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

Date: October 26, 2004

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

Prepared by: Jerome Patton, Intern, Phone 612-673-5181
Judy Cedar, Project Coordinator, Phone 612-673-5025

Presenter in Committee: Judy Cedar, Project Coordinator and Jerome Patton, Intern

Approved by: Chuck Lutz, Deputy CPED Director CL

Subject: $100,000 CEDF/CDBG commercial loan to St. Anne's Community Development Corporation for new, mixed-use development at 2400 West Broadway.

RECOMMENDATION: Allocate CEDF/CDBG funds of $100,000 to St. Anne's Community Development Corporation from available fund balance.

Previous Directives: In December, 2003, City Council conducted a public hearing and granted preliminary approval to issue up to $6,000,000 in tax-exempt Multifamily Housing Development Bonds for St. Anne's Senior Housing Project. At the same time, the City Council also approved Preliminary Analysis Authorization (PAA) for the project.

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
_X_ Other financial impact (Explain): Allocation of Funds from CDBG/CEDF
____ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: 5

Neighborhood Notification: West Broadway Area Coalition (WBAC) and the Jordon Area Community Council (JACC) have reviewed and support this project.

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: 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods and 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households.

Zoning Code: C-2, Pedestrian Oriented Overlay District application June, 2004.

Living Wage/Job Linkage: NA

Background/Supporting Information:
The St. Anne's Senior Housing project is a new mixed-use $13.5 million development consisting of 71 units of senior housing and 6,077 sq. ft of commercial space to be constructed at the site bounded by 2300-2420 West Broadway and 2519-2531 Queen Avenue North in the Jordan neighborhood in Ward 3. The project includes underground parking, an estimated $74,000 annual tax increase, 38 FTE jobs, a public-to-private funding ratio of 1:5.41, blight removal, and neighborhood support. Additionally, the proposed project meets the CDBG goal of benefiting an area primarily composed of low to moderate income persons.

The housing will be made up of five (5) studios, 37 one-bedroom, and 29 two-bedroom units. Twenty percent of the units are targeted to residents at 30 percent of the median income; 48 percent more for those at 50 percent of the median; 15 percent are affordable at 60 percent of median; and the remaining 17 percent (12)units are market rate with no income restrictions. All units are fully adaptable making it possible for people with a wide range of disabilities to be accommodated. The first floor includes street-front commercial space along West Broadway, with housing units facing the garden and office/lobby and community space oriented to the residential entry on 26th Avenue.

St. Anne's Community Development Corporation ("CDC") was formed in December 1999 to develop housing for low and moderate-income seniors. Through the development of senior housing, SACDC will satisfy an unmet housing need in the community and improve the physical neighborhood around St. Anne's Church, located on Queen Avenue North at 26th Avenue.

St. Anne's CDC is a single-purpose not-for-profit organization. Jeff Laux, an experienced real estate developer and manager, leads the Board of Directors. To complete this project, the Board of Directors engaged a development consultant, an architect, a property manager/ service provider and an attorney with broad housing experience. Their construction management firm will supervise the design, bidding and

construction process to insure maximum quality and efficiency. Financing partners include US Bank, and Doherty & Company.

Financing Overview

St. Anne's CDC is financing its activities through pre-development loans, with a current commitment of $465,000 from Greater Minneapolis Housing Corporation, $350,000 from the Federal Home Loan Bank of Des Moines and a real estate loan of $161,000 from Franklin National Bank. In addition, this CDC is committed to fund $2.5 million of the total project cost through a private fundraising effort.

Sources

The project intends on being financed by ten different sources including; loans, bank loans, and other financing. The following table summarizes information revised for September 2004.

Funding	Amount	Terms
First Mortgage (Housing Revenue Bonds)	$6,373,909	6% fixed, 30 yr term, 18 yr cal
Syndication Proceeds LIHTC	$2,507,708	N/A
Community Capital Campaign	$2,500,000	N/A
Federal Home Loan Bank	$350,000	1%, 30 yrs deferred
Hennepin County AHIF Program 03	$350,000	1%, 30 yrs deferred
Hennepin County AHIF Program 04	$250,000	1%, 30 yrs deferred
NRP Housing	$498,000	1%, 30 yrs deferred
MCDA Multifamily Program	$350,000	1%, 30 yrs deferred
MHFA	$149,596	1%, 30 yrs deferred
MCDA City Economic Dev Fund	$100,000	4.75%, 20 yrs
Total Development Cost	**$13,429,213**	

Uses

There is a tenant improvement allowance of $100,000. Subtracting the brokerage fee provides an average $13 per square foot to commercial build out. The total developer fee is $625,000, with $500,000 of that amount being used to seed the capital campaign.

