



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

Date: April 4, 2006

To: Council Member Lisa Goodman, Community Development Committee

Subject: Affordable Housing Trust Fund (AHTF) Recommendation - Little Earth Phase IV

Recommendation: Approve Affordable Housing Trust Fund (AHTF) Loan of up to \$350,000 for Little Earth Phase IV project located at 2501 Cedar Avenue South by Little Earth of United Tribes Housing Corp. (LEUTHC) or an affiliated Borrower established for the purpose of holding or owning real estate subject to the City loan; and authorize the execution of the necessary documents relative to the loan.

Previous Directives: In 1995, the City Council approved a \$500,000 CDBG grant and a \$125,000 CDBG loan to LEUTHC for Phase I of the Little Earth Housing Project.

In December 2002, the City Council approved a \$500,000 loan from the Multifamily Rental Program and a \$30,000 grant from the Non Profit Assistance Program to LEUTHC for Phase III of the project.

In July 2004, the City Council approved restructured loan terms for the \$125,000 1995 CDBG loan.

In December 2005, the City Council approved a \$500,000 loan from the Affordable Housing Trust Fund (AHTF) program and a \$30,000 grant from the Non Profit Assistance Program to LEUTHC for Phase IV of the project.

Prepared by: Kevin Dockry, Senior Project Coordinator **Phone:** (612) 673-5075

Approved by: Elizabeth Ryan, Directory of Housing Policy & Development _____

Permanent Review Committee (PRC) Approval Not Applicable

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Presenter in Committee: Kevin Dockry, Senior Project Coordinator

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- 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.
- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: The East Phillips Improvement Coalition approved the Little Earth Phase IV project in July 2003.

City Goals: Increase the city's population and tax base by developing and supporting housing choices citywide through preservation of existing housing and new construction.

Comprehensive Plan: Section 4.11: Minneapolis will improve the availability of housing options for its residents. Section 4.12: Minneapolis will reasonably accommodate the housing needs of all of its citizens. Section 4.15: Minneapolis will carefully identify project sites where housing redevelopment or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

Zoning Code: Project will comply with proper zoning.

Other: n/a

Background/Supporting Information

The Affordable Housing Trust Fund (AHTF) provides gap funding for the development and stabilization/preservation of affordable rental housing. The City Council established the AHTF selection criteria which staff uses to score and rank funding requests. AHTF money is a combination of CDBG, HOME, program income, levy, and loan recapture. Each project proposal is underwritten, reviewed for feasibility, discussed with other funders, and evaluated for its conformance to the AHTF selection criteria. Funding is provided by way of deferred payment loans with 0 to 1% simple interest (0% loans are limited to low income housing tax credit projects). Limited AHTF funding is available at this time consistent with the AHTF pipeline procedures reviewed by the Council earlier this year.

The Little Earth complex is comprised of 212 housing units, a community building and a resident office building. Its mission is to provide members of the American Indian Community the opportunity to live cooperatively together in an affordable residential community. The development encompasses 10 buildings (built in 1973) and 228 surface parking spaces on approximately 9 acres.

All 212 units at Little Earth are covered under a Section 8 Project Based HAP contract, whereby the tenant contribution toward rent is 30% of the household's adjusted income.

Also located on the site are the Little Earth Residents Association (LERA) and the Little Earth Neighborhood Early Learning Center (LE NELC). LERA, a non-profit organization that represents residents on issues and concerns, runs the Education Center, food shelf, Youth Center, School Attendance Initiative and several other programs. LE NELC's mission is to provide the Little Earth housing community, American Indian families, and the Phillips Neighborhood with a neighborhood facility for culturally based early childhood education. LE NELC includes six additional non-profit organizations that serve families with children less than 12 years of age.

In 1995, LEUTHC initiated a major (5 phase) rehabilitation of the housing development by mortgaging the property and working with a number of local and state funding sources. Phasing enabled the undertaking to be compartmentalized into more manageable components. Phases 1-3 have been completed. The current funding request will go towards accomplishing Phase 4, which involves clusters 3, 4 and 5 and includes creating a defined boundary around the perimeter with fencing and signage; fencing yards and building retaining walls; parking lot security; townhouse rehabilitation; and renovation of existing green spaces. Fifty-two (52) housing units are included in clusters 3, 4 and 5 (10 two-bedroom, 34 three-bedroom, and 8 four-bedroom).

The total cost for Phase IV is estimated at \$4,816,636 (see Attachment A: Project Data Worksheet for a detailed sources and uses). Approximately \$80,000 in funding is being provided through grants. The remaining \$4.74 million will be in the form of 30 year deferred loans at 0-1% simple interest.

To date, \$4,087,333 has been committed (from MHFA, Hennepin County and the City of Minneapolis); a gap of approximately \$700,000 currently exists. In order to facilitate a spring/summer 2006 start (and prevent missing another construction season), LEUTHC is requesting an additional \$350,000 from the City's AHTF pipeline; LEUTHC has applied to Hennepin County and private foundations/tribes for the balance of the gap coverage.