

Request for City Council Committee Action

Date: February 19, 2002

To: Community Development Committee
Referral to: Ways & Means / Budget Committee

Prepared by: Carsten Slostad (Phone 673-5150)

Approved by: Robert D. Miller, Director _____

Subject: NRP Phase II Affordable Housing Funds

Summary of the Request: Based upon the City's stated commitment to fully fund NRP, the NRP Policy Board approved the release of \$4,000,000 of NRP Phase II funds for affordable housing projects and authorized the Director to request that the City Council appropriate \$4,000,000 to the MCDA Fund CNR0 (NRP Program Funds) to be used for projects that are evaluated and approved by the Policy Board as funding recipients from the Phase II Affordable Housing Reserve Fund

Recommendation:

- (1) Amend the 2002 Minneapolis Community Development Agency ("MCDA") Appropriation Resolution by increasing NRP Program Fund CNR0 by \$4,000,000;
- (2) Direct the MCDA to dedicate these funds to an NRP Phase II Affordable Housing Reserve Fund to be used for Policy Board approved affordable housing projects;
- (3) Authorize the appropriate City officers to enter into any contracts or agreements needed to implement this request;
- (4) Refer this report to the MCDA Board of Commissioners for authorization of the appropriate MCDA officers to enter into any contracts or agreements necessary to implement this request.

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The Honorable Lisa Goodman, Chair
Community Development Committee
Minneapolis City Council
315 City Hall
Minneapolis, Minnesota 55415

The Honorable Barbara Johnson, Chair
Ways and Means Committee
Minneapolis City Council
315 City Hall
Minneapolis, Minnesota 55415

Re: NRP Phase II Affordable Housing Funds

Dear Chairpersons Goodman and Johnson:

At its meeting on January 28, 2002 the Neighborhood Revitalization Policy Board approved the use of \$4,000,000 of NRP Phase II funds for affordable housing and authorized the Director to request that the City Council appropriate these funds to the Minneapolis Community Development Agency's Fund CNR0 (NRP Program Funds).

On July 23, 2001, the Policy Board, as a response to the tax law changes initiated by the state legislature and the impact the changes had on tax increment revenues, decided to suspend the commitment of any and all future Phase II funds until such time as the source and amount of the funds to support Phase II were identified and approved by the Board. The second resolved clause of the resolution adopted at that meeting stated that "the projects submitted in response to the first Affordable Housing Reserve fund RFP be retained, unopened and unevaluated, until such time as the Board determines that sufficient funds have been identified for Phase II neighborhood allocations and the Reserve Funds for Affordable Housing and Commercial Area Development".

During the development of the 2002 Budget for the City, the City Council and the Mayor added a footnote to the MCDA budget that directs the MCDA "to prepare an annual budget assuming full funding for NRP Phase II by the year 2015". The footnote further states: "the MCDA is directed to provide new Phase II capitalization to NRP from a combination of Fund CNR (NRP) interest earnings and other MCDA funds as necessary for a NRP allocation of \$11 million in 2002".

As was discussed at the October 22 Policy Board meeting, extending the time period for funding NRP should not present a hardship to the program or adversely affect participating neighborhoods. Fourteen neighborhoods met the criteria for entering Phase II by the end of June. By the end of September, this number had increased by 3 neighborhoods.

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One of the most pressing concerns of both neighborhoods and the City is the affordable housing shortage. Ten proposals were submitted in response to our March 1, 2001 Affordable Housing Reserve Fund RFP. These proposals were retained, unopened and unevaluated, awaiting direction from the Policy Board. With the action taken by the Board on January 28, 2002, we have now begun the process of evaluating these proposals.

Based on the City's commitment to the full funding of NRP, the need for timely investment in addressing the affordable housing shortage and the balance that would minimally be present in the program's reserve at the end of 2002, the Policy Board approved the release of up to \$4 million of the funds for Phase II for the projects responding to the Affordable Housing Reserve Fund RFP.

On January 28, 2002 the Policy Board passed the following resolution:

RESOLVED: That the Minneapolis Neighborhood Revitalization Policy Board (Board) authorizes the Director to request: 1) that the City Council appropriate \$4,000,000 to the Minneapolis Community Development Agency's Fund CNRO (NRP Program Funds); 2) that these funds be used for projects that are evaluated and approved by the Board as funding recipients from the Affordable Housing Reserve Fund; and 3) that the City Council and the MCDA Board of Commissioners authorize the appropriate City and MCDA officers to execute any needed contracts to implement this action;

RESOLVED FURTHER: That this action is based on the City's stated commitment to fully fund NRP; and

RESOLVED FURTHER: That NRP staff are directed to open the proposals received in response to the Affordable Housing Reserve Fund RFP, evaluate the proposals in accordance with the criteria adopted by this Board, and present a recommended approval list with award amounts to this Board as soon as is possible.

Pursuant to this resolution, I make the following recommendations for consideration by your committees:

RECOMMENDATION:

- (1) Amend the 2002 Minneapolis Community Development Agency ("MCDA") Appropriation Resolution by increasing NRP Program Fund CNRO by \$4,000,000;

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- (2) Direct the MCDA to dedicate these funds to the NRP Phase II Affordable Housing Reserve Fund to be used for Policy Board approved affordable housing projects;
- (3) Authorize the appropriate City officers to enter into any contracts or agreements needed to implement this request;
- (4) Refer this report to the MCDA Board of Commissioners for authorization of the appropriate MCDA officers to enter into any contracts or agreements necessary to implement this request.

Sincerely,

Robert D. Miller
Director