

# Request for City Council Committee Action from the Department of

Date: March 10, 2009

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

Subject: 2008 Affordable Housing Trust Fund Pipeline Funding Recommendations

**Recommendation: Approve a total of up to \$1,797,361 from the 2008 Affordable Housing Trust Fund (AHTF) Pipeline for the following projects and authorize the execution of the necessary documents for the AHTF loans:**

- 1. A loan up to \$178,361 for Fremont Flats located at 1814, 1816 and 1820 – 22 Fremont Avenue North by Project for Pride in Living or an affiliated entity;**
- 2. A loan up to \$179,000 for Many Rivers East located at 1500 East Franklin by American Indian Community Development Corporation or an affiliated entity; and**
- 3. A loan up to \$1,440,000 for the Walker Apartments to be located at 12<sup>th</sup> and Hennepin Avenue by MetroPolitan Development, Inc. or an affiliated entity.**

Previous Directives:

1. Fremont Flats -
  - A) On December 12, 2008, the Council approved a loan up to \$445,870 from the AHTF and a grant up to \$30,000 from the Non Profit Admin fund to Project for Pride in Living or an affiliated entity and approved the sale of the project by Northside Residents Redevelopment Council to Project and Pride in Living and assumption of all City existing debt by PPL in the amount of \$960,616 (principal and accrued interest as of 12/31/08) with a 30 year deferred term at 1% interest;
  - B) In October, 2008, the Council authorized an application to the Hennepin County Environmental Response Fund (ERF); and
  - C) On February 20, 2009, the Council authorized acceptance of a \$45,000 ERF grant to the project.
2. Many Rivers East -
  - A) On October 13, 2000, the Council granted preliminary approval of the housing revenue bonds;
  - B) On July 6, 2001, the MCDA Board approved the allocation of \$606,139 from the Multifamily Rental and Cooperative Housing Program; and
  - C) On March 22, 2002, the Council and MCDA Board approved the sale of land to Many Rivers East Limited Partnership, redevelopment contract terms, a Redevelopment Plan modification, a TIF plan including Pay-Go TIF assistance of \$480,000, and provided final approval of \$4,250,000 in tax-exempt Multi Housing Development bonds.
3. Walker Apartments -
  - A) In October, 2008, the Council authorized an application to the Hennepin County Environmental Response Fund (ERF); and

B) On February 20, 2009, the Council authorized acceptance of a \$42,500 ERF grant to the project.

### Department Information

Prepared by: Donna Wiemann, Principal Project Coordinator, 612-673-5257

Approved by: Charles T. Lutz, CPED Deputy Director \_\_\_\_\_

Thomas A. Streitz, Director, Housing Policy & Development \_\_\_\_\_

Presented by: Wesley Butler, Manager, MF Housing

### Financial Impact

- No financial impact.

### Community Impact

- Neighborhood Notification – All proposals being recommended for funding have been reviewed by the official neighborhood organization representing the area in which the project is located.
- City Goals – In five years Minneapolis residents will have a better quality of life and access to housing and services.
- 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 – Projects will either comply or will comply with the zoning code.

### Supporting Information

On December 12, 2008, the City Council awarded up to \$6,929,283 AHTF monies to ten (10) multi-family rental projects and up to \$97,500 from the Non-Profit Development Assistance Fund to three (3) non-profit developers. After this award, a balance of approximately \$1.8 million remained for the production, stabilization, and preservation of affordable rental housing.

Similar to Minnesota Housing, CPED has in place an open pipeline process for handling remaining AHTF monies. The AHTF pipeline process, as established by the Council, is as follows:

- Proposals will be considered on a first come, first serve basis. Staff will perform an initial analysis of the eligibility, feasibility, and competitiveness, if not acceptable staff, will move to the next project on the list;
- Pipeline funds will be offered only as long as AHTF funding remains. Pipeline projects must meet all AHTF guidelines including minimum point threshold and total point threshold. All proposals are scored and ranked according to the program selection criteria, underwritten according to industry standards, and physically inspected.

