



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

Date: August 7, 2007

To: Council Member Lisa Goodman, Chair, Community Development Cmte.

Subject: Phillips Place Coop Loan Restructuring

Recommendation: It is recommended that the City Council approve an amendment to the CPED Neighborhood Development Account deferred loan with Phillips Place Limited Partnership extending the balloon payment due date from August 18, 2007, to August 18, 2021; and authorize the execution of the necessary documents relative to the amendment.

Previous Directives:

- 1986 - the City Council approved a Contract for Private Redevelopment with Phillips Place Limited Partnership for construction of a 23-unit affordable townhome project located at 1901 13th Avenue South, and approved a loan of \$600,000 from the U.S. Department of Housing and Urban Development Housing Development Grant Program.
- 1987 - the City Council approved a loan of \$600,000 from the MCDA Neighborhood Development Account.
- 1999 - the City Council approved a HOME loan of \$70,750.

Prepared by: Kevin Dockry, Senior Project Coordinator (612) 673-5075
 Approved by: Elizabeth J. Ryan, Director, Housing Policy & Development _____
 Presenters in Committee: Kevin Dockry, Senior Project Coordinator

Reviews

Permanent Review Committee (PRC): Approval N/A Date _____
 Policy Review Group (PRG): Approval N/A 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: N/A

City Goals: A SAFE PLACE TO CALL HOME - Housing, Health and Safety: In five years all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Sustainability Targets: Affordable Housing

Comprehensive Plan: Section 4.11: Minneapolis will improve the availability of housing options for its residents. Section 4.12: Minneapolis will reasonably accommodate the housing needs of all of its citizens.

Zoning Code: N/A

Living Wage/Business Subsidy Agreement Yes _____ No X

Job Linkage Yes _____ No X

Other: N/A

Supporting Information

Phillips Place Coop is a 23-unit affordable townhouse development located at 1900-1918 14th Avenue South, 1901-1915 13th Avenue South, and 1311-1315 East 19th Street. The project was constructed pursuant to a Contract for Private Redevelopment dated July 16, 1986, between Phillips Place Limited Partnership and MCDA.

One hundred percent (100%) of the units are affordable at or below 50% of Area Median Income (AMI).

The project is owned by Phillips Place Limited Partnership. Twin Cities Housing Development Corporation (TCHDC) is the single member of the LLC that serves as General Partner for Phillips Place Limited Partnership. TCHDC is also the limited partner in Phillips Place Limited Partnership.

Phillips Place Limited Partnership was formed for the purpose of providing affordable housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels.

There is currently approximately \$1.3 million in long-term deferred debt on the project (see Attachment 1 – Project Data Worksheet), including three (3) City loans totaling approximately \$1.1 million. Balloon payments on two (2) City loans are due August 18, 2021; the balloon payment date on the third City loan is due August 18, 2007.

1. City of Minneapolis/U.S. Department of Housing and Urban Development Housing Development Grant Program – \$600,000 note payable to the City of Minneapolis, the note is noninterest bearing and is due August 18, 2021.

2. CPED deferred HOME loan – \$70,750 note payable to CPED with interest at 1%. The outstanding principal and interest is due August 18, 2021.
3. CPED deferred loan from the Neighborhood Development Account – \$458,380 note payable to CPED, the note is noninterest bearing and is due August 18, 2007.

The loan documents for the third loan above, which is the subject of this report, states “...if repayment would prevent Project rents from remaining below 30% of 50% of the Median Family Income for at least 34 years from the date of the Mortgage, the City, subject to the City Council’s approval, shall renegotiate, waive or extend repayment.”

The latest audited figures for the Phillips Place Coop project shows cash flow (before deposits to operating and replacement reserves) of \$35,069. Assuming Phillips Place Limited Partnership was able to refinance the subject debt (\$458,380) with a private loan, annual debt service (assuming 30 years, 7%) would equal \$36,600. This is very lean underwriting and it would be unlikely that Phillips Place Coop could afford a private loan without increasing rents above 50% of Median Family Income and defaulting on the other long-term debt.

As a result, Phillips Place Limited Partnership has requested that the balloon payment due date for the CPED Neighborhood Development Account deferred loan be extended from August 18, 2007, to August 18, 2021, in order for the rent levels to remain affordable at 50% AMI during this time.