



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

Date: August 10, 2004

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Dollie Crowther, Senior Housing Project Coordinator, Phone 612-673-5263

Presenter in Committee: Dollie Crowther, Senior Housing Project Coordinator

Approved by: Lee Pao Xiong, Director, Housing _____

Subject: Debt Restructuring on Two Multi-family Housing Projects

RECOMMENDATION: Request approval to extend the term and change the interest rate for the **Portland Avenue Apartment Project** to the Applicable Federal Rate (AFR) and change the interest rate for the **Elliot Avenue Apartments** to the Applicable Federal Rate (AFR).

Previous Directives: These projects received approval of funding in prior years from the City Council/MCDA Board of Commissioners.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- 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: 6

Neighborhood Notification: Neighborhood Group Notification has occurred for each of the projects requesting restructuring.

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: 4.91 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: Complies

Living Wage/Job Linkage: NA

Background/Supporting Information

In prior years, the MCDA provided gap funding for projects to sustain affordable rental housing.

The term of the debt at that time was structured to adhere to what existed in the market place and what staff felt was each specific project's ability to repay or defer debt. Many of the MCDA loans on these projects are now due and payable and in some instances new debt is being placed on the projects. This requires a restructuring of that debt as a result of requests from other lenders and limited partners who are making a new contribution to the project or simply after underwriting the project, the numbers dictate that the existing terms cannot be met by the owners/developers. Debt restructuring terms are designed to first stabilize and sustain the affordability of the projects, and in several of these cases, to prevent negative tax consequences.

Twin Cities Housing Development Corporation (TCHDC) has several properties which reach the end of their tax credit compliance period between now and December 2006. The limited partners want to exit the partnerships at the end of this compliance period. It is in the best interest of the property and the others involved if the exit tax liability of the limited partner could be minimized. This will allow TCHDC to acquire the limited partner interest in the partnership for debt plus taxes. This scenario makes it easier for the limited partner to exit without receiving any cash, and helps to preserve the typically minimal reserve balance and affordability of the projects.

TCHDC has sought out and evaluated various strategies for minimizing exit taxes and acquiring the properties at the end of the compliance period. When significant modifications are made to existing debt agreements, the borrower must recognize Cancellation of Debt (COD) income for tax purposes. The COD income must be recognized in the year in which the debt modification occurs. To achieve the required outcome, each project will require a new interest rate at the Applicable Federal Rate (AFR). This rate is published monthly by the Treasury Department.

TCHDC is pursuing this scenario on several projects in their inventory. The National Equity Fund (NEF) as the tax credit syndicator has determined this process is acceptable if all the lenders involved are willing to make the related-debt modifications.

The requested modifications to the existing CPED debt are listed below:

Elliot Avenue Apartments

The CPED loan of \$620,786 will change from 1% simple interest to the Applicable Federal Rate (AFR) retroactively to January 1, 2004.

Portland Place Apartments

The CPED loan of \$668,762 will change from 1% simple interest to the Applicable Federal Rate (AFR) retroactively to January 1, 2004. The term of the loan will be extended four years to December, 2023.

These two projects provide housing units for families at or below 50% of the Area Median Income. In no instance has there been any forgiveness of debt, merely deferring the loan payments, extending the due dates and adjusting the interest rate. Staff has attempted to comply with the requirements of other lenders to more effectively underwrite the projects.



Project Status
 Proposed:
 Approved:
 Closed:
 Complete:

Impaction
 Non-Impacted
 Impacted

Occupancy
 Rental
 Ownership

Household
 General
 Family w/Children
 Senior
 Single
 Special Needs
 Homeless

Project Name: Elliot Avenue Apts
 Main Address: 2101 Elliot Ave
 Project Aliases:
 Additional Addresses: 2105, 06, 08, 09, 10, 16, 18 Elliot Ave
 Ward: 6 Neighborhood: Phillips

Housing Production and Affordability

UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	2		0BR	1	1	0	0	0
1BR	0	1BR	0	0	0	0	0	0	
2BR	4	2BR	0	2	2	0	0	0	
3BR	6	3BR	3	1	1	1	0	0	
4+BR	3	4+BR	1	2	0	0	0	0	
TOT	15	TOT	5	6	3	1	0	0	

Shelter Units: 0 + Conversion Units: 0
 Section 8: 0

Project Activity
 New Construction
 Rehabilitation
 Stabilization
 Preservation
 Year Built:

Development
 Apartment/Condo
 Townhome
 Coop
 Shelter
 Transitional
 Scattered Site/Other

GENERAL INFORMATION

15 units of affordable housing located in West Phillips. These units are scattered and are comprised of a 4-plex, duplexes and townhomes. Many of these units are 100 years old and require extensive maintenance needs.

