



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

Date: October 10, 2006

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Cherré Palenius, Phone 612-673-5241

Presenter in Committee: Cherré Palenius, Senior Project Coordinator
Earl Pettiford, Senior Project Coordinator

Approved by: Chuck Lutz, Deputy CPED Director _____
Elizabeth Ryan, Director, Housing _____

Subject: Funding Recommendations for the Affordable Ownership Housing Development Program.

RECOMMENDATION:

- A. Approve the following development projects receive Affordable Ownership Housing Development Program funding, up to the amounts indicated below with a total funding commitment of \$ 1,301,250.
1. Up to \$260,000 for construction and/or affordability gap to the Franklin Steele Commons townhome project located at 1900-08 Portland Avenue South by Central Community Housing Trust and Hope Community as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
 2. Up to \$360,000 for construction and/or affordability gap to The Nokoma Cooperative project located at 1920-26 Third Avenue South by Plymouth Church Neighborhood Foundation as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.
 3. Up to \$180,000 for construction and/or affordability gap to the Plymouth Avenue townhome project located at 1800 Plymouth Avenue North by Mississippi Pathways, LLC and Olson Development Consulting, Inc as a general partner or an affiliate of the Borrower established for the purpose of holding or owning real estate subject to the City loan.

4. Up to \$471,250 for construction gap to the Homebuyer Initiated Program by City of Lakes Community Land Trust for scattered Minneapolis locations.
 5. Up to \$30,000 for construction gap to ALPHA Community Development Corporation for a project located at 1910 North 25th Avenue.
- B. Authorize the appropriate City officials to enter into related contractual agreements for these funds.

Previous Directives:

During the 2004 budget process, the City Council approved \$1,000,000 for the Workforce Ownership Housing Development Program.

On January 20, 2004, the Community Development Committee reviewed the Housing Policy Agenda and directed CPED staff to prepare guidelines and criteria for the Workforce Ownership Housing Development Program.

On September 14, 2004, the Community Development Committee approved the guidelines for and implementation of the Workforce Ownership Housing Development Program.

On April 5, 2005, the Community Development Committee approved combining the Workforce Housing, Perpetual Affordability and Limited Equity Cooperative Funding programs creating one consolidated program, the Affordable Ownership Housing Program.

On April 28, 2006, the City Council approved technical revisions to the Affordable Ownership Housing Program.

On August 18, 2006, the City Council approved up to \$500,000 of Residential Finance Mortgage program income to the Affordable Ownership Housing Program and amended the 2006 General Appropriation Resolution by increasing the Community Planning & Economic Development Agency Fund SRF0-Residential Finance Mortgage Fund (SRF0-890-8952) by \$500,000.

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
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact: (Summarize below)

Ward: 6, 5, and citywide.

Neighborhood Notification: On March 22, 2004, CPED sent a 45-day notice to all of the neighborhood groups and interested parties on the Workforce Ownership Housing Development Program for review and comments.

On February 14, 2006, CPED sent a 45-day notice to all of the neighborhood groups and interested parties requesting comments on changes to the Affordable Ownership Housing Program.

- On June 8, 2006, the Stevens Square Community Organization, Board of Directors approved funding support for The Nokoma Cooperative project.
- The Northside Residential Commercial Task Force reviewed this proposal at their May 2006 Board meeting.
- On March 8, 2006, the Jordan Area Community Council, Board of Directors voted in support of the redevelopment of the property at 1910 North 25th Avenue by Alpha Community Development Corporation.

City Goals: In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

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

Zoning Code: Projects will comply.

Living Wage/Job Linkage: Not applicable for this action.

Background/Supporting Information

On May 6, 2006, staff issued a Request for Proposal (RFP) for the Affordable Ownership Housing Development Program (AOHP). Staff advertised the RFP in the Star Tribune on May 6, 2006 and it was available on the Department of Community Planning & Economic Development's (CPED) website. Proposals were due on June 27, 2006.

The AOHP program is to assist for-profit and non-profit developers in the provision rehabilitation and construction of new affordable single-family, duplex or multi-unit housing for owner-occupancy, including limited equity cooperatives. AOHP will provide up to half of the total project gap funding. Program funds will assist housing developments with long-term or perpetual affordability mechanisms and may be used for both development cost gap and/or buyer affordability gap. AOHP financing is available as a grant for new construction and rehabilitation projects which need gap financing assistance to either cover the difference between total development costs and the appraised value (construction gap) or as a 2% deferred affordability loan to the buyer based on verification of need (affordability gap) or a combination of both. The maximum CPED assistance for units sold to owner-occupant households whose income

is at or below 50% of median income is \$45,000 per unit and a maximum of \$30,000 per unit for properties sold to purchasers whose income is at or below 60% of median income. Developers are required to provide documentation that the project will remain affordable at the same income level for approximately 30 years.

CPED received four multifamily and four single-family development proposals requesting a total of \$1,692,134 in AOHP funding. Using the selection criteria provided in the RFP, CPED staff ranked each of the proposals submitted. Attachment A is a comparative analysis of the proposals recommended for funding.

One of the current proposer's subsequently withdrew their application due to the changing condominium market. CPED also received written notification from the developer of the '38' project that due to the current condominium market they decided to eliminate ownership from this development.

Proposals recommended for funding

Staff is recommending \$1,301,250 of AOHP funding for the proposals listed below. Specific project details for the multifamily projects are located in the attached Project Data Worksheets (Attachments B to D). Approval of these projects will result in the expenditure of up to \$1,000,000 from the 2006 AOHP program with an additional \$301,250 from the 2005 AOHP program.

1. Up to \$260,000 for construction and/or affordability gap to the Franklin Steele Commons townhome project located at 1900-08 Portland Avenue South by Central Community Housing Trust and Hope Community. (Attachment B).
2. Up to \$360,000 for construction and/or affordability gap to The Nokoma Cooperative project located at 1920-26 Third Avenue South by Plymouth Church Neighborhood Foundation. (Attachment C).
3. Up to \$180,000 for construction and/or affordability gap to the Plymouth Avenue townhome project located at 1800 Plymouth Avenue North by Mississippi Pathways, LLC and Olson Development Consulting, Inc. (Attachment D).
4. Up to \$471,250 for construction gap to the Homebuyer Initiated Program by City of Lakes Community Land Trust for scattered Minneapolis locations. The AOHP funds will be pooled with an additional \$1,445,958 of financing commitments (approved and pending) from MHFA, Hennepin County, NRP and Private Foundations for a total commitment of \$1,928,200. The CLCLT intends to use all of the funding received to fund affordability and construction gaps for up to 22 single-family homes. The CLCLT proposes to use the \$471,250 exclusively for construction gap.
5. Up to \$30,000 for construction gap to ALPHA Community Development Corporation (ACDC) for a project located at 1910 North 25th Avenue. ACDC is building a five bedroom single family home that will be affordable to a household earning less than 60% of the metropolitan median income.

At this time, staff is not recommending funding for the ALPHA project at 429 North 31st Avenue and the Midtown Row house project as all of the AOHP program funds available will be fully committed. (Attachments E/F).

Attachments:

- A). AOHP Development Comparison
- B - D). Multi family Project Data Worksheets
- E). Development Proposals Received
- F). Selection Criteria and Ranking