

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

Date: February 16, 2010

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

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

Recommendation: Approve a total up to \$8,148,101 from the 2009 Affordable Housing Trust Fund (AHTF) and a total up to \$162,000 from the Non Profit Development Assistance Fund (Non Profit Admin Fund) for the following projects and developers and authorize the execution of the necessary documents for the AHTF loans and the Non Profit Admin Fund grants:

1. A loan up to \$689,778 from the AHTF and a grant up to \$30,000 from the Non Profit Admin Fund for Bii Di Gain Dash Anwebi Elder Housing to be located at 2400 and 2401 Bloomington Avenue South by a joint partnership of the American Indian Community Development Corporation and CommonBond Communities or an affiliated entity;
2. A loan up to \$1,117,842 from the AHTF for Clare Midtown to be located at 3105 – 23rd Avenue South by Clare Housing or an affiliated entity;
3. A loan up to \$735,000 from the AHTF for Corcoran Triangle to be located at 3120 – 24th Avenue South by Wellington, McNellis and Swenson or an affiliated entity;
4. A loan up to \$636,334 from the AHTF for Gateway Lofts to be located at 2601 West Broadway or an affiliated entity;
5. A loan up to \$981,743 from the AHTF for Lyndale Green to be located at 610 West 28th Street by Brighton Development Corporation or an affiliated entity;
6. A loan up to \$300,000 from the AHTF and a grant up to \$8,000 from the Non Profit Admin Fund for PPL Foreclosure Redirection Program to be located at 3824 Chicago Avenue by Project for Pride in Living or an affiliated entity;
7. A loan up to \$800,000 from the AHTF and a grant up to \$30,000 from the Non Profit Admin Fund for Rental Reclaim to be located at 2206 – 6th Street North, 2025 Emerson Avenue North, 2902 Bryant Avenue North, 1815 Emerson Avenue North, 3351 Park Avenue South, 2634 – 14th Avenue South, 3105 Columbus Avenue South, 3104 Chicago Avenue South, 3030 Oakland Avenue South, 2616 Blaisdell Avenue South, 2119 James Avenue North, 2200 - 6th Street North and 3129 Columbus Avenue South by Urban Homeworks Inc. or an affiliated entity;
8. A loan up to \$834,602 from the AHTF for Riverview Apartments to be located at 5100 East 54th Street by the Community Development Collaborative, LLC, a joint partnership of the Plymouth Church Neighborhood Foundation and CommonBond Communities or an affiliated entity;
9. A loan up to \$1,000,000 from the AHTF and a grant up to \$30,000 from the Non Profit Admin Fund for Touchstone Supportive Housing to be located at 2304 Snelling Avenue by Project for Pride In Living or an affiliated entity;

10. A loan up to \$525,000 from the AHTF and a grant up to \$30,000 from the Non Profit Admin Fund for Whittier Cooperative located at 2609 Blaisdell Avenue South by CommonBond Communities or an affiliated entity;
11. A loan up to \$255,502 from the AHTF and a grant up to \$22,000 from the Non Profit Admin Fund for ZOOM House located at 3244 Blaisdell Avenue South by Zion Originated Outreach Ministries or an affiliated entity; and
12. A loan up to \$272,300 from the AHTF and a grant up to \$12,000 from the Non Profit Admin fund for 3631 Penn Avenue North by Alliance Housing Incorporated or an affiliated entity.

Previous Directives

1. Bii Di Gain Dash Anwebi Elder Housing –
 - a) On October 2, 2009, the City Council approved the sale of the subject land for \$4.00 per square foot to a joint partnership of the American Indian Community Development Corporation and CommonBond Communities or an affiliated entity created to undertake the proposed development and authorized the appropriate City staff to execute a redevelopment contract in accordance with the terms of this report.
 - b) On March 10, 2006, the City Council approved the sale of the referenced land to Powderhorn Residents Group, Inc. for \$153,078 to complete the development site for Phase 2 of the Village in Phillips Redevelopment Project and the issuance of a Pay-As-You-Go Tax Increment Revenue Note in an amount not to exceed \$484,900.
2. Clare Midtown –
 - a) On January 29, 2010, the City Council accepted and appropriated Tax Credit Exchange (1602) Program funds awarded by the Minnesota Housing Finance Agency for this project in the Exchange amount of \$1,279,395.
 - b) On October 1, 2009, the City Council approved an allocation of Low Income Housing Tax Credits in the amount of \$680,923.
 - c) On December 28, 2008, the City Council approved a loan up to \$1,190,413 from the 2008 AHTF.
 - d) On November 7, 2008, the City Council approved a partial allocation of 2009 Low Income Housing Tax Credits in the amount of \$150,517.
3. Corcoran Triangle– None.
4. Gateway Lofts –
 - a) On August 14, 2009, the City Council approved authorized submission for Livable Communities Development Account funding by the Metropolitan Council.
 - b) On December 14, 2008, the City Council approved a loan up to \$997,000 from the 2008 AHTF.
 - c) In December 2005, the City Council approved a loan up to \$236,192 from the AHTF (no longer available) and a Non Profit Admin Fund grant up to \$30,000.
5. Lyndale Green –
 - a) On December 18, 2008, the City Council approved a loan up to \$975,000 from the 2008 AHTF.

