



# Request for City Council Committee Action from the Department of Community Planning & Economic Development

**Date:** December 12, 2006  
**To:** Council Member Lisa Goodman, Community Development Committee

**Subject:** Proposed Stabilization, Loan Restructuring and Reassignment for Twin Cities Housing Development Corporation's (TCHDC) Affordable Housing Project at 2101, 2105, 2106, 2108, 2109, 2116, 2216 and 2221 Elliot Avenue South (Elliot Avenue Cooperative)

**Recommendation:**  
Approve restructuring and reassignment of deferred CDBG project debt in the amount of \$695,736 as described in this report; authorization to execute necessary documents

**Previous Directives:**  
In 1991, the MCDA Board of Commissioners approved \$620,786 in MultiFamily Stabilization Funds for the Elliot Avenue Cooperative affordable housing project. Later that same year, the MCDA Board of Commissioners approved an additional \$74,950 for this same project. In 2004 the Development Finance Committee approved a reduction in the interest rate from 1% to the Applicable Federal Rate (.65%). On December 7, 2006 the Development Finance Committee reviewed this proposed restructure and recommended approval.

**Prepared by:** Tiffany Glasper, Sr. Project Coordinator, 673-5221

**Approved by:** Chuck Lutz, Deputy CEPD Director \_\_\_\_\_  
Elizabeth Ryan, Director, Housing Policy & Development \_\_\_\_\_

**Permanent Review Committee (PRC) Approval** \_\_\_\_\_ Not Applicable XX

**Note:** To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

**Presenter in Committee:** Tiffany Glasper, Sr. Project Coordinator

### Financial Impact (Check those that apply)

XXX No financial impact (If checked, go directly to Background/Supporting Information).

\_\_\_ 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.

\_\_\_ Business Plan: \_\_\_ Action is within the plan. \_\_\_ Action requires a change to plan.

\_\_\_ Other financial impact (Explain):

\_\_\_ Request provided to department's finance contact when provided to the Committee Coordinator.

### **Community Impact (use any categories that apply)**

**Neighborhood Notification:** Not applicable.

**City Goals:** A SAFE PLACE TO CALL HOME – 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:**

Stabilization of affordable housing units.

### **Comprehensive Plan:**

4.9 Minneapolis will grow by increasing its supply of housing. 4.12 Minneapolis will reasonably accommodate the housing needs of all its citizens. Policy 35: Within the constraints imposed by state and federal regulations, the City should continue to sell tax exempt revenue bonds to provide below market rate housing development financing.

**Zoning Code:** Complies.

**Other:** None

### **Background/Supporting Information:**

Elliot Avenue Cooperative is located at multiple addresses on Elliot Avenue South in the Ventura Village neighborhood, Ward 6. The project contains 15 units of affordable rental housing in six (6) buildings.

Elliot Avenue Cooperative provides a mix of efficiency, one-, two-, three- and four-bedroom units to households with incomes at or below 50% MMI.

This is an expiring tax credit project currently owned by Twin Cities Housing Development Corporation (TCHDC) and limited partner, NEF. The limited partner is exiting in January 2007. It is intended that NEF will transfer its limited partner interest to TCHDC and TCHDC will then transfer its general partner interest to TCHDC Elliot, LLC. Twin Cities Housing Development Corporation is the sole member of TCHDC Elliot, LLC and Elliot Avenue Cooperative is this LLC's sole asset.

With the exit of the limited partner, TCHDC is seeking to sell the project and have all existing debt assumed by the new owner(s). Most of the buildings that make up the project are quite old and need major repairs to or replacement of major mechanicals.

For the last several months, TCHDC has been working with all the project lenders to come up with a workable disposition plan that maintains the affordability of the units in accordance with CPED loan documents. A primary obstacle to developing a feasible plan has been the need to maintain affordability at 50% MMI and the requirements imposed by the Land Use Restrictive Agreement (LURA).

Twin Cities Housing Development Corporation has succeeded in both securing buyers for the properties that will honor the commitment to maintaining the units as affordable, and has also developed a process by which the LURA requirements can remain in place without presenting an obstacle to this necessary property sale.

