

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

Date: March 23, 2010

To: Council Member Lisa Goodman, Chair, Community Development
Committee

Subject: 2009 Affordable Housing Trust Fund and Non-Profit Housing Development
Assistance Fund – Project Funding Recommendation

Recommendation: Approve a \$212,184 Loan from the 2009 Affordable Housing Trust Fund (AHTF) and \$10,000 from the Non-Profit Housing Development Assistance Fund (Non Profit Admin Fund) for the North Haven – Phase 2 project and authorize the execution of the necessary documents for the AHTF loans and the Non-Profit Admin Fund grant.

Previous Directives: On November 5, 2005, the City Council approved up to \$171,814 from the 2005 AHTF and \$8,000 from the Non-Profit Assistance fund for the North Haven Apartments (Phase 1) located at 2216 Clinton Avenue by Plymouth Housing LLC or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.

Department Information

Prepared by: Theresa Cunningham, Senior Project Coordinator X5237

Approved by: Thomas A. Streitz, Director of Housing Policy & Development _____
Charles T. Lutz, Deputy Director CPED _____

Presenters in Committee: Theresa Cunningham

Reviews

- Permanent Review Committee (PRC): Approval ___ Date _____
- Civil Rights Approval Approval ___ Date _____
- Policy Review Group (PRG): Approval ___ Date _____

Financial Impact

- No financial impact

Community Impact

- Neighborhood Notification – All projects recommended for funding under the Affordable Housing Trust Fund (AHTF) Program have been reviewed by their respective neighborhood organizations. On October 12, 2009, the Community Issues Committee of the Whittier Alliance voted to support this trust fund request for the North Haven Phase 2 development; however, their Board of Directors did not endorse their recommendation.
- City Goals – In five years all Minneapolis residents will have a better quality of life and access to housing and services.
- Comprehensive Plan – 4.9: Minneapolis will grow by increasing its supply of housing; 4.11: Minneapolis will improve the availability of housing options for its residents.

- Zoning Code – This project complies with the zoning code.

Supporting Information

On February 26, 2010, the City Council approved twelve proposals submitted for the authorization to provide a total of up to \$8,148,101 in 2009 AHTF assistance and a total of up to \$162,000 from the Non Profit Development Assistance Fund. North Haven Phase 2's request was not previously presented with the other 2009 trust fund requests, in the previous cycle, due to two existing issues: 1. a lack of the neighborhood organization's board support and; 2. the somewhat tenuous financial position of the developer.

On October 12, 2009, the Community Issues Committee of the Whittier Alliance voted to support the trust fund request for the North Haven Phase 2 development; however, their Board of Directors chose not to support their recommendation.

Staff has now undertaken the evaluation of the North Haven Phase 2 development including financial underwriting, determining conformance to the AHTF selection criteria, conducting property inspections, analyzing the scope of work, coordination with other lenders, consideration of support services plan, among other things. The proposal has scored and ranked as to its conformance with the AHTF selection criteria, which is reflective in Attachment B to this report. In addition, Attachment C provides a comparison of the proposals on certain key measures (e.g. number of units at or below 50% of AMI, number of units at or below 30% of AMI, other City funding to date, Affordable Housing Trust Fund as a percentage of Total Development Cost, Affordable Housing Trust Fund per affordable unit, amount of developer fee per unit and as a percentage of Total Development Cost).

In view of these issues, CPED staff encouraged the developer to close on a couple of their pending developments which has provided additional needed operating capital further stabilizing the overall operations and cash position of the organization. Construction has begun on both developments with anticipated completion by year-end 2010.

The North Haven – Phase 2 development proposes to purchase the property and complete some minor additional repairs that extend the useful life of this older structure (built 1915), which includes a 5-unit, 2-story stucco apartment building with four 3-bedroom apartments and one one-bedroom apartment. The lower level one-bedroom unit has a separate outdoor entrance and will be used as a caretaker or general occupancy apartment with income and rent restricted to earning less than 50% Area Median Income (AMI). The building has been a problem property in the neighborhood under the previous landlord.

If this funding recommendation is approved, the total 2009 AHTF expenditure will increase to \$8,964,285 from the AHTF and up to \$172,000 from the Non Profit Development Assistance Fund.

AHTF Repayment and Recapture Terms

AHTF will be provided as a deferred payment loan with a 30 year term and 1% simple interest. CPED staff has reviewed the referenced funding request and recommends approval of a \$212,184 loan from the 2009 Affordable Housing Trust Fund (AHTF) and a grant of \$10,000 from the Non-Profit Housing Development Assistance Fund (Non Profit Admin Fund) for the North Haven – Phase 2 development and request authorization to execute the necessary documents for the AHTF loan and the Non-Profit Admin Fund grant.