

Request for City Council Action

Date: May 6, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee
Refer to: MCDA Board of Commissioners

Prepared by Donna Wiemann, Senior Housing Project Coordinator, Phone 612-673-5257

Approved by Lee Sheehy, MCDA Executive Director
Chuck Lutz, MCDA Deputy Executive Director _____

Subject: Recommendation to Fund Ten Projects from the Multi-Family Rental Program and to Increase the Appropriation in Fund SCD.

Previous Directives: On November 8th 2002, the Minneapolis City Council approved the allocation of \$2,000,000 of 2001 Chapter 595 Levy funds for affordable housing. On December 27, 2002, the Council approved the allocation of \$2,000,000 of 2002 Chapter 595 Levy funds for affordable housing.

Ward: City-wide

Neighborhood Group Notification: Neighborhood group review is required for all projects recommended for funding.

Consistency with *Building a City That Works*: Complies with Goal 2, Strategy A, to preserve and expand the number of affordable housing units throughout the city.

Comprehensive Plan Compliance: Complies.

Zoning Code Compliance: Projects will comply.

Impact on MCDA Budget: (Check those that apply)

- No financial impact
- Action requires an appropriation increase to the MCDA Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):

Living Wage / Business Subsidy: Not applicable.

Job Linkage: Not applicable.

Affirmative Action Compliance: Projects will comply.

RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council amend the 2003 MCDA Appropriation Resolution to increase the appropriation in Fund SCD by \$1,500,000 from fund balance; forward to MCDA Board of Commissioners.

MCDA Board Recommendation: Approve the following loans totaling \$4,439,396 from the MF Rental and Cooperative Housing Program/Affordable Housing Trust Fund; approve grants totaling \$90,000 from the Non-Profit Development Assistance Fund.

1. Up to \$449,455 for City Flats by Bridgeport Holdings II LLC.
2. Up to \$588,300 of MF Program/AHTF funds and \$30,000 of Non-Profit Admin funds for Collaborative Village Initiative by Project for Pride in Living, Inc.
3. Up to \$117,250 for East Phillips Phase I by Sherman Associates, Inc.
4. Up to \$750,000 for Heritage Park Phase III by McCormack Baron & Associates.
5. Up to \$760,000 of MF Program/AHTF funds and \$30,000 of Non-Profit Admin funds for Hiawatha Commons by Alliance Housing Incorporated.
6. Up to \$180,800 of MF Program/AHTF funds and \$30,000 of Non-Profit Admin funds for Incarnation House by Wayside Housing, Inc.
7. Up to \$500,000 for St. Anthony Mills Apartments by Brighton Development Corporation.
8. Up to \$70,000 for St. Barnabas Independent Youth project by Central Community Housing Trust.
9. Up to \$660,000 for Veterans and Community Housing Initiative by Community Housing Development Corporation.
10. Up to \$363,591 for Zinsmaster Apartments by Community Housing Development Corporation.

Background/Supporting Information

The Multi-Family Rental and Cooperative Program/Affordable Housing Trust Fund provides gap funding for the development and stabilization of affordable rental housing. The MCDA Board establishes the program guidelines and selection criteria (one set for impacted areas of the City and one set for non-impacted areas of the City). Attachment A is a City map showing the current impacted and non-impacted areas. NOTE: The MCDA uses the Hollman Consent Decree definition of impacted areas (33.5% or more poverty concentrated and 28.7% or more minority concentrated). The definition of minority concentrated is in the process of being changed. The parties of the Hollman Consent Decree appear to approve the change and a judge must also approve. If approved, it is estimated that the number of impacted census tracts in the City will be reduced by at least 10 census tracts.

The program funding is a combination of federal funds (CDBG and HOME) and local funds. The local funds are 2001 and 2002 Chapter 595 Levy funds for affordable housing.

Staff issued a MF Program Request for Proposals (RFP) in January, 2003, announcing the availability of approximately \$4.7 million of MF Program funds. The sources for the \$4,725,000 are 1) \$1,700,000 of 2003 HOME Program funds; 2) \$1,525,000 of CDBG funds; 3) \$1,000,000 of 2001 Chapter 595 levy funds carried over from last year; and 4) \$500,000 of 2002 Chapter 595 levy funds payable 2003.