Twin Cities Housing Development Corporation (TCHDC) is a 501(c) (3) non-profit corporation in the State of Minnesota operating as the general partner for the Elliot Avenue Cooperative affordable housing project. NEF is the limited partner. It has been proposed that the limited partnership interest held by NEF be transferred to TCHDC. Subsequently, TCHDC will transfer its general partnership interest to the newly established TCHDC Elliot, LLC a limited liability corporation whose sole member is TCHDC and whose sole asset is the Elliot Avenue Cooperative.

The new borrowers have demonstrated sufficient experience and capacity to assume the existing loans.

Total current CPED debt on the project is \$695,736 plus accrued interest to date. Additional project debt includes a first mortgage financed by MHFA in the amount of \$144,133, plus accrued interest to date and a deferred loan from the Family Housing Fund in the amount of \$150,000, plus accrued interest to date. Please refer to the attached Project Data Worksheet.

The CPED debt is secured by a Promissory Note and is structured as a deferred loan at .65% simple interest with a 30-year term. CPED affordable housing guidelines are applicable and require that the project be maintained as affordable at 50% MMI for the term of the loan, which matures in 2021. The recommended restructuring actions are not retroactive and do not result in any forgiveness of CPED interest or principal.

Per the disposition plan developed and presented by TCHDC, one property (3-unit town home) will be sold to Project for Pride in Living for use in their College House rental program. PPL has been awarded a grant to expand their College House program. They intend to use the grant to cover acquisition of the 3-unit town home, perform rehabilitation, cover relocation costs and to cover miscellaneous interim operating costs. Please refer to the attached Project Data Worksheets for Project for Pride in Living.

PPL's College House Tutor/Mentor Program is a geographically targeted tutor/mentor program focusing on healthy adult role models and academic achievement. Each house operates a tutoring center with academic resources. PPL currently operates three College House sites – Jeremiah's Porch, Hope College House and East Phillips House.

The College House program has been extremely successful with more than 80% of participants gaining at least one year in reading, writing and/or math as measured by standardized NALT tests administered by the Minneapolis Public Schools.

The remaining five (5) properties (four duplexes and one four-plex) will be sold to Urban Homeworks. Urban Homeworks, in partnership with Normandale Housing Corporation, will purchase and rehab these properties and operate them as affordable rental property in accordance with our financing restrictions. Please refer to the attached Project Data Worksheet for Urban Homeworks.

Over time, Urban Homeworks may sell some of the duplexes to qualifying (< 50% MMI) owner-occupants. Urban Homeworks and Normandale Housing are committed to working with the City of Lakes Community Land Trust on any sales to owner-occupants.

The four-plex would be sold by Urban Homeworks to AARD, a faith based organization providing support services to low income individuals and families. AARD will perform necessary rehabilitation and maintain the property as affordable rental.

Urban Homeworks is an established, faith-based organization that provides a volunteer base for the rehabilitation of inner city properties. They provide ownership and property management services and their associated faith partners provide advocacy and various services for their residents. Urban

Homeworks currently owns more than 45 units in north and south Minneapolis. They plan to collaborate with Normandale Lutheran Church/Normandale Housing Corporation, AARD and City of Lakes Community Land Trust on this project. Specifically, they plan to work with City of Lakes Community Land Trust on the rehabilitation and sale of at least one duplex and to work with AARD in the rehabilitation and sale of the four-plex.

Both Urban Homeworks and AARD represent additional sources of private funding for the operation of affordable housing and both organizations are dedicated to serving the local community and complying with applicable funding restrictions by keeping the units affordable at 50% MMI.

TCHDC is seeking restructuring of this debt by dividing all existing project debt on a pro rata basis. The project debt would be assumed by the new owner – PPL or Urban Homeworks – upon sale by TCHDC. The assumed CPED loans will remain deferred debt at .65% interest for the remainder of the term (16 years). Likewise, the applicable LURA would also be divided up among the six (6) properties.

The Family Housing Fund and the Minnesota Housing Finance Agency have agreed to forgive 100% of their debt against the project. If there are proceeds from the sale of the properties, Family Housing Fund and Minnesota Housing Finance Agency would split those proceeds accordingly. As CPED is not forgiving debt, we will not be a party to or benefit from any sale proceeds.