

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

Date: September 25, 2007
To: Council Member Lisa Goodman, Community Development Cmte.
Subject: Funding Recommendations for the 2007 Affordable Ownership Housing Development Program.

Recommendation:

- A. Approve the following development projects receive Affordable Ownership Housing Development Program funding, up to the amounts indicated below with a total funding commitment of \$1,690,000.
1. Up to \$60,000 for construction gap financing to the Van Cleve townhome project located at Como and 13th Avenue Southeast by Twin Cities Habitat for Humanity as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
 2. Up to \$455,000 for construction and/or affordability gap financing to The Lonoke Cooperative project located at 1920-26 Third Avenue South by Plymouth Church Neighborhood Foundation as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
 3. Up to \$455,000 for construction and/or affordability gap financing to Jackson Street Northeast Artist condominium project located at Jackson Street and 18th Avenue Northeast by Northeast CDC as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
 4. Up to \$360,000 for construction gap financing to the Heritage Park BrightKEYS condominium project by Twin Cities Habitat for Humanity as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
 5. Up to \$360,000 for construction and/or affordability gap financing to the Old Third Townhomes project located at 929 Third Avenue Northeast by Twin Cities Habitat for Humanity and Central Community Housing Trust as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
- B. Authorize the appropriate City officials to enter into related contractual agreements for these funds.

Previous Directives:

During the 2004 budget process, the City Council approved \$1,000,000 for the Workforce Ownership Housing Development Program. On January 20, 2004, the Community Development Committee reviewed the Housing Policy Agenda and directed CPED staff to prepare guidelines and criteria for the Workforce Ownership Housing Development Program.

On September 14, 2004, the Community Development Committee approved the guidelines for and implementation of the Workforce Ownership Housing Development Program.

On April 5, 2005, the Community Development Committee approved combining the Workforce Housing, Perpetual Affordability and Limited Equity Cooperative Funding programs creating one consolidated program, the Affordable Ownership Housing Program.

On April 28, 2006, the City Council approved technical revisions to the Affordable Ownership Housing Program. On August 18, 2006, the City Council approved up to \$500,000 of Residential Finance Mortgage program income to the Affordable Ownership Housing Program and amended the 2006 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund SRF0-Residential Finance Mortgage Fund (SRF0-890-8952) by \$500,000.

Prepared by: Cherre' Palenius, Sr. Project Coordinator _____

Approved by: Charles T. Lutz, Deputy CPED Director _____
Elizabeth Ryan, Director, Housing _____

Presenters in Committee: Cherre' Palenius, Sr. Project Coordinator

Financial Impact

- No financial impact – Action is within current department budget.
- 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: On March 22, 2004, CPED sent a 45-day notice to all of the neighborhood groups and interested parties on the Workforce Ownership Housing Development Program for review and comments. On February 14, 2006, CPED sent a 45-day notice to all of the neighborhood groups and interested parties requesting comments on changes to the Affordable Ownership Housing Program.

The Southeast Como Improvement Association submitted a letter supporting the proposed Habitat for Humanity Van Cleve proposal.

The Stevens Square Community Organization submitted a letter supporting the proposed Lonoke project by Plymouth Church Neighborhood Foundation.

The Logan Park Neighborhood Association submitted a letter supporting the proposed Jackson Street Artist Housing Project proposed by Northeast Community Development Corporation.

The Heritage Park Neighborhood, Minneapolis Public Housing Authority, and Heritage Housing, LLC would prefer to see these condominium units sold to Habitat families rather than to investors.

The St. Anthony East Neighborhood Association submitted a letter supporting the proposed Habitat for Humanity Old Town Third Townhome project.

The West Bank Community Coalition submitted a letter supporting the Red Nelson Homeownership project proposed by West Bank Community Development Corporation.

City Goals: In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Sustainability Targets: Affordable Housing Units: new/positive conversion and rehabilitation.

Comprehensive Plan: Section 4.9: Minneapolis will grow by increasing its supply of housing. Section 4.10: Minneapolis will increase its housing that is affordable to low and moderate income households. Section 4.11: Minneapolis will improve the availability of housing options for its residents. Section 4.15: Minneapolis will carefully identify project sites where housing redevelopment or housing revitalization is the appropriate response to neighborhood conditions and market demand.

Zoning Code: Projects will comply.

Living Wage/Business Subsidy Agreement: Not applicable.

Supporting Information

On May 15, 2007, staff issued a Request for Proposal (RFP) for the Affordable Ownership Housing Development Program (AOHP). Staff advertised the RFP in the Star Tribune on May 12, 2007 and it was available on the Department of Community Planning & Economic Development's (CPED) website. Proposals were due on July 12, 2007.

The AOHP program is to assist for-profit and non-profit developers in the provision, rehabilitation and construction of new affordable single-family, duplex or multi-unit housing for owner-occupancy, including limited equity cooperatives. AOHP will provide up to half of the total project gap funding. Program funds will assist housing developments with long-term or perpetual affordability mechanisms and may be used for both development cost gap and/or buyer affordability gap. AOHP financing is available as a grant for new construction and rehabilitation projects which need gap financing assistance to either cover the difference between total development costs and the appraised value (construction gap) or as a 2% deferred affordability loan to the buyer based on verification of need (affordability gap) or a combination of both. The maximum CPED assistance for units sold to owner-occupant households whose income is at or below 50% of median income is \$45,000 per unit and a maximum of \$30,000 per unit for properties sold to purchasers whose income is at or below 60% of median income. Developers are required to provide documentation that the project will remain affordable at the same income level for approximately 30 years.

CPED received one single-family and six multi-family development proposals, (one multi-family proposal was incomplete), requesting a total of \$2,550,000 in AOHP funding. Using the selection criteria provided in the RFP, CPED staff ranked each of the proposals submitted. Attachment A is a comparative analysis of the proposals recommended for funding.

Proposals recommended for funding

Staff is recommending \$1,690,000 of AOHP funding for the proposals listed below. Specific project details for the multifamily projects are located in the attached Project Data Worksheets (Attachments B to D). Approval of these projects will result in the expenditure of up to \$1,590,000 from the 2006 AOHP program with an additional \$100,000 from the 2006 AOHP program.

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3. Up to \$455,000 for construction and/or affordability gap financing to Jackson Street Northeast Artist condominium project located at Jackson Street and 18th Avenue Northeast by Northeast CDC as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan (Attachment D).
4. Up to \$360,000 for construction gap financing to the Heritage Park BrightKEYS condominium project by Twin Cities Habitat for Humanity as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan (Attachment E).
5. Up to \$360,000 for construction and/or affordability gap financing to the Old Third Townhomes project located at 929 Third Avenue Northeast by Twin Cities Habitat for Humanity and Central Community Housing Trust as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan (Attachment F).

At this time, staff is not recommending funding for the Randy Stoecker project proposed by West Bank Community Development Corporation as all of the AOHP program funds available will be fully committed (Attachments G/H).

Attachments:

- A). AOHP Development Comparison
- B - F). Multi-family Project Data Worksheets
- G). Development Proposals Received
- H). Selection Criteria and Ranking