA MARIF	1,522,300.00	1,522,300.00						
MCDA	200,000.00	200,000.00						
Total	4,019,565.00	##### ##	747,265.00	##### ##	900,000.00			
Development Team								
developer	Jeremiah Program							
architect	The Collaborative Design Group							
general contractor	McGough Construction							
management agent	Halverson & Blaier Group							
East Phillips Commons - Phase 1								
Funding	515,000.00		Descript					

Recommendation			ion:				
			Construction of 32 units of mixed-use housing in t neighborhood. A 28 unit affordable rental mixed-u constructed at the corner of 29th St and Blooming Sale live-work units will be constructed south of th building along Bloomington Avenue.				
General							
neighborhood	East Phillips		Proposal Rating: 94.5				
project address	29th & Bloomington Ave						
NRP funding request	515,000.00		Strengths:				
NRP units subsidy	18,393.00		collaborative process and financing with the Powderhorn Park neighborhood				
multi-neighborhood	yes		76% of total development costs will be committed				
housing emphasis	new construction		experienced developer				
length of affordability	21 + years		all units will be affordable to persons and families below 50% median income				
site control	no		25% of the units are 3 bedrooms and 50% are 2 bedrooms				
total units	32		new housing development adjacent to the 29th Street Greenway				
unit mix - rental	14 - 2bdr: 7 - 3bdr: 7 - 1bdr						
unit mix - owner	4 - 2 bdr		Weaknesses:				
NRP assisted units	32		new construction in an impacted census tract				
NRP assisted unit mix - rental	14 - 2bdr: 7 - 3bdr: 7 - 1bdr		all the rental units will be income restricted				
NRP assisted unit mix - owner	0		site assembly not complete				
NRP-assisted units at 30%	6						
NRP-assisted units at 50%	22						
Pro Forma - 1st Year							
gross revenues	295,132.00						
vacancy	16,500.00						
total net revenue	278,632.00						
effective gross expenses	108,480.00						
net operating income	170,152.00						

Funding Recommendation	490,000.00		Description:					
			Construction of 36 units of loft-style owner-occupied four-lot site in the Stevens Square neighborhood					
General								
neighborhood	Stevens Square		Proposal Rating: 72.5					
project address	18th St. & 3rd Ave							
NRP funding request	490,000.00		Strengths:					
NRP units subsidy	70,000.00		collaborative intra-neighborhood planning process Plymouth Congregational Church					
multi-neighborhood	no		94% of total development costs will be committed					
housing emphasis	new construction		experienced developer					
length of affordability	16+ years		mixed income living environment					
site control	yes		new housing development along Arts Avenue					
total units	36		home ownership for persons at 50% median income					
unit mix - owner	7 - 1 bdr: 27 - 1+bdr: 2 - 2+bdr							
NRP assisted units	7		Weaknesses:					
NRP assisted unit mix - owner	7 - 1 bdr		new construction in an impacted census tract					
NRP-assisted units at 30%	0		94% of units are 1+ bedrooms					
NRP-assisted units at 50%	7		length of affordability will be less than 20 years					
Sales			no units for persons below 30% median income					
revenue from sales	5,363,000.00							
total development costs	6,902,500.00							
tdc - revenues	1,539,500.00							
Uses of Funds								
acquisition	256,000.00							
construction/demolition	5,132,669.00							
soft costs	278,444.00							
fees and commissions	1,235,387.00							
total	6,902,500.00							
per unit cost	191,736.00							

Sources of Funds		Public	Private	AHRF	Committed			
NRP AHRF	490,000.00			490,000.00				
Sales Proceeds	5,430,500.00		##### ##		##### ##			
Empowerment Zone	200,000.00	200,000.00			200,000.00			
Plymouth Church	20,000.00		20,000.00		20,000.00			
Stevens Square NRP	20,000.00	20,000.00			20,000.00			
MCDA	267,000.00	267,000.00			267,000.00			
Minneapolis Foundation	30,000.00		30,000.00		30,000.00			
Foundations/Employees	20,000.00		20,000.00		20,000.00			
MHFA CRF	425,000.00	425,000.00						
Total	6,902,500.00	912,000.00	5,500,500.00	490,000.00	5,987,500.00			
Development Team								
developer	Brighton Development Corp.							
architect	Kampa/Danks Studio							
structural engineer	Mattson/Macdonald, Inc.							
civil engineer	Pellinen Professional Services							
landscape architect	osland.and.assoc							
contractor	Bor-Son							
Olson Towne Homes								
Funding Recommendation	555,000.00			Description:				
				Rehabilitation of a 92-unit scattered-site housing in 1956 near Olson Memorial Highway in the Harrison neighborhood.				
General								
neighborhood	Harrison			Proposal Rating:				

