



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

Date: February 15, 2005

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Donna Wiemann, Principal Project Coordinator, 612-673-5257
Dollie Crowther, Principal Project Coordinator, 612-673-5263

**Presenter in
Committee:** Donna Wiemann

Approved by: Elizabeth Ryan, Director,
Housing Policy & Development _____

Subject: Limited Equity Cooperative Program Funding Recommendations

RECOMMENDATION:

1. Approve up to \$1,000,000 of Limited Equity Cooperative Program funds as follows:
 - a) Up to \$750,000 for Riverview Senior Cooperatives by MetroPlains Development, LLC, and JADT Development Group, LLC;
 - b) Up to \$250,000 for Mid-River Residence by Nicollet Island Cooperative – Mid-River Residence, Inc.
2. Approve the restructure of existing \$1,939,340 CPED loans to Mid-River Residence as described herein, and
3. Authorize the execution of the necessary documents relative to the \$1,000,000 Limited Equity Cooperative Program funds and the restructure of existing loans.

Previous Directives: In December, 2003, the City Council established the Limited Equity Cooperative Program and dedicated \$1,000,000 to be used for production.

In July, 1988, the City Council approved \$956,000 from the Development Account for Nicollet Island Historic Homes. On June 28, 1993, the Council approved \$371,500 of Multi-Family Program HOME funds.

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: Third ward.

Neighborhood Notification: Neighborhood review of each recommended proposal has occurred. The Hawthorne Area Community Council has reviewed the Riverview housing proposal; the most recent review was on January 20, 2005. On March 20, 2004, the Nicollet Island East Bank Neighborhood Association approved the development project plan proposed by Mid-River Residences Cooperative.

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: Section 4.9 and 4.10: Minneapolis will grow by increasing its supply of housing and will increase the housing that is affordable to low and moderate income households.

Zoning Code: The zoning for the Nicollet Island Cooperative is R5. The zoning for the proposed Riverview Homes Senior Cooperative Project will comply with the proper zoning code.

Living Wage/Job Linkage: NA

Background/Supporting Information

In December, 2003, the City Council established the Limited Equity Cooperative Program with \$1,000,000 dedicated to the program and directed staff to issue a Request for Proposals (RFP). The program was one of several new initiatives to increase affordable ownership housing. The funding source is \$800,000 of 2004 levy money and \$200,000 of Multi-Family bond fees. The primary objective of this program is to provide gap financing to develop affordable limited equity ownership cooperative units. Attachment A to this report is an overview of the program, the eligible uses of funds, and the program's selection criteria.

A housing cooperative forms when people come together to own and control the buildings in which they live. They form a cooperative corporation to which they pay a monthly amount to cover operating expenses. The cooperative owns the land, the buildings, and any common areas. Members buy shares in the cooperative and have an exclusive right to occupy a particular dwelling unit. In limited equity cooperatives,

members pay monthly carrying charges to the cooperative – a pro-rata share of actual operating costs, blanket debt principal and interest, property taxes, insurance, and reserves.

A limited equity cooperative is a type of ownership that puts restrictions on the unit's sale price. A limited equity cooperative is designed to maintain long-term housing affordability by limiting the amount of equity a member can take when they sell their share thereby keeping the share price affordable for the new member.

Staff issued the RFP in the summer of 2004 and received a total of three proposals. One proposal was subsequently withdrawn by the applicant. The remaining two proposals are briefly described below.

1. A funding request of \$750,000 for the Riverview Senior Cooperative by MetroPlains Development, LLC, and JADT Development Group, LLC. The Riverview Senior Cooperative proposal is part of a larger redevelopment area general described as the Riverview Homes Project. The City is being asked to help finance two phases – Phases II and III) of this five phase proposal. In addition to the \$750,000 funding request for Riverview Senior Cooperative which is part of Phase III, the Council is also being asked in another report at this time to approve the Project Analysis Authorization for staff to consider tax increment financing for Phases II and III.

The Riverview Senior Cooperative proposal will be targeted to senior buyers who have the cooperative membership down payment but who have a low annual income. The 45 unit project will consist of fifteen (15) one bedroom units and thirty (30) two bedroom units. It is proposed that the units will be affordable to households with incomes at or below 50% of the area median income.

It is proposed that the member's share price would be approximately \$28,000 for the one bedroom units and approximately \$38,000 for the two bedroom units. Down payment share prices are typically higher in senior housing because the senior households have assets from either home equity or a retirement nest egg.

