



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

Date: May 18, 2004

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee

Prepared by: Bernadette Lynch, Project Coordinator, Phone 612-673-5236
Presenter in Committee: Bernadette Lynch, Project Coordinator

Approved by: Lee Pao Xiong, Director, Housing _____

Subject: **Accept and Appropriate Metropolitan Council Local Housing Incentives Account (LHIA) Grant of \$200,000 for Heritage Park Rental Phase III; Execute Grant & Sub-recipient Agreements**

RECOMMENDATION:

- 1) Accept and Appropriate LHIA Grant of \$200,000;
- 2) Increase the 2004 Appropriation for the CPED Agency in the State grant Funds (SMN0-890-8952) by \$200,000;
- 3) Increase Revenue Budget for the CPED Agency in the State grant Funds (SMN-890-8490) by \$200,000; and
- 4) Authorize execution of the grant and sub-recipient agreements.

Previous Directives: In January 2003, the MCDA awarded Heritage Park Phase III \$359,528 in Low Income Housing Tax Credits. In April 2003, the MCDA awarded \$750,000 in AHTF dollars. In December 2003, the MCDA awarded \$289,400 in AHTF dollars. In January 2004, the City of Minneapolis approved \$189,400 in NRP reserve trust fund dollars. To date the, the City of Minneapolis has awarded Heritage Park Phase III \$359,528 in Low Income Housing Tax Credits and \$1,039,400 in deferred financing (AHTF and NRP).

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- 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

Ward: 5

Neighborhood Notification: The Harrison Neighborhood sent a letter supporting the developer McCormack Baron Salazar's application for these funds.

City Goals: Consistent with Goal 4.10, Minneapolis will increase its housing that is affordable to low and moderate income households; Implementation Step, Partner with other municipalities, the Metropolitan Council and state government to develop a regional strategy for increasing the supply of affordable housing, supported by a more predictable long-term revenue stream.

Comprehensive Plan: Consistent with principle 4.9, Minneapolis will grow by increasing its supply of housing; principle 4.10, Minneapolis will increase its housing that is affordable to low and moderate income households; principle 4.17, Minneapolis will promote housing development that supports a variety of housing types at designated Major Housing Sites throughout the city.

Zoning Code: Will Comply.

Living Wage/Job Linkage: Not applicable.

Background/Supporting Information

Project Description

Phase III is the final phase of rental housing development at Heritage Park. The development area is located south of Olson Memorial Highway and will include the construction of 95 rental units, while also incorporating an existing public housing high rise (as an existing occupied building, these units are not included in unit count).

The mix of rental housing units in Phase III includes 38 Hollman public housing replacement units, which will be set aside for returning public housing residents and other priority families as outlined in the Consent Decree. In addition, 17 units will be set aside as conventional tax credit units (9 units will be affordable to households earning 50% median income and 8 will be affordable to households earning 60% of median income). The other 40 units will be unrestricted with respect to income, but will be affordable to households between 60% and 80% of MMI.

LHIA Funding Award Description

The developer was awarded the \$200,000 grant from the Met Council Local Housing Incentive Account (LHIA) through the MHFA Super RFP application process. While the developer drafted and submitted the application for the funding independently, LHIA funds must flow through the city where the project is located. As a result, to secure the funds, the City of Minneapolis must agree to accept the funds and appropriate them to the Heritage Park Phase III project.

The \$200,000 award from the LHIA requires a local dollar-for-dollar match of \$200,000. CPED policy requires prior City Council approval for all grant applications requiring a local match, but given that the developer made the application directly to MHFA, CPED

staff was not able to obtain prior approval. The \$1,039,400 in AHTF and NRP funds that the City has already invested in the project more than satisfies this requirement.

Financing Summary

Funds for Heritage Park rental Phase III have been assembled from a variety of sources: MPHA, MHFA, MCDA, the Family Housing Fund, the Met Council, along with equity contributions from the developer, McCormack Baron Salazar, and the sale of 9% low income housing tax credits to a limited partner. Tax increment will be used to pay for infrastructure improvements. See attached Project Data Worksheet for complete schedule of Heritage Park Phase III "Sources and Uses."