

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

Date: January 5, 2010

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

Subject: 2009 Affordable Housing Trust Fund Project Recommendation PPL Northside Community Redevelopment Project (aka) PPL Northside Recap

Recommendation: Approve a total of up to \$610,600 from the Affordable Housing Trust Fund (AHTF) for Project for Pride in Living's Northside Community Redevelopment Project (aka Northside Recap Project)

Previous Directives: On December 7, 2007, the City Council approved an Affordable Housing Trust Fund award in the amount of \$545,000 for the PPL Northside Recap affordable housing project. On November 7, 2008, the City Council approved \$150,516 in Low Income Tax Credits for the PPL Northside Recap Project. On August 28, 2009, the City Council approved forgiveness of existing project debt totaling \$4,268,477. On October 2, 2009 the City Council approved \$565,773 of 2010 Low Income Housing Tax Credits for the project.

Prepared by: Tiffany Glasper, Senior Project Coordinator, Housing, 673-5221
Approved by: Thomas Streitz, Director, Housing Policy & Development _____
Presenters in Committee: Tiffany Glasper, Senior Project Coordinator, CPED

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 – The official neighborhood organization of the area in which the project is located has reviewed the proposed project plan.

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) 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).

The AHTF includes 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.

Supporting Information

The PPL Northside Community Redevelopment Project is one of several projects being recommended for funding through the Affordable Housing Trust Fund. This committee will review those recommendations at its January 19, 2010 meeting. This PPL Northside Community Redevelopment Project is being brought forward at this time in order to close in a timely fashion on the Tax Credit Assistance Program Funds and Exchange Credit Funds.

The Project Data Worksheet for the PPL Northside Community Redevelopment project is included as Attachment A.

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.

PPL's Near North Community Redevelopment Project is located at 13 scattered sites in north Minneapolis in the Near North and Willard-Hay neighborhoods, Ward 5. The project consists of 62 total units of affordable housing with support services.

The project proposes significant rehab at all 13 buildings in all 62 units. Rehabilitation activities include mold and asbestos remediation, updated mechanicals, roof and window repair and

replacement, common area upgrades, HVAC upgrades and kitchen and bath upgrades as necessary.

The project provides quality affordable housing and services to households with incomes at or below 50% MMI and incomes at or below 30% MMI, including 7 long term homeless units.

Project for Pride in Living has already been approved for \$150,000 in County ERF grant funds, \$25,000 in NRP funding, \$545,000 in Affordable Housing Trust Funds (2007), \$881,750 in Tax Credit Assistance Program (TCAP) funds, \$1,279,386 in Exchange Tax Credits and \$565,773 in 2010 LIHTC. PPL has applied to MHFA for an additional \$148,507 in LIHTC, \$41,717 in rental assistance and \$317,856 in operating subsidy. A decision on these funds is anticipated in early January 2010.

This project is experiencing a significant financing gap due primarily to the low rates being offered by tax credit investors. This project has secured NEF as its syndicator and the tax credits have been sold to an investor. NEF is requiring a significant set aside of \$1.6 million in operating reserves in order to ensure the success of the project. This operating reserve balance along with the rental and operating subsidies will provide excellent safeguards for this challenging project.

The tax credit investor is asking for a number of the units to be completed and occupied by late spring 2010, which is why we are bringing this project before you at this early date. We are anticipating closing the project immediately upon the funding approvals.