



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

**Date:** April 8, 2008

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

**Subject:** 2007 Affordable Housing Trust Fund Pipeline and Non-Profit Development Assistance Fund Project Recommendations

**Recommendation:** Approve a total of up to \$1,551,293 from the 2007 Affordable Housing Trust Fund (AHTF) Pipeline and a total of up to \$15,000 from the Non-Profit Development Assistance Fund for the following projects and developers and authorize the execution of the necessary documents for the AHTF loans and the Non-Profit Development Assistance Fund grants:

1. A loan up to \$275,000 from the AHTF for Alliance Addition to be located at 724 East 17<sup>th</sup> Street by Aeon or an affiliated entity;
2. A loan up to \$199,950 from the AHTF for the Blue Goose Apartments located at 1819 South 5<sup>th</sup> Street, 1825 South 5<sup>th</sup> Street, 1815 South 6<sup>th</sup> Street, 723-25 – 26<sup>th</sup> Avenue, 1818 South 7<sup>th</sup> Street, and 2601 South 6<sup>th</sup> Street by West Bank Community Development Corporation or an affiliated entity;
3. A loan up to \$368,284 from the AHTF and a grant up to \$7,500 from the Non Profit Development Assistance Fund for Olson Towne Homes located at 501 Girard Terrace by Community Housing Development Corporation or an affiliated entity;
4. A loan up to \$199,994 from the AHTF and a grant up to \$7,500 from the Non Profit Development Assistance Fund for Park Plaza located at 505–527 Humboldt Avenue North and 1315 Olson Memorial Highway by Community Housing Development Corporation or an affiliated entity; and
5. A loan up to \$508,065 from the AHTF for Van Cleve West located at 919 12<sup>th</sup> Avenue S.E. by Project for Pride in Living, Inc. or an affiliated entity.

**Previous Directives:**

a) In January 2008, the Council considered a “review and file” information report about the proposed 2007 AHTF Pipeline process and criteria.

b) Regarding Alliance Addition - In December 2005, the Council approved up to \$300,000 of AHTF monies and a grant up to \$30,000 from the Non Profit Development Assistance Fund for the original proposal of a 60 unit addition to Alliance Apartments.

c) Regarding Blue Goose Apartments – In October 1985, the Council authorized acquisition of certain parcels in the Cedar Riverside Urban Renewal area and issuance of a Tax Increment Revenue Note. In October 1987, the Council authorized the closing of 19<sup>th</sup> Avenue South and 26<sup>th</sup> Street and approval of expenditures of up to \$400,000 from the Cedar Riverside T.I. Fund for improvements. In October 1989, the Council approved several loans and public costs for the West Bank VIII Parcel B project. These included vacation of 19<sup>th</sup> Avenue between 5<sup>th</sup> and 6<sup>th</sup> Streets. In June 1991, the Council approved \$50,000 for site improvements for West Bank VIII, Parcel B and an appropriation increase to Fund BJ-Cedar Riverside Tax Increment Fund.

d) Regarding Olson Towne Homes – In May 2002, the Council approved a loan of \$450,000 from the AHTF program.

e) Regarding Park Plaza – In October 1999, the Council approved \$386,640 of Year 2000 Low Income Housing Tax Credits for the project. On February 18, 2000 the Council approved a \$4,400,000 bridge loan from the Federal Home Loan Bank, an appropriation increase in Fund CBH of \$618,000, an appropriation increase in Fund CAZ of \$600,000 and a loan of \$1,370,000 from CDBG/HOME. On May 8, 2000 the Council approved a \$1,680,471 loan from the Multi-Family Rental and Cooperative Housing Program.

f) Regarding Van Cleve West – In October 2005, the Council approved an AHTF loan of up to \$412,000 for Van Cleve East (Van Cleve Phase I). In November 2006, the Council approved an AHTF loan of up to \$670,000 for Van Cleve West (Van Cleve Phase II). In May 2007, the Council approved the TIF Plan and the terms of the TIF financing for all phases of Van Cleve.

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

Approved by: Tom Streitz, Director of Housing Policy and Development \_\_\_\_\_

Presenters in Committee: Donna Wiemann

**Reviews**

Permanent Review Committee (PRC): Approval \_\_\_ Date \_\_\_\_\_  
Policy Review Group (PRG): Approval \_\_\_ Date \_\_\_\_\_

**Financial Impact**

No financial impact  
 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
- \_\_\_\_\_ Action is within the Business Plan
- \_\_\_\_\_ Action requires a change to the Business Plan
- \_\_\_\_\_ Other financial impact
- \_\_\_\_\_ Request provided to the Finance Department when provided to the Committee Coordinator

### **Community Impact**

Neighborhood Notification- All project proposals being recommended for funding have been reviewed by the official neighborhood organization representing 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**

The City Council awarded up to \$7,038,334 of Affordable Housing Trust Fund monies and up to \$180,000 from the Non-Profit Development Assistance Fund to eleven (11) multi-family rental projects in early December, 2007. After this award, a balance of approximately \$2 million remained for production, stabilization, preservation.

