

Request for City Council Committee Action from the Department of Community Planning and Economic Development - CPED

Date: November 27, 2007

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

Subject: 2007 Affordable Housing Trust Fund (AHTF) and Non-Profit Development Assistance Fund Project Recommendations

Recommendation: Approve a total of up to \$7,038,334 from the AHTF and a total of up to \$180,000 from the Non-Profit Development Assistance Fund for the following projects and developers and authorize the execution of the necessary documents for the AHTF loans and the Non-Profit Development Assistance Fund grants:

1. A loan up to \$300,000 from the AHTF and a grant up to \$30,000 from Non-Profit Development Assistance Fund for the eight (8) Alliance Scattered Housing properties located at 2103 Second Avenue South, 2413 Tenth Avenue South, 1844 East 26th Street, 3033 Oakland Avenue South, 3038 Bloomington Avenue South, 3231 Elliot Avenue South, 3327 Elliot Avenue South, and 3823 Columbus Avenue South by Alliance Housing Incorporated or an affiliated entity;
2. A loan up to \$275,000 from the AHTF and a grant up to \$30,000 from the Non-Profit Development Assistance Fund for CRS Permanent Re-Entry Housing located at 3003 Penn Avenue North by Christian Restoration Services or an affiliated entity;
3. A loan up to \$683,750 from the AHTF and a grant up to \$30,000 from the Non-Profit Development Assistance Fund for Creekside Commons located at 5400-12 Stevens Avenue South by Plymouth Church Neighborhood Foundation or an affiliated entity;
4. A loan up to \$800,000 from the AHTF for Franklin Steele (formerly Franklin Gateway Site C) located at 2000-12 Portland Avenue South by Aeon Homes and Hope Community Inc. or an affiliated entity;
5. A loan up to \$538,000 from the AHTF and a grant up to \$30,000 from the Non-Profit Development Assistance Fund for the Hope Block Stabilization located at 2011-15 Portland, 616-18 East 22nd Street and 2024-26 Oakland Avenue by Hope Community Inc. or an affiliated entity;
6. A loan up to \$750,000 from the AHTF and a grant up to \$30,000 from the Non-Profit Development Assistance Fund for Little Earth – Phase V located at 2501 Cedar Avenue South by Little Earth of United Tribes Housing Corporation or an affiliated entity;
7. A loan up to \$1,000,000 from the AHTF for Longfellow Station Phase 1A located at 3815 Hiawatha Avenue South by Capital Growth Real Estate LLC or an affiliated entity;
8. A loan up to \$525,000 from the AHTF for Lowry Apartments located at 2510 Polk Street N.E. by MetroPlains Partnership LLC and Families Moving Forward or an affiliated entity;

9. A loan up to \$977,584 from the AHTF and a grant up to \$30,000 from the Non-Profit Development Assistance Fund for Nicollet Housing located at 3700 Nicollet Avenue South by Plymouth Church Neighborhood Foundation or an affiliated entity;
10. A loan up to \$614,000 from the AHTF for Nokomis Senior Housing located at 3717 23rd Avenue South by Covenire Care LLC or affiliated entity; and
11. A loan up to \$575,000 from the AHTF for the nine (9) PPL North Side Recap properties located at 610 Logan Avenue North, 1123 Logan, 1119 Logan and 920 Oliver Avenue North, 909 and 913 Oliver Avenue North, 914 Oliver Avenue North, 1220 Morgan Avenue North, 1027 Morgan Avenue North by Project for Pride in Living or an affiliated entity.

Previous Directives:

1. Creekside Commons: The Council awarded \$193,533 in 2008 Low Income Housing Tax Credits on October 19, 2007.
2. Franklin Steele: On December 24, 2004, the Council approved the sale of 1906 Portland Avenue to Central Community Housing Trust Fund and Hope Community. On October 20, 2006, the Council approved \$260,000 from the Affordable Ownership Housing Program. The Council awarded \$400,000 from the 2006 AHTF and \$30,000 from the Non Profit Development Assistance Fund on December 22, 2006.
3. Little Earth: In 1991, the Council approved a \$500,000 CDBG grant and a \$125,000 CDBG loan to Little Earth Phase I. In December 2002, the Council approved a \$500,000 loan from the Multifamily Rental Program and a \$30,000 grant from the Non Profit Development Assistance Fund to Little Earth Phase III. In July 2004, the Council approved restructured loan terms for the \$125,000 1995 CDBG loan. In December 2005, the Council approved a \$500,000 loan from the AHTF and a \$30,000 grant from the Non Profit Development Assistance Fund for Little Earth Phase IV. In April 2006, the Council approved a \$350,000 loan from the AHTF for Little Earth Phase IV.
4. Longfellow Station Phase IA: In December, 2005, the Council approved a resolution authorizing submission of applications to the Metropolitan Council for Hiawatha Corridor Land Assembly Fund proposals; in March 2006, the Council approved acceptance and appropriation of Metropolitan Council Hiawatha Light Rail Land Assembly Fund Grants of \$3,500,000 for projects along the Hiawatha Light Rail line, including the Longfellow Station Project; in June 2006, the Council authorized submission of an application for Metropolitan Council Livable Communities Demonstration Account (LCDA) funding; in October 2006, the Council authorized submission of an application for a Hennepin County ERF Brownfield grant; in December 2006, the Council approved up to \$400,000 from the Affordable Housing Trust Fund; in February, 2007, the Council accepted and appropriated \$934,523 Metropolitan Council Livable Communities Demonstration Account LCDA grant and \$90,000 Hennepin County ERF grant; in May 2007, the Council authorized submission of an application for Metropolitan Council Livable Communities Demonstration Account funding; in August 2007, the Council adopted a resolution approving the Longfellow Station Redevelopment Plan.