The proposed monthly cooperative payment with utilities is estimated to be \$720.00 for a one bedroom unit and \$863.00 for a two bedroom units. Both amounts are less than the amount of payment affordable to households with incomes at or less than 50% of median. A detailed project overview is provided in the Project Data Worksheet, Attachment #2.

2. A funding request of \$250,000 for the Mid River Residence by Nicollet Island Cooperative – Mid River Residence, Inc.

Mid-River Residence Inc. has been a leasehold cooperative for 16 years. The membership has actively participated in the budget process and management of the property. This project is an expiring tax credit project (credits expired in December, 2003). The limited partner will sell (transfer) their interest in the project to Northcountry Cooperative Foundation. Northcountry will then restructure the debt and sell (transfer) the project to the limited equity cooperative. The reason for this is the tax consequences of restructuring the debt.

Each resident will own a percentage share in the corporation and have the ability to lease from the coop corporation. Each resident's share payment will be \$5,000. Northcountry will assist with this payment. A formula will be calculated to address the resident's share based upon the unit's square footage. When the resident leaves, he/she will sell their interest in the corporation. The sale price is limited by the formula, based on the years of residency. Five (5) units must remain affordable at or less than 50% of MMI and fourteen (14) units at or less than 80% of MMI.

Mid-River Residence Inc., with assistance from Northcountry Cooperative Foundation, anticipate purchasing the property from Twin City Housing Development Corporation (TCHDC), the managing general partner, and Boston Capital, the limited partner, for \$1.00 plus the assumption of the outstanding debt. This outstanding debt represents two prior loans with CPED originated in 1988 and 1993. The total of these two loans (including accrued interest) is \$1,939,340. Mid-River is requesting restructuring of these loans to Year 2052 and a reduction of the interest rate from 4% to 0% effective on the date of closing.

One of the loans was provided as a grant. This was for \$371,500 (HOME funds) and, per the loan agreement, upon the sale of the project, the grant becomes a loan and is due and payable. The remaining loan was from the Development Account and was originally \$956,000. With interest, the unpaid balance of this loan is \$1,567,840. Mid-River Residences has agreed to make annual payments on this loan until it paid in full. A detailed project overview is provided in the Project Data Worksheet, Attachment #3.

Each project proposal was underwritten and evaluated for its conformance with the Limited Equity Cooperative Program's selection criteria. If the proposed loan financing is approved by the Council, the minimum loan terms will be a deferred payment loan with an interest rate of 1%. The loan term for Riverview Senior Cooperative will meet the requirements of the HUD first mortgage insured loan; these loans are typically provided with a 30 to 40 year term. The loan term for Nicollet Island Cooperative will be 47 years, to 2052, to correspond with the term of the existing City debt that will be extended.

“LIMITED EQUITY COOPERATIVE PROGRAM”

Primary Objective: Gap financing for limited equity (ownership) cooperative development. Funds are available for projects such as the following:

- Leasehold cooperatives converting to limited equity cooperatives as a result of expiring tax credits. Funds would be used for rehabilitation or preservation. The project would remain affordable at similar levels.
- Affordable and mixed income family housing.
- Affordable and mixed income senior housing.
- The limited equity cooperative structure provides a mechanism for long term (30 + years) affordability. Buyers are able to accumulate limited equity over time.

Eligible Costs: Eligible projects will include preservation and production projects containing 10+ units and conforming to the City’s affordable housing policy. Twenty percent of the units must be affordable at or less than 50% MMI. Maximum per-unit gap funding of \$35,000 for each affordable unit (at or less than 50% of MMI). The funds will generally be structured as long-term, low-interest deferred loans, as either blanket loans to the cooperative or individual share loans.

Criteria: Priority for projects meeting the following criteria:

- Financial feasibility and readiness 0 – 10 points
- Leverage/matching funds: 0 – 10 points
 - 5 private dollars for every 1 AHTF dollar 10
 - 5 private dollars and other public dollars
for every 1 AHTF dollar 8
 - 3 private dollars for every 1 AHTF dollar 6
 - 3 private dollars and other public dollars
for every 1 AHTF dollar 4
 - 3 other public dollars for every 1 AHTF 2
- Preservation of expiring tax credit units 0 – 10 points
- Large family housing: 0 – 10 points
 - The project provides family housing whereby
25% of more of the units have three (3) or more bedrooms
 - At least 25% three bedrooms 4
 - At least 50% three bedrooms 8
 - At least 75% three bedrooms 10
- Senior housing 0 – 10 points
- Level of affordability 0 – 10 points
(Maximum points for units at 30% or less MMI)
- Demonstrated organizational capacity 0 – 10 points
- Quality of management plan and cooperative training plan 0 – 10 points
- Neighborhood support 0 – 10 points
- Quality of design 0 – 10 points
- Proximity to transit and jobs 0 – 10 points