Partnership:
Developer: TCHDC
 400 Selby Avenue Suite C
 Saint Paul, MN 55102
 Phone: (651) 292-0211 ext-
 Fax: (651) 292-1930

Owner: TCHDC
 400 Selby Avenue Suite C
 Saint Paul, MN 55102
 Phone: (651) 292-0211 ext-
 Fax: (651) 292-1930

Contact Information:
Consultant:

Contractor:

Architect:

Property Manager:
 Garsten/Perennial Management
 Phone: (651) 523-1210 ext-
 Fax: (651) 644-0296

Support Services:

CPED Coordinator:
 Dollie Crowther
 CPED
 105 5th Ave S Suite 200
 Minneapolis, MN 55401
 Phone: (612) 673-5263 ext-
 Fax: (612) 673-5259
 dollie.crowther@ci.minneapolis.mn.us

CPED Legal:

CPED Support Coordinator

CPED Rehab:

MPLS Affirmative Action



Project Status
 Proposed:
 Approved:
 Closed:
 Complete:

Impaction
 Non-Impacted
 Impacted

Occupancy
 Rental
 Ownership

Project Name: Elliot Avenue Apts
 Main Address: 2101 Elliot Ave
 Project Aliases:
 Additional Addresses: 2105, 06, 08, 09, 10, 16, 18 Elliot Ave
 Ward: 6 Neighborhood: Phillips

Project Activity
 New Construction
 Rehabilitatio
 Stabilization
 Preservation
 Year Built: _____

Development
 Apartment/Condo
 Townhome
 Coop
 Shelter
 Transitional
 Scattered Site/Other

Household
 General
 Family w/Children
 Senior
 Single
 Special Needs
 Homeless

Housing Production and Affordability

UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY				MKT
			<30%	<50%	<60%	<80%	
0BR	2		1	1	0	0	0
1BR	0		0	0	0	0	0
2BR	4		0	2	2	0	0
3BR	6		3	1	1	1	0
4+BR	3		1	2	0	0	0
TOT	15		5	6	3	1	0

Shelter Units: 0 + Conversion Units: 0
 Section 8: 0

USES AND SOURCES

Project Uses:

Land: \$0.00
 Construction: \$0.00
 Construction Contingency: \$0.00
 Construction Interest: \$0.00
 Relocation: \$0.00
 Developer Fee: \$0.00
 Legal Fees: \$0.00
 Architect Fees: \$0.00
 Other Costs: \$0.00
 Reserves: \$0.00
 Non-Housing: \$0.00
 TDC: \$916,021.00
 TDC/Unit: \$61,068.00

Project Sources:

Source / Program	Amount	%	Term	Committed
FHF	\$150,000.00	6.85%	12/5/2008	12/5/1991
CPED	\$620,786.00	1.00%	12/5/2021	12/5/1991
MHFA	\$145,235.00		PAID	12/5/1991
TDC:	\$916,021.00			

Financing Notes:



Project Status
 Proposed: 1/1/2001
 Approved:
 Closed: 10/23/2001
 Complete: 9/25/2002

Impaction
 Non-Impacted
 Impacted

Occupancy
 Rental
 Ownership

Project Name:
 Main Address:
 Project Aliases:
 Additional Addresses:
 Ward: Neighborhood:

Project Activity
 New Construction
 Rehabilitation
 Stabilization
 Preservation
 Year Built:

Development
 Apartment/Condo
 Townhome
 Coop
 Shelter
 Transitional
 Scattered Site/Other

Household
 General
 Family w/Children
 Senior
 Single
 Special Needs
 Homeless

Housing Production and Affordability

UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR				0BR				
1BR	2		1BR				2		
2BR	6		2BR				6		
3BR	4		3BR			3	1		
4+BR	5		4+BR	1			3	1	
TOT	17		TOT	1	3	12	1	0	

Shelter Units: + Conversion Units:
 Section 8:

GENERAL INFORMATION

17 unit apartment building in the Phillips neighborhood. This project was redesigned to accommodate a mix of unit sizes. The tenants take a strong leadership role in resolving tenant issues. The project was stabilized in 1995 and 2001 with HOME Funds.