Federal HL Bank	300,000.00		300,000.00		300,000			
MHFA	568,139.00	568,139.00			568,139			
MCDA	450,000.00	450,000.00						
MCDA	30,000.00	30,000.00						
Total	1,903,139.00	1,048,139.00	300,000.00	555,000.00	868,139.00			
Development Team								
developer	Community Housing Development Corp.							
architect	Roark Kramer Kosowski/ DESIGN							
general contractor	Flannery Construction							
management agent	BDC Management Co.							
Lamoreaux								
Funding Recommendation	400,000.00		Description:					
			Construction of a three story 39-unit addition to the story Lamoreaux Apartments in the Downtown West					
General								
neighborhood	Downtown West		Proposal Rating: 93.5					
project address	706 1st Ave No.							
NRP funding request	400,000.00		Strengths:					
NRP units subsidy	10,256.00		experienced developer					
multi-neighborhood	no		91% of total development costs will be committed					
housing emphasis	new construction		resident services is component of the owner's on-going operations					
length of affordability	21+ years		half the units will be affordable to persons below 30% median income					
site control	yes		new construction in a non-impacted census tract					
total units	39		AHRF subsidy per NRP-assisted unit is less than \$11,000					
unit mix - rental	39 - efficiency		new construction in a non-impacted census tract					

NRP assisted units	39							
NRP assisted unit mix - rental	39 - efficiency		Weaknesses:					
NRP assisted units at 30%	20		all units will be income restricted					
NRP assisted units at 50%	19		no family units					
Pro Forma - 1st Year								
income after vacancy loss	201,829.00							
effective gross expenses	162,822.00							
net operating income	39,007.00							
cash flow after debt service	39,007.00							
asset management fee	14,040.00							
partner management fee	5,000.00							
operating reserve	19,967.00							
Uses of Funds								
acquisition	0.00							
construction	4,661,990.00							
fees	1,047,625.00							
other soft costs	182,094.00							
reserves and other	39,000.00							
total	5,930,709.00							
per unit cost	152,069.00							
Sources of Funds		Public	Private	AHRF	Committed			
NRP AHRF	400,000.00			400,000.00				
Tax Credits	3,130,200.00		##### ##		##### ##			
MCDA	250,000.00	250,000.00			250,000.00			
MCDA	30,000.00	30,000.00			30,000.00			
Federal HL Bank	132,203.00		132,203.00		132,203.00			
Hennepin County	198,305.00	198,305.00			198,305.00			
Hennepin County	25,000.00	25,000.00						

University of St Thomas	700,000.00		700,000.00		700,000.00			
Developer Fee	100,000.00		100,000.00		100,000.00			
Super RFD	965,000.00	965,000.00			965,000.00			
Total	5,930,708.00	1,468,305.00	##### ##	400,000.00	##### ##			
Development Team								
developer	Central Community Housing Trust							
architect	DJR Architecture, Inc.							
general contractor								
management agent	Asset Management Group, Inc.							
Village In Phillips								
Funding Recommendation	360,000.00		Description:					
			Construction of 28 owner-occupied townhouses as a mixed-use, mixed-income development project in neighborhood.					
General								
neighborhood	East Phillips		Proposal Rating: 91					
project address	24th St & Bloomington Ave							
NRP funding request	360,000.00		Strengths:					
NRP assisted units subsidy	72,000.00		experienced developer					
multi-neighborhood	no		84% of total development costs will be committed					
housing emphasis	new construction		long-term affordability through the use of a community land trust					
length of affordability	21+ years		family home ownership					
site control	no		mixed income living environment					
total units	28		all 3 bedroom units					
unit mix - owner	28 - 3 bdr							
NRP assisted units	8		Weakne					