- b) On October 24, 2008, the City Council adopted a resolution approving the Lyndale Green Redevelopment Plan.
 - c) On September 26, 2008, the City Council authorized staff to execute a Cooperative Agreement with Hennepin County related to a Hennepin County Transit Oriented Development grant awarded to the project.
 - d) On August 8, 2008, the City Council authorized acceptance of the Hennepin County Environmental Response Fund grant.
 - e) On June 6, 2008, the City Council authorized submission for Livable Communities Demonstration Account funding by the Metropolitan Council.
 - f) On April 18, 2008 the City Council authorized the submission of a Hennepin County Transit Oriented Development application and authorized submission of a Hennepin County Environmental Response Fund grant application.
5. PPL Foreclosure Redirection – On March 20, 2009, the City Council approved a Neighborhood Stabilization Program (NSP) award up to \$1,064,800. \$190,000 of this NSP award will be provided to the property currently being recommended for 2009 AHTF monies.
 6. Rental Reclaim – On March 20, 2009, the City Council approved an award up to \$550,000 through the Neighborhood Stabilization Program (NSP).
 7. Riverview Apartments –
 - a) On March 27, 2009, the City Council approved the sale of Lot 2 of the 54th & Riverview Road Development Project for \$11.59 per square foot to PCNF Acquisition LLC or an affiliated entity created specifically to undertake the development of the Riverview Apartments Project; authorized CPED to reduce its Good Faith Deposit from 10% to 5% of the purchase price; and further authorized the appropriate City staff to execute a redevelopment contract in accordance with the terms stated in the report.
 - b) On December 18, 2008, the City Council approved a loan up to \$800,000 from the 2008 AHTF and a Non Profit Admin Fund grant of \$30,000.
 - c) On January 18, 2008, the City Council approved the selection of a joint partnership of the Plymouth Church Neighborhood Foundation, CommonBond Communities, and Twin Cities Habitat for Humanity, Inc. as the combined developers of the 54th and Riverview Road Development site.
 8. Touchstone – None.
 9. Whittier Cooperative – None.
 10. ZOOM House – On December 18, 2009, the City Council approved an award of 2009 Emergency Shelter Grant funds of \$108,398.
 12. 3631 Penn Avenue North – None.

Prepared by: Donna Wiemann, Principal Project Coordinator, Housing, 673-5257

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

Presenters in Committee: Donna Wiemann

Financial Impact

- X No financial impact
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Community Impact

- Neighborhood Notification – All projects being recommended for funding have been reviewed by the official neighborhood organization of the area in which the project is located.
- City Goals – In five years all Minneapolis residents will have a better quality of life and access to housing and services.
- Sustainability Targets – The proposed projects meet the affordable housing targets.
- 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 – All projects being recommended either comply or will comply with the zoning code.

Supporting Information

Affordable Housing Trust Fund (AHTF)

The City Council established the Affordable Housing Trust Fund (AHTF) in May 2003 to provide gap funding for the development and stabilization/preservation of affordable rental housing. The City's Affordable Housing Policy requires that all housing developments receiving City subsidies make at least 20% of their units affordable to people earning 50% or less of the Metropolitan Area Median Income (AMI). In 2009 50% of AMI for a family of four was \$41,950.

Since the inception of the AHTF approximately 4,000 housing units have been or are being developed or stabilized/preserved with this funding source (not including projects funded through the Emergency Shelter Grant Program). Some of the projects developed with AHTF monies are Central Avenue Lofts, Ripley Gardens, The Jourdain, The Wellstone, LSS Park Avenue Apartments, Van Cleve East, Van Cleve West, Veteran's Community Housing, St. Anthony Mills Apartments, Midtown Exchange, Kingsley Commons, and Vantage Flats. Several of the AHTF projects currently under construction are Audubon Crossing, Creekside Commons, and Alliance Addition.

The AHTF has established selection criteria used to score and competitively rank the proposals. There are two sets of selection criteria – one for projects located in impacted areas of the City (Attachment A-2) and another set for projects located in non-impacted areas of the City (Attachment A-3). The definition of impacted (concentrated) census tract is based on the definition in the Hollman Consent Decree relative to poverty and minority concentration; Attachment A-1 shows the impacted areas and the non-impacted areas of the City of Minneapolis.

2009 AHTF Request for Proposals

On June 30, 2009, CPED staff issued a Request for Proposals (RFP) for the 2009 AHTF and the applications were due in mid August, 2009. Twenty one (21) proposals were received in response to the 2009 AHTF with a total funding request of over \$21

million. The time frame for CPED staff review was linked to Minnesota Housing Finance Agency's review of their 2009 applications. Most of the proposed projects seek funds from both the City and Minnesota Housing Finance Agency (MHFA). MHFA funding decisions, including allocations of Low Income Housing Tax Credits, were finalized in late January, 2010.