Project Status	
Proposed:	8/1/2004
Approved:	<input type="checkbox"/>
Closed:	
Complete:	

Impaction	
<input type="radio"/> Non-Impacted	
<input checked="" type="radio"/> Impacted	

Occupancy	
<input type="radio"/> Rental	
<input checked="" type="radio"/> Ownership	

Project Name:	Riverview Senior Cooperative (Phase III)
Main Address:	22nd Ave N
Project Aliases:	
Additional Addresses:	between 1st Ave N & W River Rd
Ward:	3
Neighborhood:	Hawthorne

Project Activity	
<input checked="" type="checkbox"/> New Construction	
<input type="checkbox"/> Rehabilitation	
<input type="checkbox"/> Stabilization	
<input type="checkbox"/> Preservation	
Year Built:	

Development	
<input type="radio"/> Apartment/Condo	
<input type="radio"/> Townhome	
<input checked="" type="radio"/> Coop	
<input type="radio"/> Shelter	
<input type="radio"/> Transitional	
<input type="radio"/> Scattered Site/Other	

Household	
<input type="checkbox"/> General	
<input type="checkbox"/> Family w/Children	
<input checked="" type="checkbox"/> Senior	
<input type="checkbox"/> Single	
<input type="checkbox"/> Special Needs	
<input type="checkbox"/> Homeless	

Housing Production and Affordability									
UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	0		0	0	0	0	0	0
1BR	15	15	0	15	0	0	0	0	
2BR	30	30	0	30	0	0	0	0	
3BR	0	0	0	0	0	0	0	0	
4+BR	0	0	0	0	0	0	0	0	
TOT	45	45	0	45	0	0	0	0	

Shelter Units: + Conversion Units:

Section 8:

GENERAL INFORMATION

MetroPlains Development LLC and JADT Development Group propose to co-develop a .5 acre parcel into 45 limited equity cooperative units for seniors. All of the one and two bedroom units will be affordable to households at or below 50% AMI. Metro Plains will be the project owner.

The property is bound by 22nd Ave N on the south, the railroad tracks on the west, and West River Rd on the east.

<p><u>Partnership:</u></p> <p><u>Developer:</u> Rob McCready Metro Plains Development LLC 1600 University Ave Suite 212 Saint Paul, MN 55104-3800 Phone: (651) 523-1252 ext- Fax: (651) 646-8947 rmcready@metroplains.com</p>	<p><u>Owner:</u> Rob McCready Metro Plains Development LLC 1600 University Ave Suite 212 Saint Paul, MN 55104-3800 Phone: (651) 523-1252 ext- Fax: (651) 646-8947 rmcready@metroplains.com</p>	<p><u>Contact Information:</u></p> <p><u>Consultant:</u></p> <p>, Phone: ext- Fax:</p>
<p><u>Contractor:</u></p> <p>To Be Determined</p> <p>, Phone: ext- Fax:</p>	<p><u>Architect:</u> David Graham Ellness, Swenson, Graham Architects Inc. 500 Washington Ave Suite 1080 Minneapolis, MN 55415- Phone: (612) 373-4677 ext- Fax: (612) 339-5382</p>	<p><u>Property Manager:</u> Garsten/Perennial Management Phone: ext- Fax:</p> <p><u>Support Services:</u></p> <p>Phone: ext- Fax:</p>
<p><u>CPED Coordinator:</u> Donna Wiemann CPED 105 5th Ave S Suite 200 Minneapolis, MN 55401- Phone: (612) 673-5257 ext- Fax: (612) 673-5259 donna.wiemann@ci.minneapolis.mn.us</p>	<p><u>CPED Legal:</u></p> <p><u>CPED Support Coordinator</u></p>	<p><u>CPED Rehab:</u></p> <p><u>MPLS Affirmative Action</u></p>

Project Status	
Proposed:	8/1/2004
Approved:	<input type="checkbox"/>
Closed:	
Complete:	

Impaction	
<input type="radio"/> Non-Impacted	
<input checked="" type="radio"/> Impacted	

Occupancy	
<input type="radio"/> Rental	
<input checked="" type="radio"/> Ownership	

Project Name:	Riverview Senior Cooperative (Phase III)
Main Address:	22nd Ave N
Project Aliases:	
Additional Addresses:	between 1st Ave N & W River Rd
Ward:	3
Neighborhood:	Hawthorne