Thirty proposals were received in response to the MF Program RFP. Attachment B is a list of the proposals received. Staff also issued an Emergency Shelter Grant RFP at that time and three proposals; staff expects to make the ESG funding recommendations in June, 2003.

Each MF Program proposal was evaluated for project feasibility, underwritten according to the standard criteria, either inspected or proposed scope of work was examined. In addition, each proposal was scored for its conformance with the MF Program selection criteria and ranked. As described in the MF Program's guidelines, projects must first meet the minimum threshold

requirement that at least 20% of the units must be affordable to at or less than 50% of median income after which the project is evaluated according to a number of selection criteria. Among other things, points are awarded to projects producing units at or less than 30% of median income, to projects with units for larger sized families and to projects ensuring long term affordability.

Project Recommendations

Staff is recommending MF Program funding for ten of the eleven projects listed below.

1. Up to \$449,455 for City Flats (formerly named B Flats and Calypso Flats) by Bridgeport Holdings II LLC. ATTACHMENT C1.
2. Up to \$588,300 for Collaborative Village Initiative (CVI) at 819 E. Franklin by Project for Pride in Living. Of this amount, \$400,000 is 2001/2002 HOME Program funds previously reserved for CVI. In addition, staff recommends up to \$30,000 for Non-Profit Admin Program funds. ATTACHMENT C2.
3. Up to \$117,250 for East Phillips Phase I at Bloomington & Lake by Sherman Associates, Inc. ATTACHMENT C3.
4. Up to \$750,000 for Heritage Park Phase III at Olson & Lyndale by McCormack Baron and Associates. ATTACHMENT C4.
5. Up to \$760,000 for Hiawatha Commons at 2301 E. 26th Street by Alliance Housing Incorporated. In addition, staff recommends up to \$30,000 of Non-Profit Admin Program funds. ATTACHMENT C5.
6. Up to \$180,800 for Incarnation House at 2120 Clinton Avenue South by Wayside Housing, Inc. ATTACHMENT C6.
7. Up to \$500,000 for St. Anthony Mills Apartments at Washington Avenue and 2nd Street North by Brighton Development Corporation. ATTACHMENT C7.
8. Up to \$70,000 for St. Barnabas Independent Youth at 906 South 7th Street by Central Community Housing Trust. ATTACHMENT C8.
9. Up to \$660,000 for Veterans and Community Housing Initiative at 5475 Minnehaha by Community Development Corporation. Although this proposed project is located approximately 1/2 block outside of the City of Minneapolis, HUD has notified both the City and the County that CDBG funds may be used for this project contingent upon a) the City's determination that the activity is necessary to further community development activities and b) reasonable benefits from the activity will accrue to City residents. The City must document compliance and HUD is willing to review any determination to ensure compliance. ATTACHMENT C9.
10. Up to \$363,591 for Zinsmaster Apartments at 2900 and 2916 Park Avenue South by Community Housing Development Corporation. ATTACHMENT C10.

If all of the funding recommendations are approved, it will result in the expenditure of up to \$4,039,396 from the 2003 MF Rental Program/AHTF, \$400,000 of 2001/2002 HOME Program funds (previously reserved for Collaborative Village) and \$90,000 from the Non Profit Admin Program fund. The development and stabilization/preservation activities will result in a total of 484 new units and 82 stabilized/preserved units. There will be a combination of 282

studios/efficiencies, 70 one-bedroom units, 123 two-bedroom units, 79 three-bedroom units, and 16 four or more bedrooms units.

Proposals Not Being Recommended For Funding

Although a funding recommendation is not being made at this time for Phillips Park Initiative (\$277,000) and Ripley Gardens (\$840,000), staff is continuing to analyze these two projects. Both of these proposals conform well to the MF Program guidelines but need further assessment by staff. If the projects continue to score well, staff anticipates moving forward with a funding recommendation within the next six weeks.

The remaining MF proposals are not being recommended because of their lower ranking scores. Staff will continue to work with the applicants to help strengthen their proposals for future funding rounds.