The types of projects which qualify for the pipeline funds, as established by the Council, are as follows:

1. 2008 AHTF RFP applicants not yet approved;
2. Previous AHTF and Low Income Housing Tax Credit RFP applicants experiencing unexpected shortfall/gap;
3. Inter-Agency Stabilization (ISG) projects moving through the ISG technical team review process;
4. New proposals that received Minnesota Housing, HUD and/or County funding award;

5. New proposals with strong neighborhood support. This is project proposals that have been reviewed and are supported (in writing) by the City-recognized official neighborhood group on all of the following measures:
  - a) Identity of developer and owner;
  - b) Number of units;
  - c) Project size (square footage, number of floors);
  - d) Number of affordable units and the number of market rate units; and
  - e) The project's physical design to the degree known.

On February 6, 2009, staff issued an announcement that 2008 AHTF pipeline applications were being accepted on a first come first serve basis. It stated that the pipeline application period would remain open until the earliest of either Friday, March 6, 2009 or the date by which a sufficient number of qualified applications have been received and determined by CPED staff to have met both minimum point threshold and total point threshold.

Three proposals were submitted on the first day of the announcement and were immediately reviewed by CPED staff to determine if they qualified for the pipeline funds and met the program's minimum point threshold and total point threshold. It was determined that they did and the total amount requested would use all of the 2008 AHTF pipeline funds. At that point the pipeline period was officially closed.

The following three projects are being recommended for the 2008 AHTF loans:

1. Up to \$178,361 for Fremont Flats – This is a stabilization project moving through ISG. Located at 1814, 1816 and 1820-22 Fremont Avenue North, Project for Pride in Living has purchased this 10 unit project from Northside Residents Redevelopment Council. The project is 100% Project Based Section 8 and provides affordable housing at 30% of area median income. In December, 2008, the Council approved up to \$445,870 of 2008 AHTF to this project; an additional \$178,361 is now being requested because PPL incurred additional significant holding costs that were unknown when the 2008 AHTF application was due (early summer 2008). Approval of the \$178,361 is the final funding source needed to close and commence the rehabilitation of the project.
2. Up to \$179,000 for Many Rivers East – This is a stabilization project moving through ISG. It is located at 1500 East Franklin and is owned by American Indian Community Development Corporation (AICDC). The 50 unit project was completed in 2003 and is affordable primarily family households at 50% and 60% of area median income. Sixteen (16) units are market rate. The project has not performed up to proforma expectations and AICDC has developed a stabilization plan to put the project back on sound financial footing. AICDC requests 2008 AHTF pipeline money to convert some of the community room space into three (3) efficiency units (creating a total of 53 units), retrofit the lighting system, and carpet the living rooms to enhance unit livability. The additional three units will increase operating income and the retrofitting will reduce operating expenses. As a second stage of AICDC's stabilization plan, they intend to submit a refinancing plan later in 2009 that will continue to increase positive cash flow and provide long term project stability.
3. Up to \$1,440,000 for Walker Apartments. This is a new project strongly supported by the official neighborhood group. MetroPolitan Development, Inc. proposes to develop an 85 unit rental project to be located on the southeast corner of the 12<sup>th</sup> and Hennepin Avenue intersection. The project will be affordable at 30% and 50% of area median income and 37 of the units will be market rate. Four (4) of the units will be supportive units designed to primarily serve formerly homeless single adults.

The AHTF monies are typically provided as a deferred payment loan with a 30 to 40 year term and a zero to 1% simple interest. Loans with no interest are 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. Walker Apartments is a mixed-income project with 37 market rate units. At this time, staff has not negotiated a percentage share of the net cash flow, however, CPED staff will negotiate the terms when the Housing Revenue bond application for the project is submitted and the recommendation pertaining to the Housing Revenue Bonds will be contingent upon agreed upon terms.

The attachments to this report are as follows:

1. Attachment A1 - a map showing the impacted and non impacted areas of the City.
2. Attachment A2 - the AHTF selection criteria for projects located in impacted areas of the City.
3. Attachment A3 - the AHTF selection criteria for projects located in non impacted areas of the City.
4. Attachment B - a summary spreadsheet of the 2008 AHTF pipeline project funding recommendations.
5. Attachment C - a spreadsheet showing the scoring and ranking of each 2008 AHTF pipeline project as to its conformance with the AHTF selection criteria.
6. Attachment D - a spreadsheet providing a comparison of the 2008 AHTF pipeline projects on certain key measures.
7. Attachments E1 to E3 - a Project Data Worksheet for each of the three 2008 AHTF pipeline projects.