Staff undertook the evaluation of the 21 proposals including financial underwriting, determining conformance to the AHTF selection criteria, conducting property inspections, analyzing the scopes of work, coordination with other lenders, consideration of support services plan, among other things. Each proposal was scored and ranked as to its conformance with the AHTF selection criteria.

2009 AHTF and Non Profit Admin Recommendations

Twelve (12) proposals are being recommended for 2009 AHTF loans and seven (7) non profit developers are being recommended for Non Profit Admin Fund assistance.

NOTE: On January 29, 2010, the City Council awarded up to \$604,000 of 2009 AHTF monies to one of the 2009 AHTF applications. This project, PPL Northside Recap, by Project for Pride in Living is scheduled to close in early March 2010 and needed earlier consideration by the City Council to meet the closing schedule.

The attachments to this report are the following:

- Attachment B shows the AHTF and Non Profit Admin Fund recommendations.
- Attachment C shows the scoring and ranking of each AHTF application (with the exception of two applications, one of which was withdrawn and the other changed the project location) as to its conformance with the AHTF selection criteria.
- Attachment D 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).
- Attachments E1 to E12 are the Project Data Worksheets providing details about each of the projects being recommended for funding.

Three (3) of the recommended projects are new construction developments located in non-impacted areas of the City. These projects are Clare Midtown, Corcoran Triangle, and Riverview Apartments.

If the funding recommendations are approved, the total expenditure will be up to \$8,148,101 from the AHTF and up to \$162,000 from the Non Profit Development Assistance Fund. Including the \$604,000 approved by the City Council on January 29, 2010 for the PPL Northside Recap project, the total 2009 AHTF expenditure is \$8,752,101.

If the current funding recommendations are approved, a total of 428 housing rental units will be developed and 73 housing rental units will be stabilized/preserved. 224 units will be affordable to households at or below 50% of AMI and 67 will be affordable to households at or below 30% of AMI.

AHTF Repayment and Recapture Terms

The AHTF funds are typically provided as a deferred payment loan with a 30 to 40 year term and a no interest to 1% simple interest. Loans with no interest will be allowed only when absolutely required by the results of the tax credit debt analysis in projects with low income housing tax credits.

Additionally, the City seeks recapture of a percentage of net cash flow in mixed income projects, where possible, pursuant to CPED's approved policy guidelines.

The Corcoran Triangle project is mixed income with 25 market rate units; as this project moves forward, CPED staff will negotiate the business financing terms including limiting the developer fee to the maximum allowed under the City's developer fee policy for the AHTF program.

Application for which CPED Staff Review is Still Underway

CPED staff review of the 2009 AHTF application for North Haven Phase II to be located at 2220 Clinton Avenue South by Plymouth Church Neighborhood Foundation is still underway. No recommended action is proposed at this time. The evaluation will be completed within a couple of weeks and a determination will be made at that time whether or not to recommend 2009 AHTF monies.

Applications Not Being Recommended for 2009 AHTF Funding

During the course of staff review, seven (7) proposals were removed from consideration and the details are as follows:

- 1) The A Mills Apartments project to be located at 100 Third Avenue S.E. by Mill Development Inc. is not being recommended for funding because the applicant is uncertain now whether or not the proposed affordable housing development will work in the building proposed in their application. The award of funds from the AHTF must be tied to a specific property.
- 2) The Aeon Refinance project consists of seven properties in the Elliot Park neighborhood, a stabilization project by Aeon, is not being recommended for funding because it did not meet the minimum point threshold of the AHTF. To remain competitive for the AHTF money, a project proposal must meet the minimum point threshold (which is at least 20 points in two criteria – Financial Soundness/Management and Economic Integration). Going forward, CPED staff will work with Aeon on the feasibility of structuring this proposed stabilization into two or three smaller sized projects rather than a large complex refinancing project.
- 3) The Currie Park project to be located at 515 – 15th Avenue South by Fine Associates is not being recommended for funding due to its low score based upon its conformance with the AHTF selection criteria.

- 4) The East Bank Apartments project to be located at 520 Second Street S.E. by Bluff Street Development LLC is not being recommended for funding because of its low score based upon its conformance with the AHTF selection criteria.
- 5) The Emanuel Housing project to be located at 822 South Third Street by RS Eden was withdrawn by the applicant because they were not able to secure site control. A requirement of the AHTF is that the applicant has evidence of site control.
- 6) The LynLake Creative Community project to be located at 2900 Lyndale Avenue South by Greco, LLC is not being recommended for funding because of its low score based upon its conformance with the AHTF selection criteria.
- 7) The Saint Anne's Senior Housing project located at 2323 – 26th Avenue North by CommonBond Communities is not being recommended for funding because the per unit cost is too high.