Project Activity	Development	Household
<input checked="" type="checkbox"/> New Construction	<input type="radio"/> Apartment/Condo	<input type="checkbox"/> General
<input type="checkbox"/> Rehabilitation	<input type="radio"/> Townhome	<input type="checkbox"/> Family w/Children
<input type="checkbox"/> Stabilization	<input checked="" type="radio"/> Coop	<input checked="" type="checkbox"/> Senior
<input type="checkbox"/> Preservation	<input type="radio"/> Shelter	<input type="checkbox"/> Single
Year Built: _____	<input type="radio"/> Transitional	<input type="checkbox"/> Special Needs
	<input type="radio"/> Scattered Site/Other	<input type="checkbox"/> Homeless

Housing Production and Affordability									
UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	0		0	0	0	0	0	0
1BR	15	0	0	15	0	0	0	0	
2BR	30	0	0	30	0	0	0	0	
3BR	0	0	0	0	0	0	0	0	
4+BR	0	0	0	0	0	0	0	0	
TOT	45			45	0	0	0	0	

Shelter Units: _____ + Conversion Units: _____
Section 8: _____

USES AND SOURCES

Project Uses:	
Land:	\$875,000.00
Construction:	\$4,491,500.00
Construction Contingency:	\$365,000.00
Construction Interest:	\$89,555.00
Relocation:	\$0.00
Developer Fee:	\$700,000.00
Legal Fees:	\$31,750.00
Architect Fees:	\$189,338.00
Other Costs:	\$325,734.00
Reserves:	\$49,127.00
Non-Housing:	\$50,000.00
TDC:	\$7,167,004.00
TDC/Unit:	\$159,267.00

Project Sources:				
Source / Program	Amount	%	Term	Committed
1 HUD <i>212 Coop Program</i>	\$2,456,353.00			
2 DEED	\$100,000.00			1/1/2005
3 Hennepin County	\$42,000.00			2/1/2005
4 Met Council	\$65,000.00			1/1/2005
5 CPED <i>Limited Equity Coop</i>	\$750,000.00			
6 <i>Member Downpayments</i>	\$1,557,150.00			
7 City of Minneapolis <i>TIF Supplemental Mortgage</i>	\$404,808.00			
8 Other Gap Financing	\$1,791,689.00			
TDC:	\$7,167,000.00			

Financing Notes:



Project Status	
Proposed:	7/3/2002
Approved:	<input type="checkbox"/>
Closed:	
Complete:	

Impaction	
<input checked="" type="radio"/> Non-Impacted	
<input type="radio"/> Impacted	

Occupancy	
<input checked="" type="radio"/> Rental	
<input type="radio"/> Ownership	

Project Name:	Nicollet Island Coop
Main Address:	107 W Island
Project Aliases:	
Additional Addresses:	183,84,87,90 E Island
Ward:	3
Neighborhood:	Nicollet Island East Bank

Project Activity	
<input type="checkbox"/> New Construction	
<input checked="" type="checkbox"/> Rehabilitation	
<input checked="" type="checkbox"/> Stabilization	
<input type="checkbox"/> Preservation	
Year Built:	1904

Development	
<input type="checkbox"/> Apartment/Condo	
<input type="checkbox"/> Townhome	
<input checked="" type="radio"/> Coop	
<input type="checkbox"/> Shelter	
<input type="checkbox"/> Transitional	
<input type="checkbox"/> Scattered Site/Other	

Household	
<input type="checkbox"/> General	
<input checked="" type="checkbox"/> Family w/Children	
<input type="checkbox"/> Senior	
<input type="checkbox"/> Single	
<input type="checkbox"/> Special Needs	
<input type="checkbox"/> Homeless	

Housing Production and Affordability									
UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	0		0	0BR	0	0	0	0
1BR	7	7	1BR	0	2	0	4	1	
2BR	15	15	2BR	0	3	0	10	2	
3BR	0	0	3BR	0	0	0	0	0	
4+BR	0	0	4+BR	0	0	0	0	0	
TOT	22	22	TOT	0	5	0	14	3	

Shelter Units: + Conversion Units:

Section 8:

GENERAL INFORMATION

This project consists of five 4-plexes and one duplex. Mid River Residence, Inc., the cooperative corporation, has operated the project as a leasehold coop for 16 years. The property is located in a city park on land leased from the Minneapolis Park Board. This project will be a conversion to limited equity coop. Tax credits expired in December, 2003.

