



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

**Date:** April 20, 2004

**To:** Council Member Lisa Goodman, Community Development  
Committee  
Council Member Barbara Johnson, Ways and Means/Budget  
Committee

**Prepared by:** Theresa Cunningham, Project Coordinator - Phone 612-673-5237

**Presenter in  
Committee:** Theresa Cunningham, Project Coordinator - Phone 612-673-5237

**Approved by:** Lee Pao Xiong, Director, Housing \_\_\_\_\_

**Subject:** Approval of Affordable Housing Trust Fund (AHTF) "Seed Money"  
Program forgivable loan to the Linden Hills Townhomes Project (3824  
West 44<sup>th</sup> Street)

**RECOMMENDATION:** Approve up to a \$1,000,000 forgivable loan from the 2004  
Affordable Housing Trust Fund "Seed Money" Program (Hilton  
Legacy funds) to Minneapolis Public Housing Authority for  
development of the Linden Hills Townhome Project.

**Previous Directives:** None

**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):
- Request provided to the Budget Office when provided to the Committee  
Coordinator

**Community Impact** (Summarize below)

**Ward:** 13

**Neighborhood Notification:** The Linden Hills Neighborhood Council reviewed the Linden Hills Townhomes Project on January 21, 2004 and voted unanimously to support the proposed development. Some concerns were expressed regarding the impact of parking availability in the area which will be explored further in upcoming neighborhood meetings and discussions.

**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:** 4.9 Minneapolis will grow by increasing its supply of housing. 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.11 Minneapolis will improve the availability of housing options for its residents.

**Zoning Code:** The lot is zoned R-1A and will need to be rezoned to R-4 or R-5 to accommodate the proposed development.

**Living Wage/Job Linkage:** Not applicable.

## **Background/Supporting Information**

CPED staff issued a Request for Proposals (RFP) for the Affordable Housing Trust Fund Program (AHTF), the 2004 Emergency Shelter Program (ESG) Program, and the AHTF "Seed Money" Program. A total of \$7.3 million is available under the three programs, which provide assistance with renovation, rehab, and conversion of buildings from emergency shelters or transitional housing for homeless people. In addition, funds can be used to create an incentive to attract new outside funding resources to assist with the development of rental housing projects (the AHTF "Seed Money" Program). One of the initiatives under this program is to capitalize new public housing units in non-concentrated areas of the city. No other Seed Money proposals were received in this funding round.

The Minneapolis Public Housing Authority (MPHA) submitted an application for Seed Money funded by the Hilton Legacy funds totaling \$1,000,000 for the Linden Hills Townhome Project located at 3824 West 44<sup>th</sup> Street in the Linden Hills Neighborhood of SW Minneapolis. Due to the fact that MPHA has no other significant capital funds for this project, the MPHA is requesting that CPED provide \$1,000,000 in Seed Money to MPHA for the construction of these five public housing units. In return MPHA will own and operate these units as public housing for as long as HUD provides an operating subsidy to cover any operating deficits within the project.

The project will consist of the new construction of five two-story townhome units with three or four bedrooms in each unit. One unit will be totally handicap-accessible. Each unit will be approximately 1,750 square feet and have two full baths. A one-car garage will be made available for each unit and a small tot lot will also be built along the northern edge of the site. Access will be from West 44<sup>th</sup> Street. See site plan/map, elevational renderings, and typical floor plans attached. Also attached is a Project Data Worksheet, which provides a more concise overview of the proposed development as

well as unit configuration, income levels, estimated sources and uses of funds, and more.

The site is currently owned by the Metropolitan Council and was formally used as a park-and-ride lot; however, has not used it for such purposes for a number of years and has deemed it "surplus." In 2003, the Met Council appraised this lot at \$190,000. MPHA has made an offer to purchase the site from the Metropolitan Council for \$1.00. The \$1 offer was considered and recommended for approval by the Met Council's Transportation Committee on March 22, 2004. The full Metropolitan Council will vote on the recommendation on April 14, 2004.

Total development cost is estimated at approximately \$1,057,311. This includes hard construction costs of approximately \$707,000. MPHA will act as the developer, planner, and attorney for this project and will not take any developer fee for this project. All contracts will be publicly bid and must meet MPHA procurement guidelines for Davis-Bacon and/or prevailing wage, minority and women-owned business opportunities, as well as Section 3 hiring.

MPHA has authority from HUD to operate public housing over and above its current housing stock. This operating authority, called Annual Contribution Contracts (ACC's), provides the operating subsidy needed for MPHA to operate and manage its housing stock for low-income public housing families. Unfortunately there is no money available from HUD to capitalize these ACC's. The Seed Money program requires matching funds of at least 50% of total development costs. The long-term ACC authority (valued at well over \$1,000,000) is providing the required 50% match for this project.

The developer will be provided a forgivable loan secured until construction completion. Typically, Affordable Housing Trust Funds are provided as a deferred 30 year loan with 1% simple interest with mechanisms to assure continued affordability; however, due to the required public housing deed restrictions and the continued mission of the MPHA to promote and deliver quality, well-managed homes to a diverse low-income population, and as a valued partner, contribute to the well-being of the individuals, families and community they serve; staff feels that additional long term affordability security in the form a mortgage and note is not necessary.

In view of MPHA's ability to access an operating subsidy provided by HUD to cover any operating deficit of the public housing units, the ability to purchase the Met Council's surplus land valued at \$190,000 for only \$1, and their commitment to ensure that the units will remain used for public housing in perpetuity and affordable to families at 30% of less of the area median income, staff strongly supports MPHA's request for a forgivable loan to assist with this development.

Attachments:

- Elevational renderings
- Project Data Worksheet
- Site plan/map
- Typical floor plans