5. Lowry Apartments: The Council awarded \$193,533 in 2008 Low Income Housing Tax Credits on October 19, 2007.

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

Approved by: Elizabeth J. Ryan, Director, Housing Policy and Development _____

Presenter in Committee: Donna Wiemann

Reviews

Permanent Review Committee (PRC): Approval ___ Date _____
Policy Review Group (PRG): Approval ___ Date _____

Financial Impact

- _____ No financial impact
- _____ Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____
- _____ Action provides increased revenue for appropriation increase
- _____ Action requires use of contingency or reserves
- _____ Action is within the Business Plan
- _____ Action requires a change to the Business Plan
- _____ Other financial impact
- _____ Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

- Neighborhood Notification – All project 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 all Minneapolis residents will have a better quality of life and access to housing and services.
- Sustainability Targets – The proposed projects meet the affordable housing targets.
- 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 – All projects being recommended either comply or will comply with the zoning code.

Supporting Information

In June 2007, staff issued a Request for Proposals (RFP) for the 2007 Affordable Housing Trust Fund (AHTF). The AHTF provides gap funding for the development and stabilization /preservation of affordable rental housing. The City's Affordable Housing Policy states that all housing developments receiving city subsidies make at least 20% of their units affordable to people earning 50% or less of the Metropolitan Median Income (MMI).

The City Council established the AHTF with selection criteria used to score and competitively rank the proposals. There is one set of selection criteria for projects located in impacted areas of the City and another set for projects located in non-impacted areas of the City. The definition of impacted (concentrated) census tracts is

based on the definition established in the Hollman Consent Decree relative to poverty and minority concentration.

Attachment A-1 is a map of the current impacted and non-impacted areas of the City. Attachment A-2 is the selection criteria for the impacted areas and Attachment A-3 is the selection criteria for the non-impacted areas. The differences between the two sets of criteria are as follows:

1. Housing for Homeless: Maximum number of points in **impacted areas** is 10 points; Maximum number of points in **non-impacted areas** is 15 points.
2. Incorporation of Minneapolis Public Housing units: Points awarded to project when MHPA program provides capital funds to units developed for public housing eligible households in **non-impacted areas only**. Maximum # of points is 12 points based on % of MPHA units in project.
3. **Rehab and stabilization projects in impacted areas** are awarded 5 points. **New construction and positive conversion projects in non-impacted areas** are awarded 5 points.

Staff evaluation and analysis of the AHTF proposals involves financial underwriting, determining conformance to the selection criteria, property inspections, plan review, coordination with other lenders, consideration of support services plan and financing, among other components.

Thirteen proposals were received in response to the 2007 AHTF RFP. One proposal was withdrawn by the applicant due to lack of site control. Another proposal did not meet minimum scoring thresholds for further consideration.

Eleven (11) project proposals are being recommended for 2007 AHTF loans.

Attachment B shows the AHTF and Non Profit Admin funding recommendations; **Attachment C** shows the scoring and ranking of each project as to its conformance with the AHTF selection criteria. **Attachment D** provides a comparison of the proposals on certain key measures.

Details about each of the projects being recommended for funding are provided in the attached Project Data Worksheets (**Attachments E1 to E11**). All of the AHTF projects incorporate green features in design, sustainable building methods, and materials. Water conservation, energy conservation and creating a healthy living environment are some the key outcomes. Additional information about the green and sustainable elements of each project is described in the "general information" section of the attached Project Data Worksheets.

The terms of the AHTF resources are typically deferred payment loans with a 30 to 40 year term and with a 0 to 1% simple interest. Loans with no interest will be 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 the net cash flow in mixed income projects, where possible, pursuant to CPED's adopted Housing Developer Fee policy.

If the funding recommendations are approved, the projects will result in the total expenditure up to \$7,038,334 from the AHTF and up to \$180,000 of Non Profit

Development Assistance Funds. A total of 628 units will be developed of which 144 will be affordable to households at or below 30% of MMI and 211 will be affordable to households at or below 50% of MMI.

Five of the recommended projects are new construction developments located in non impacted areas of the City. These projects are: Creekside Commons, Longfellow Station, Lowry Apartments, Nicollet Housing, and Nokomis Senior Housing.

If the Council approves these recommendations, the remaining 2007 AHTF balance will be approximately \$2,070,000. Staff will follow the criteria and process for AHTF Pipeline as presented to the Council in January, 2006 to solicit proposals for this money. The process is as follows:

- Proposals will be considered on a first come, first served basis – staff will perform an initial analysis of eligibility, feasibility, completeness and competitiveness; if not acceptable, will move to the next project on the list;
- The time frame will align with MHFA's black out period – CPED will not accept pipeline proposals for a period of two months immediately preceding the issue of the 2008 RFP;
- Pipeline will be offered only as long as 2007 funding remains.

Eligible applicants for the AHTF pipeline are as follows:

- 2007 RFP applicants not yet approved;
- Previous AHTF or Low Income Housing Tax Credit RFP applicants experiencing unexpected shortfall/gap;
- ISG projects moving through the ISG technical team review process;
- New proposals receiving MHFA, HUD and/or County funding awards.