Similar to Minnesota Housing, CPED has had in place an open pipeline option for several years to respond to proposals with compelling funding needs. In January 2008, the Council considered a “Receive and File” informational report about the proposed 2007 AHTF Pipeline including eligible applicants, project criteria, and the pipeline process. Proposals must meet all AHTF guidelines and minimum point threshold (at least 20 points in “financial soundness and management” and “economic integration”) and all proposals are scored and ranked according to the program selection criteria, underwritten according to industry standards, and physically inspected.

The pipeline option allows projects moving through the Interagency Stabilization Group (ISG) more timing flexibility for funding consideration. It allows projects with unexpected shortfalls/gaps to be dealt with in a timely manner. It allows CPED to move forward when a proposal has other funding commitments in place and is ready to commence except for an unexpected gap. In addition, the City must commit and spend federal HOME and CDBG funds (two primary sources of the AHTF) according to federal funding deadlines and the pipeline approach helps meet these rules.

Eligible applicants for the 2007 AHTF Pipeline funds are as follows:

1. 2007 AHTR RFP applicants not yet approved.

2. Previous AHTF or Low Income Housing Tax Credit RFP applicants experiencing unexpected shortfall/gap.
3. ISG projects moving through the ISG technical team review process.
4. New proposals receiving Minnesota Housing, HUD and/or County funding awards.
5. New proposals with strong neighborhood support. This is project proposals that have been reviewed and are supported (in writing) by the City-recognized official neighborhood group on all of the following measures:
  - a) Identity of developer and identity of owner;
  - b) Number of units;
  - c) Project size (square footage, number of floors);
  - d) Number of affordable units and the number of market rate units; and
  - e) Projects physical design to the degree known.

In January 2008, staff issued a Request for Proposals (RFP) for the 2007 AHTF Pipeline funds. Seven proposals were submitted; five (5) proposals meet one of the categories to qualify for the 2007 AHTF Pipeline funds and are being recommended for funding. Two proposals are not being recommended for funding at this time. Hope Block Stabilization is not being recommended because it does not meet any of the 2007 AHTF Pipeline categories to qualify. Exodus Apartments is not being recommended because the AHTF request is well beyond the per affordable unit AHTF upper limit for AHTF financing amounts.

The following five projects are being recommended for 2007 AHTF Pipeline loans of which three are being recommended for Non-Profit Development Assistance grants:

- 1) Up to \$275,000 for Alliance Addition - Aeon proposes a 40 unit addition to the existing Alliance Apartments. The addition will be located at 724 East 17<sup>th</sup> Street; all of the units will be efficiencies. Thirty (30) units will be set-aside for individuals meeting Minnesota Housing's definition of long term homelessness and ten (10) of the units will serve those who are formerly homeless or at risk of homelessness.

In 2005 the developer submitted a 2005 AHTF application to develop 60 units of affordable rental housing rental at this location and the Council awarded up to \$300,000 of 2004 and 2005 AHTF for this project in late 2005. During the intervening years, Aeon has obtained 4% more in committed development funds specifically \$300,000 from the Federal Home Loan Bank. Given the lapse of time between the initial funding commitment and now, the overall change between the initial proposal and current proposal, and the limited amount of additional development funds committed, the \$300,000 of 2004 and 2005 AHTF commitment has expired.

The proposed source of the 2007 AHTF Pipeline funds for Alliance Addition is Fund SHP. This is a local funding source that doesn't have the same restrictions as does the federal CDBG and HOME funds when it comes to new construction. Aeon requested up to \$500,000 of 2007 AHTF Pipeline funds; however, staff is recommending up to \$275,000 because this is the amount of remaining local funds from the 2007 AHTF Pipeline.

The project is eligible for the 2007 AHTF Pipeline due to its conformance with the "meeting strong neighborhood support" category.

- 2) Up to \$199,950 for Blue Goose Apartments – West Bank Community Development Corporation proposes to stabilize this 38 unit affordable rental housing project located at 1819 5<sup>th</sup> Street South and various other addresses in the West Bank.

The proposed rehab work will include exterior and interior painting, kitchen and bath repair, tuck-pointing, furnace replacement and parking lot repair. This is part of an overall stabilization/preservation proposal and the owner expects to apply for 2008 housing revenue bonds within the next few weeks. The overall outcome of this stabilization effort will be the long term financial stability and existence of this affordable housing resource.

This project was originally done in 1989 using Low Income Housing Tax Credits, TIF Loans, and private loans. The terms of the City financing was 1% simple interest on Tax Increment deferred loans totaling \$1,161,916 with a maturity date of December 2029. The project is eligible for the 2007 AHTF pipeline funds due to its conformance with the "strong neighborhood support" category.

