



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

Date: May 18, 2004

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Donna Wiemann, Senior Housing Project Coordinator, Phone 612-673-5257

Presenter in Committee: Donna Wiemann, Senior Housing Project Coordinator

Approved by: Lee Pao Xiong, Director, Housing _____

Subject: Proposed Revision to the Terms of the Multi-Family Program Loan to Zinsmaster Apartments

RECOMMENDATION: Approval to revise repayment terms of \$1,130,916 CPED/MCDA Loan relative to Zinsmaster Apartments as described within the body of this report.

Previous Directives: On May 16, 2003, the City Council approved up to \$363,591 of Affordable Housing Trust Fund monies to Community Housing Development Corporation to stabilize Zinsmaster Apartments.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- 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): Revision of Loan Terms.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: Eighth Ward.

Neighborhood Notification: The Phillips West Neighborhood Organization has been notified about the proposed stabilization of Zinsmaster Apartments.

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

Zoning Code: Project complies.

Living Wage/Job Linkage: NA

Background/Supporting Information

In 1987 and 1988, the MCDA, MHFA, and Family Housing Fund financed the Zinsmaster affordable housing development at 2900 Park and 2916 Park by Justin Properties and Neighborhood Improvement Company. 2900 Park was a former bakery and was rehabilitated into 18 units. The project at 2916 Park involved the new construction of an 18 unit apartment building.

In 1994, Community Housing Development Corporation (CHDC) was asked to enter into a partnership, as managing general partner, for Zinsmaster Apartments. The property was in distress and in financial trouble. The property is stable now due to CHDC's commitment to the project, sound management by BDC Management Co., and the cooperation of residents.

The original limited partnership reached the end of its housing tax credit 15-year compliance period on December 31, 2002. On January 1, 2004, CHDC assumed all of the debt and the property was transferred to CHDC Zinsmaster LLC, with CHDC as the sole member.

In 2003, Hennepin County, MHFA, and the City Council approved a total of \$765,741 for certain stabilization rehab needed at the project. The closing on this money is expected to occur within the next two months and the major work to be done is window replacement, repair of window wells, roof replacement on both buildings, and upgrade to the ventilation systems.

A summary of the terms of the existing funding is as follows:

Lender	Loan Amt.	Term	Interest	Date of Maturity
MHFA Mortgage Note No. 1	360,090	15	4%	1/1/10
MHFA Mortgage Note No. 2	338,335	15	1%	1/1/10
Family Housing Fund	80,000	10	2%	12/1/03
MCDA	1,130,916	25	3%	2/1/18*

*The loan agreement requires P & I payments of 50% cash flow to begin in February, 2003. The note also requires a \$600,000 payment due in February, 2007.

The stabilization funding approved in 2003 will help significantly with needed capital improvements, however, financial operations of the property remain tight. The original scope of work to be done with the stabilization funds had to be pared down somewhat since the State Historic Preservation Office's current requirements for window replacement was more expensive than originally estimated.

CHDC has asked MHFA if there could be a three-year hiatus in mortgage payments once the MHFA's first mortgage is paid off in 2010. By waiting until 2013 to begin mortgage payment on MHFA's second mortgage, CHDC can use money that would have been spent on debt service to deal with deferred maintenance (e.g. flooring, appliance replacement, and so forth).

Although MHFA staff approve this proposal, in concept they will not formally approve it unless all of the \$1,130,916 CPED/MCDA debt is deferred until 2018.

Currently, the MCDA loan is due in February, 2018, however, the loan documents call for 1) a \$600,000 payment in February, 2007 and 2) a 50% sharing of cash flow starting in February, 2003. MHFA requires, and CHDC requests, that these two loan provisions be eliminated and that the entire loan amount and accrued interest be due in February, 2018. After the financial restructuring, the terms of the existing financing will be as follows:

Lender	Loan Amt.	Interest	Date of Maturity
MHFA 1 st Mortgage	360,000	4%	1/1/10
MHFA 2 nd Mortgage	338,339	1%	2028
Family Housing Fund	80,000	0%*	2034
MCDA	1,130,916	3%	2/1/18

The \$80,000 FHF loan has a 2% interest rate at this time, however, there will be no interest accruing after the closing on the stabilization funds, expected to occur within the next two months.

The proposed financial restructuring, combined with performing needed capital improvements with stabilization funds, extends the life of an important, well-managed, affordable housing resource for large families.