

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

**Date:** January 5, 2010

**To:** Council Member Lisa Goodman, Community Development Cmte  
**Referral to:** Council Member Paul Ostrow, Chair, Ways & Means/Budget  
Committee

**Subject:** Accept and Appropriate Tax Credit Exchange (1602) Program Funds  
Awarded by the Minnesota Housing Finance Agency (MHFA) to Near North Re-  
Capitalization and Clare Midtown Housing Projects

**Recommendation:**

1. Accept 1602 Exchange Program Funds awarded by the Minnesota Housing Finance Agency (MHFA) for Near North Recapitalization in the Exchange amount of \$1,279,386 and for Clare Midtown in the Exchange amount of \$1,279,395.
2. Increase the 2010 Revenue Budget for the CPED Agency Fund 01300 (Grants and Federal Funds( 01300-8900900) by \$2,558,781.
3. Amend the 2010 General Fund Appropriation Resolution increasing the CPED Agency Fund 01300 (Grants and Federal Funds (01300-89000220) by \$2,558,781.
4. Authorize the appropriate City staff to execute loans, subrecipient and/or disbursement and related agreements for these grants.

**Previous Directives:** In May 2009 the City Council Approved the Qualified Allocation Plan and Procedural Manual. In May the City Council also approved the Draft Requirements for the Administration and Exchange Program Funds (TCAP Funds) for the American Recovery & Reinvestment Act. In June 2009 the City Council approved the TCAP Resolution for the American Recovery & Reinvestment Act. On August 28th the City Council approved TCAP Funds and Return/ Exchange Funds for 4 Housing Tax Credit Projects. In September 2009 the City Council Approved to Accept and Appropriate TCAP Grant Funds, Increase the 2009 Revenue Budget, Amend the 2009 General Fund Appropriation Resolution and authorize execution of loans, subrecipient disbursements and related agreements.

**Department Information**

Prepared by: Dollie Crowther, Principal Project Coordinator: 612-673-5263 Approved by: Tom Streitz, Director of Housing Policy & Development _____ Presenters in Committee: Dollie Crowther
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**Reviews**

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

**Financial Impact:**

- *Fees will be generated from tax credit approved projects.*
- Action requires an appropriation increase to the Capital Budget or Operating Budget  
Dept Name: CPED, Affordable Housing Development (8900220)  
Fund Name: 01300 –Grants- Federal  
Project Name & Number (if capital budget):  
Amount: \$2,558,791
- Action provides increased revenue for appropriation increase  
Dept Name: CPED, Debt Services and Transfers (8900900)  
Fund Name: 01300 –Grants- Federal  
Project Name & Number (if capital budget):  
Amount: \$2,558,791

### **Community Impact**

- Neighborhood Notification; City Wide. Public hearing with the Minneapolis/St. Paul housing Finance Board. All changes to the QAP have been reviewed by the official neighborhood organizations. Exchange ( Section 1602) regulations posted on the City Public Web page and public comment period requested.
- City Goals: In five years all Minneapolis residents will have a better quality of life and access to housing services.
- Comprehensive Plan: 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.
- Zoning Code: projects will comply.
- Other: NA

### **Supporting Information**

On February 17, 2009, the American Recovery and Reinvestment Act (ARRA or the "Act") of 2009 became law. This Recovery Act is to jumpstart the nation's failing economy with a primary focus on jobs, investing in infrastructure and long term economic benefits. It also provided funds for capital investments in Low Income Housing Tax Credits (LIHTC) projects. MHFA has been allocated funds by the United States Department of Treasury (Treasury) under the ARRA and pursuant to the authority granted by Minnesota statutes, and has implemented a housing program (Section 1602 Program) that will use federal funds awarded to the State of Minnesota in exchange for the LIHTCs that the subrecipient has returned to MHFA under the Section 1602 Program. Due to a lack of investors in the market, the value of the tax credit only yielded 60-65 cents on the dollar. This resulted in major gaps in the amount of equity available for the development of affordable housing. The "Act" allowed the City of Minneapolis to approve an exchange of \$301,133 of 2009 tax credits (awarded to Near North and Clare) to the Treasury for an amount equal to 85 cents on the dollar. This resulted in an amount of \$2,558,791 from the Treasury for 2 projects.

Through an RFP process and establishment of criteria and guidelines by the Minneapolis/St. Paul Joint Housing Finance Board, 2 low income affordable housing projects were approved to return their 2009 tax credits and receive Exchange Funds. These projects were approved by the City Council on August 28, 2009 to receive TCAP, the exchange tax credits and include:

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**Near Northside Recapitilization**-scattered in various areas in North Minneapolis, this project proposes to rehabilitate 62 units of affordable rental housing. There will be 20 units at 30% of area median income and 42 units renting to households at 50% of area median income.

**Clare Midtown**- new construction of 45 units of supportive housing and special needs for people living with HIV or AIDs. Some of the units are for long term homeless and all the units are supported with GRH assistance and HOPWA. The project is located near the Lake Street LRT Station.

Exchange Funds will be awarded from the Treasury Department to the Minnesota Housing Finance Agency to the City of Minneapolis. In order to accept the 1602 Funds, the City Council must approve the grant funds and appropriate an increase to the 2010 Revenue Budget for the Community Planning & Economic Development Agency Fund 01300 and amend the 2010 General Appropriation Fund 01300- grants- federal by \$2,558.791.