- 3) Up to \$368,284 for Olson Towne Homes and up to \$7,500 Non Profit Admin Development Fund for Community Housing Development Corporation (CHDC) – CHDC proposes to undertake major water damage repairs for the stabilization of this 92 unit affordable rental project. The shifting soil has resulted in cracked foundations and water issues. CHDC will install helical piers and replace water service risers and concrete blocks to alleviate the problem.

The project was originally done in 1985 using Housing Revenue Entitlement bonds with an automatic 4% Low Income Housing Tax Credits. The existing City financing is CPED/NRP funds totaling \$1,005,000. The CPED loan is \$450,000 and the NRP loan is \$555,000. Both loans are deferred payment 1% loans maturing on April 9, 2033.

The project is eligible for 2007 AHTF Pipeline funds due to its conformance with the "ISG projects moving through the ISG Technical Team process" category.

- 4) Up to \$199,994 for Park Plaza and up to \$7,500 Non Profit Development Assistance Fund to Community Housing Development Corporation

(CDHC) - CHDC proposes to stabilize this 134 affordable housing rental project which has experienced major water major water main breaks requiring funds to repair and replace underground water mains to the properties. These water mains will be secured in plastic to keep major deterioration from occurring due to acidic soil. Funds for balcony repairs and common area rehab are also requested.

In October 1999, the Council approved \$386,640 of Year 2000 Low Income Housing Tax Credits for the project. On February 18, 2000 the Council approved a \$4,400,000 bridge loan from the Federal Home Loan Bank, an appropriation increase in Fund CBH of \$618,000, an appropriation increase in Fund CAZ of \$600,000 and a loan of \$1,370,000 from CDBG/HOME. On May 8, 2000 the Council approved a \$1,680,471 loan from the Multi-Family Rental and Cooperative Housing Program. The TIF loan matures on 3/15/40 and the two CPED loans mature on 1/01/33. Both loans are deferred 1% interest.

The project is eligible for 2007 AHTF Pipeline funds due to its conformance to "ISG projects moving through the ISG Technical Team process" category.

- 5) Up to \$508,065 for Van Cleve West – Project for Pride in Living proposes to develop Van Cleve Apartments West which is a 50 unit rental building. Twelve (12) of the 50 units will serve as permanent supportive housing for people who have experienced long term homelessness. In December, 2006, the Council approved up a \$670,000 AHTF loan; the additional \$508,065 AHTF loan request is needed to fill the final remaining gap and to totally fund the project. The Council also approved Low Income Housing Tax Credits and tax increment financing. PPL plans to close in June and start construction this summer

The project is eligible for the 2007 AHTF Pipeline funds due to its conformance with the "meeting strong neighborhood support" category.

The proposed financing terms of the AHTF loans are deferred payment loans at 1 percent interest with a 30 year term secured by a note and mortgage. Principal and accrued interest are due upon maturity, sale or conversion to a use other than affordable housing.

As stated earlier in this report, two 2007 AHTF Pipeline proposals are not being recommended for funding at this time. The first is a \$108,000 request for Hope Block Stabilization located at 2020 Portland, 616-18 East 22<sup>nd</sup> Street, 2024-26 Oakland Avenue South, and 2107, 09,15 ,23 Portland. It does not meet any of the categories to be eligible for pipeline funds. In December 2007, the Council approved a 2007 AHTF loan up to \$538,000 and \$30,000 grant from the Non Profit Admin Development Assistance Account to this project and this represented the first source of funds committed to this stabilization effort. Hope Community will be working this year to obtain funding commitments from Hennepin County, Minnesota Housing and other possible funding sources. To the extent that a gap remains after all of the other funding sources are secured, Hope Community may submit an application at that time.

The second is a \$379,154 request for Exodus Apartments located at 3131-33 First Avenue South, 3137-39 First Avenue South, 3143-45 First Avenue South, and 106-08 East 32<sup>nd</sup> Street. It is not being recommended because the AHTF request is well beyond the per affordable unit (50% AMI or less) upper limit typically approved for AHTF financing. The proposed work is needed; however, except for a few less costly items, it is not urgent. Staff will encourage the owner to seek additional funding sources to reduce the AHTF amount. Based upon this work, the owner will be in a stronger position to request AHTF monies in the future.

Attached to this report are the following:

1. Attachment A – 1: Map showing impacted (concentrated) and non impacted (non concentrated) areas of the City
2. Attachment A-2: Selection Criteria for Projects in Impacted Areas
3. Attachment A-3: Selection Criteria for Projects in Non-Impacted Areas
4. Attachment B: Recommendations for 2007 AHTF Pipeline Funding and Non Profit Development Assistance Fund Grants
5. Attachment C: Scoring and Ranking of Proposals
6. Attachment D: Comparison of Proposals on Certain Key Measures
7. Attachments E1 to E5: Project Data Worksheets for Alliance Addition (E1), Blue Goose Apartments (E2), Olson Towne Homes (E3), Park Plaza (E4), and Van Cleve West (E5)
8. Attachments F1 and F2: Project Data Worksheets for Exodus Apartments (F1) and Hope Block Stabilization (F2)