Partnership: Portland Place LP

Developer:
 TCHDC
 400 Selby Avenue Suite C
 Saint Paul, MN 55102
 Phone: (651) 292-0211 ext-
 Fax: (651) 292-1930

Owner:
 TCHDC
 400 Selby Avenue Suite C
 Saint Paul, MN 55102
 Phone: (651) 292-0211 ext-
 Fax: (651) 292-1930

Contractor:
 Marv Kotek
 Frerichs Construction Company
 3550 Labore Rd Suite 10
 Saint Paul, MN 55110-
 Phone: (651) 787-0687 ext-
 Fax: (651) 787-0407
 marv@frerichsconstruction.com

Architect:
 Blumentals Architecture Inc.
 6235 Earle Brown Dr D-Barn
 Brooklyn Center, MN 55430-
 Phone: (763) 561-5757 ext-
 Fax: (763) 561-2914
 info@blumentals.com

Property Manager:
 Garsten/Perennial Management
 Phone: (651) 523-1210 ext-
 Fax: (651) 644-0296

CPED Coordinator:
 Dollie Crowther
 CPED
 105 5th Ave S Suite 200
 Minneapolis, MN 55401
 Phone: (612) 673-5263 ext-
 Fax: (612) 673-5259
 dollie.crowther@ci.minneapolis.mn.us

CPED Legal:
 Nikki Newman
 Phone: (612) 673-5273 ext-
 Fax: (612) 673-5112

CPED Support Coordinator:
 Scott Ehrenberg
 Phone: (612) 673-5067 ext-
 Fax: (612) 673-5259

Contact Information:
Consultant:

Support Services:

CPED Rehab:
 Jan Ryan
 Phone: (612) 673-5250 ext-
 Fax: (612) 673-5207

MPLS Affirmative Action



Project Activity	Development
<input type="checkbox"/> New Construction <input checked="" type="checkbox"/> Rehabilitatio <input checked="" type="checkbox"/> Stabilization <input type="checkbox"/> Preservation Year Built: <input type="text" value="1971"/>	<input checked="" type="radio"/> Apartment/Condo <input type="radio"/> Townhome <input type="radio"/> Coop <input type="radio"/> Shelter <input type="radio"/> Transitional <input type="radio"/> Scattered Site/Other

Project Status
Proposed: 1/1/2001 Approved: <input checked="" type="checkbox"/> Closed: 10/23/2001 Complete: 9/25/2002

Impaction
<input type="radio"/> Non-Impacted <input checked="" type="radio"/> Impacted

Occupancy
<input checked="" type="radio"/> Rental <input type="radio"/> Ownership

Household
<input type="checkbox"/> General <input checked="" type="checkbox"/> Family w/Children <input type="checkbox"/> Senior <input type="checkbox"/> Single <input type="checkbox"/> Special Needs <input type="checkbox"/> Homeless

Project Name:	Portland Place
Main Address:	2430 Portland Ave
Project Aliases:	
Additional Addresses:	
Ward:	6
Neighborhood:	Phillips

Housing Production and Affordability									
UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	0BR			0BR				
1BR	1BR	2	1BR			2			
2BR	2BR	6	2BR			6			
3BR	3BR	4	3BR		3	1			
4+BR	4+BR	5	4+BR	1		3	1		
TOT	TOT	17	TOT	1	3	12	1	0	

Shelter Units: + Conversion Units:

Section 8:

USES AND SOURCES

Project Uses:	
Land:	\$0.00
Construction:	\$847,720.00
Construction Contingency:	\$87,415.00
Construction Interest:	
Relocation:	\$51,500.00
Developer Fee:	\$45,000.00
Legal Fees:	\$10,000.00
Architect Fees:	
Other Costs:	\$204,174.00
Reserves:	\$17,000.00
Non-Housing:	
TDC:	\$1,262,809.00
TDC/Unit:	\$74,283.00

Project Sources:					
Source / Program	Amount	%	Term	Committed	
TCHDC	\$45,000.00				
Owner Equity					
NEF	\$35,000.00				
Equity					
FHF	\$75,000.00				
FHF					
MCD	\$407,000.00	1.00%	10/23/2031	Deferred	HD00000342
HOME					
MHFA	\$700,809.00	0.00%	10/23/2031	Deferred	
ARIF					
TDC:	\$1,262,809.00				

Financing Notes: