



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

Date: April 19, 2005

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Dollie Crowther, Principal Coordinator, Phone 612-673-5263

Presenter in Committee: Dollie Crowther

Approved by: Elizabeth J. Ryan, Director, Housing Policy & Development

Subject: City Flats Project (B Flats and Calypso Flats)

RECOMMENDATION: Request approval of \$148,000 of Affordable Housing Trust Funds for the City Flats Project (2633 – 1st Avenue South and 2630 Pillsbury Avenue South)

Previous Directives: In 1988, the City Council approved \$364,350 of Multi-family Rental and Cooperative Housing Funds for the B Flats project; in 1990, the City Council approved \$495,960 from the Multi-family Rental and Cooperative Housing Program for Calypso Flats; in 1994 \$559,000 was approved from the same program for the Calypso Flats project; and on May 20, 2003 the City Council approved \$449,455 of Affordable Housing Trust Funds for the City Flats project.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- 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 (Summarize below)

Ward: 8

Neighborhood Notification: The Whittier Neighborhood approved a request for rehabilitation of the City Flats Project.

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: 4.91 Minneapolis will grow by increasing its supply of housing. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

Zoning Code: Complies

Living Wage/Job Linkage: NA

Background/Supporting Information

Bridgeport Holdings II LLC plans to combine two projects into one scattered site under a new name of City Flats. They believe there is costs savings involved in combining the projects and it gives the properties the ability to afford a higher level of staff to site manage both projects. There are a total of 27 – 3 bedroom units in the two buildings. Nine of the units (Calypso Flats) are project based Section 8. Bridgeport Holdings LLC plans to add a supportive service component through Housing Lifeskills Centre, which is a program to teach residents how to be good tenants and attain self sufficiency. In the past, these 2 properties have experienced heavy crime problems. Many problem tenants were evicted and the project requires new security system, new roof, lighting, doors, etc. (See attached data worksheet).

Financing for the rehabilitation will consist of an MHFA First Mortgage, and 9% Low Income Housing Tax Credits from CPED and the MHFA. Affordable Housing Trust Funds in the amount of \$449,455 was approved for this project in May 2003.

Calypso Flats and B Flats will be transferred to City Flats Limited Partnership. The limited partner in Calypso Flats Limited Partnership is presently Metropolitan Low Income Neighborhood Housing Limited Partnership II. To accomplish the acquisition, the debt on the projects required restructuring before the project is transferred. The National Equity Fund (NEF) has indicated that the existing debt be restructured. With the revised interest rate and new terms, NEF has concluded the project is feasible. The Council approved the restructuring on August 11, 2004.

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The MHFA originally agreed to provide a significant loan which would close any funding gap. Due to the heavy demand from developers and the shortage of available funds, MHFA reduced their loan amount. This left a gap of approximately \$215,000. After negotiating with all the lenders involved, the new Managing General Partner, Marv Kotek, has agreed to reduce his developer fee and contribute \$45,000 to close the gap. Also US Bank, who has an outstanding loan of \$166,523 which is to be paid in full at closing has agreed to discount \$22,000 on the balance of their loan.

In order to close the remaining gap, staff is requesting \$148,000 of Affordable Housing Trust Funds for the City Flats project. This will bring the total CPED contribution to \$597,455.