USES	Total	Commercial
Acquisition and Relocation	$1,356,900	$69,764
Construction and Contingency	$8,500,150	$469,264
Soft Costs and Financing	$1,942,264	$167,821
Construction Interest and Reserves	$729,899	$37,527
Early Principal Repayment	$900,000	$46,273
Total Development Cost	**$13,429,213**	**$790,649**

CPED Reviews & Loan Terms

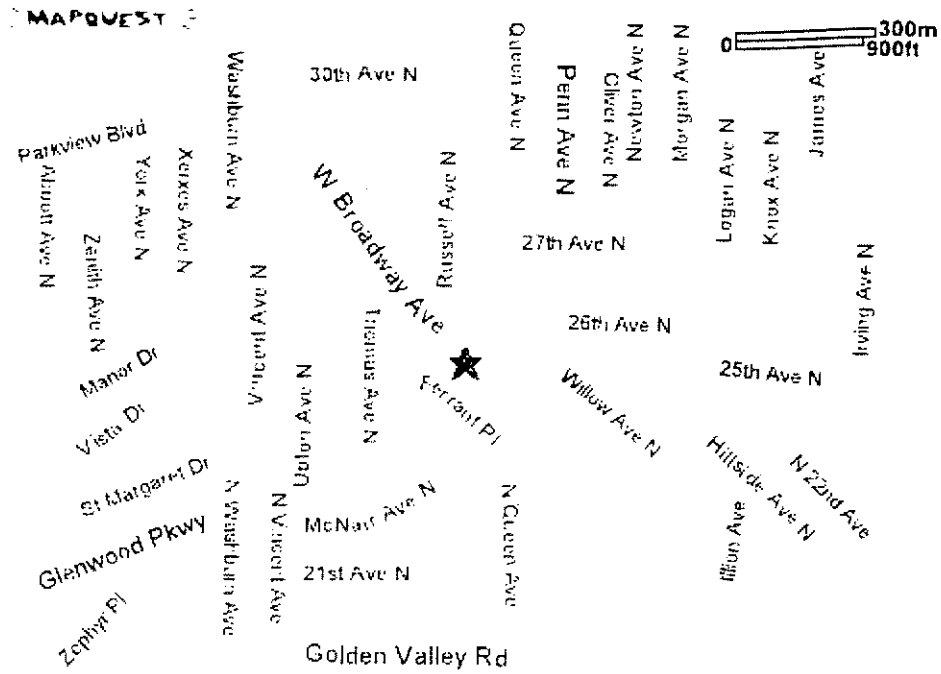
On July 29, 2004 the Commercial Economic Development Fund (CEDF) committee recommended that the $100,000 request made by St. Anne's CDC should be structured as a loan and that the commercial spaces be preleased prior to release of funds. CPED and St. Anne's CDC have agreed on a $100,000 loan that is structured with a 20 year term, 4.75% fixed annual interest rate, and two years of payment deferment. At the end of the two year deferment the accumulated accrued interest, equal to $9,500, will be added to the original loan, totaling $109,500, and will be paid over 18 years with monthly payments of $755.12. In the event of refinance the loan will be called. The

Development Finance Committee reviewed the proposed use of CEDF for a $100,000 loan to St Anne's CDC on October 7, 2004 (see attached comments).

Use of CEDF/CDBG

To qualify for the use of a Community Economic Development Fund/Community Development Block Grant, a project must be an eligible activity that is not on the list of the ineligible activities and meets one of the three national objectives. Following these guidelines, the commercial loan to St. Anne's CDC for commercial development is an eligible economic development activity. The loan does not benefit government operations or political activities, thus not rendered ineligible. The commercial project meets one of the national objectives in that the project offers an area benefit to low-and moderate-income persons.

Attachments:
Map
CEDF Status
DFC Memo



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Street map of West Broadway Commercial Corridor
2400 West Broadway Parcel, St. Anne's CDC Mixed-Use Project

CEDF STATUS 10-02-04

Grant Summary	Original	Current	Encumbered	Expended	Available
Year 28	398,000.00	398,000.00		80,445.34	317,554.66
Year 29	300,000.00	300,000.00			300,000.00
Year 30	149,725.00	149,725.00			149,725.00
Year 890 (2201)	843,316.00	2,300,944.24	100,000.00	910,491.00	1,290,453.24
All Years Totals	1,691,041.00	3,148,669.24	100,000.00	990,936.34	**2,057,732.90**
BALANCES/UNENCUMBERED					
Hollywood Theater pollution cleanup/FED00675	249,000.00	approved	0	181,173.37	67,826.63
EZ RFP Funds	250,000.00	approved			250,000.00
Antiques Minnesota	250,000.00	approved			250,000.00
PPL	300,000.00	approved			300,000.00
1101 West Bdwy	300,000.00	approved			300,000.00
Cit Participation (miscoded)	0.00			1,846.01	0.00
TOTAL UNENCUMBERED					**1,167,826.63**
St Anne's - Council Review	100,000				
AVAILABLE NEW INITIATIVES					**789,906.27**
Hollywood	750,000.00				
Delisi	160,000.00				
Total Pending	910,000.00				
Available after New Initiatives					-120,093.73

Community Planning & Economic Development
Crown Roller Mill, 105 Fifth Ave. S.
Suite 200
Minneapolis, MN 55401

Minneapolis
City of Lakes

MEMORANDUM

October 7, 2004

MEMO TO: Chuck Lutz, Deputy Director

FROM: Jack Kryst, Chair, Development Finance Committee

SUBJECT: Development Finance Committee Recommendation Regarding $100,000 CDBG/CEDF Loan to St. Anne's Senior Housing Project

On October 7, 2004, the Development Finance Committee considered a report on a proposed $100,000 CDBG/CEDF loan to the St. Anne's Senior Housing project at 26th Avenue North and West Broadway.

The Committee recommends approval of the staff recommendation to provide the loan. The Committee further recommends that staff conduct separate analyses of the housing and commercial components of this and other mixed-use projects, especially in cases where the success of each component is critical to the overall success of the project.

cc: Lee Sheehy
Judy Cedar
Bernadette Hornig
Jerome Patton