				sses:				
NRP assisted unit mix - owner	8 - 3 bdr			site assembly not complete				
NRP assisted units at 30%	3			new construction in an impacted census tract				
NRP assisted units at 50%	5							
Sales								
revenue from sales	3,495,000.00							
total development cost	6,218,240.00							
tdc - revenues	2,723,240.00							
Uses of Funds								
acquisition/demolition/relocation	970,830.00							
site improvements	28,000.00							
new construction	4,216,100.00							
architect & engineering fees	157,850.00							
interim costs	15,050.00							
financing costs & fees	175,500.00							
soft costs	194,400.00							
developer fee	460,510.00							
total	6,218,240.00							
per unit cost	222,080.00							
Sources of Funds		Public	Private	AHRF	Committed			
NRP AHRF	360,000.00			360,000.00				
Sale of Units	3,495,000.00		##### ##		##### ##			
East Phillips NRP	250,000.00	250,000.00			250,000.00			
MCDA	250,000.00	250,000.00			250,000.00			
MHFA	400,000.00	400,000.00			400,000.00			
Family Housing Fund	100,000.00		100,000.00		100,000.00			
Empowerment Zone	200,000.00	200,000.00			200,000.00			
Hennepin County	180,000.00	180,000.00			180,000.00			
Tax Increment	508,000.00	508,000.00						

at 30%				sses:					
NRP assisted units at 50%	10		no units for persons below 30% median income						
Pro Forma - 1st Year			site assembly not complete						
gross revenues	734,589.00								
vacancy	65,610.00								
total net revenue	668,979.00								
effective gross expenses	232,460.00								
net operating income	436,519.00								
cash flow after debt service	38,042.00								
Uses of Funds									
land	1.00								
design	237,400.00								
development	275,424.00								
financing costs	144,346.00								
capitalized interest	284,998.00								
construction	4,965,000.00								
underwriting fee	147,208.00								
marketing and management	76,000.00								
debt service fund	390,266.00								
contingency	48,623.00								
total	6,569,266.00								
per unit cost	128,809.00								
Sources of Funds		Public	Private	AHRF	Committed				
NRP AHRF	624,000.00			624,000.00					
Bond LLC	390,266.00		390,266.00		390,266.00				
Bond	5,555,000.00		5,555,000.00		5,555,000.00				
Total	6,569,266.00	0.00	##### ##	624,000.00	##### ##				
Development Team									
developer	Volunteers of America MN								
project coordinator	Dunbar Development Corp								
architect	Miller Hanson Westerbeck Berger								

general contractor									
management company	Great Lakes Management								
17th Street Development									
Funding Recommendation	0.00			Description:					
				Construction of 48-unit apartment building and the existing units of rental housing in the Elliot Park neighborhood. A small mid-block parking ramp will be constructed adjacent to the commercial and residential uses.					
General									
neighborhood	Elliot Park			Proposal Rating:					
project address	714-730 East 17th Street			the proposal did not score the minimum 25 points in Section A and Section B combined.					
NRP funding request	400,000.00								
NRP units subsidy	10,256.00								
multi-neighborhood	no								
housing emphasis	new construction/rehabilitation								
length of affordability	21+ years								
site control	yes								
total units	54								
unit mix - rental	34 - efficiencies: 20 - 1bdr								
NRP assisted units	54								
NRP assisted unit mix - rental	34 - efficiencies: 20 - 1bdr								
NRP assisted units at 30%	29								
NRP assisted units at 50%	4								
Pro Forma - 1st Year									
income after vacancy loss	315,170.00								
effective gross expenses	186,077.00								
net operating	129,092.00								

Ventura Village - Carriage House Program								
Funding Recommendation	0.00	Description:						
		Construction of 50 affordable rental carriage house backyard lots of existing homes in the Ventura Village neighborhood.						
General								
neighborhood	Ventura Village	Proposal Rating:						
project address	50 private properties	the proposal did not score the minimum 25 points Section A and Section B combined.						
NRP funding request	1,000,000.00	the proposal did not score the minimum 70 points be considered for funding						
NRP units subsidy	20,000.00							
multi-neighborhood	no							
housing emphasis	new construction							
length of affordability	10 years							
site control	private properties							
total units	at least 50							
unit mix - rental								
NRP assisted units	at least 50							
NRP assisted unit mix - rental								
NRP assisted units at 30%								
NRP assisted units at 50%	at least 50							
Pro Forma - 1st Year								
income after vacancy loss	tbd							
effective gross expenses	tbd							
net operating income	tbd							
cash flow after debt service	tbd							
Uses of Funds								
construction	61,338.54							
contractor fees	3,680.31							
contractor profit	6,500.00							
total	71,518.85							
per unit cost	71,518.85							