Partnership:

Developer:

Steve Rosenberg
 Mid River Residences
 107 W Island
 Minneapolis, MN 55401-
 Phone: (763) 520-0860 ext
 Fax:

Owner:

Margaret Lund
 Northcountry Cooperative Development Fund
 219 Main Street SE Suite 500
 Minneapolis, MN 55414-
 Phone: (612) 331-9103 ext-
 Fax: (612) 331-9145
 margaret@ncdf.org

Contact Information:

Consultant:

Barb Broen
 Broen Housing Consultants
 1437 Marshall Ave., #201
 Saint Paul, MN 55104-
 Phone: (651) 645-8474 ext-
 Fax: (651) 645-8497
 bbroen@mm.com

Contractor:

To Be Determined
 ,
 Phone: ext-
 Fax:

Architect:

To Be Determined
 ,
 Phone: ext-
 Fax:

Property Manager:

Garsten/Perennial Management
 Phone: (651) 523-1210 ext-
 Fax: (651) 644-0296

Support Services:

CPED Coordinator:

Dollie Crowther
 CPED
 105 5th Ave S Suite 200
 Minneapolis, MN 55401
 Phone: (612) 673-5263 ext-
 Fax: (612) 673-5259
 dollie.crowther@ci.minneapolis.mn.us

CPED Legal:

Ruben Acosta
 Phone: (612) 673-5052 ext-
 Fax: (612) 673-5112

CPED Support Coordinator

CPED Rehab:

Dalene Lenneman
 Phone: (612) 673-5254 ext-
 Fax: (612) 673-5207

MPLS Affirmative Action



Project Status	
Proposed:	7/3/2002
Approved:	<input type="checkbox"/>
Closed:	
Complete:	

Impaction	
<input checked="" type="radio"/> Non-Impacted	
<input type="radio"/> Impacted	

Occupancy	
<input checked="" type="radio"/> Rental	
<input type="radio"/> Ownership	

Project Name:	Nicollet Island Coop
Main Address:	107 W Island
Project Aliases:	
Additional Addresses:	183,84,87,90 E Island
Ward:	3
Neighborhood:	Nicollet Island East Bank

Project Activity	
<input type="checkbox"/> New Construction	
<input checked="" type="checkbox"/> Rehabilitation	
<input checked="" type="checkbox"/> Stabilization	
<input type="checkbox"/> Preservation	
Year Built:	1904

Development	
<input type="radio"/> Apartment/Condo	
<input type="radio"/> Townhome	
<input checked="" type="radio"/> Coop	
<input type="radio"/> Shelter	
<input type="radio"/> Transitional	
<input type="radio"/> Scattered Site/Other	

Household	
<input type="checkbox"/> General	
<input checked="" type="checkbox"/> Family w/Children	
<input type="checkbox"/> Senior	
<input type="checkbox"/> Single	
<input type="checkbox"/> Special Needs	
<input type="checkbox"/> Homeless	

Housing Production and Affordability									
UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	0		0	0BR	0	0	0	0
1BR	7	7	1BR	0	2	0	4	1	1
2BR	15	15	2BR	0	3	0	10	2	2
3BR	0	0	3BR	0	0	0	0	0	0
4+BR	0	0	4+BR	0	0	0	0	0	0
TOT	22	22	TOT	0	5	0	14	3	3

Shelter Units: + Conversion Units:

Section 8:

USES AND SOURCES

Project Uses:	
Land:	\$1,939,340.00
Construction:	\$92,000.00
Construction Contingency:	
Construction Interest:	
Relocation:	
Developer Fee:	\$30,000.00
Legal Fees:	\$35,000.00
Architect Fees:	\$15,000.00
Other Costs:	\$108,000.00
Reserves:	\$185,000.00
Non-Housing:	
TDC:	\$2,404,340.00
TDC/Unit:	\$109,288.00

Project Sources:				
Source / Program	Amount	%	Term	Committed
CPED <i>Non Profit Admin</i>	\$30,000.00			
Mid River Residences <i>Share Payments</i>	\$110,000.00			12/1/2004
Mid River Residences <i>Reserve Funds</i>	\$75,000.00			12/1/2004
CPED <i>Debt Assumption (Existing Loan)</i>	\$1,567,840.00			
CPED <i>Debt Assumption (HOME)</i>	\$371,500.00			
CPED <i>AHTF-Ltd Equity Coop</i>	\$250,000.00			
TDC:	\$2,404,340.00			

Financing Notes:	
Land costs is assuming outstanding debt from CPED.	