



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

Date: June 14, 2007
To: Council Member Lisa Goodman, Community Development Committee

Subject: Affordable Housing Trust Fund (AHTF) Recommendation – Minnehaha Avenue Apartments

Recommendation: Approve Affordable Housing Trust Fund (AHTF) Loan of up to \$552,000 for Minnehaha Avenue Apartments project located at 5341, 5359 Minnehaha Avenue Apartments by MDI Partnership #64 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 December 22, 2006, the City Council approved an award of \$1,104,000 in Affordable Housing Trust funds to support this project.

Prepared by: Kevin Walker, Acting Manager Phone: 612-673-5236
Approved by: Elizabeth Ryan, Director for Housing Policy and Development
Presenters in Committee: Kevin Walker

Reviews

Permanent Review Committee (PRC): Approval ___ Not required X
Policy Review Group (PRG): Approval ___ Not required X

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: The Nokomis East Neighborhood Association approved the Minnehaha Avenue Apartments project in June 2006.
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: The project is consistent with the Nokomis East Small Area Plan, adopted in January 2007.

Zoning Code: Rezoning application process underway. Project will comply with proper zoning.

Living Wage/Business Subsidy Agreement	Yes_____	No___x_
Job Linkage	Yes_____	No___x_
Other: n/a		

Background/Supporting Information

Two blocks from the Nokomis East Light-Rail Transit Station, across the street from the Veterans Administration Hospital, and very near Minnehaha Regional Park, MetroPlains Development (MetroPlains) proposes Minnehaha Avenue Apartments (Minnehaha), a general-occupancy workforce housing project of 37 units. The area has hosted significant new market-rate condominium and apartment building investments since the opening of the Hiawatha Light Rail Transit line.

See **Exhibit 1**, the **Project Data Worksheet**, for a current project overview with proposed sources and uses. Twenty-three of the units are proposed at 50% AMI, with the remaining 14 units affordable at/below 60% AMI. Project green features include a rain garden, high energy-efficiency, and a 1.1:1 parking ratio to take advantage of proximity to light-rail. The project would demolish and replace one boarding house, one 2-BR house, and one bar. Twenty-three (over 62%) of the units would be 1-BR apartments, eleven (30%) are 2-BR apartments, and the remaining three are 3-BR apartments.

Importantly, the site for this 100% LIHTC project is located in a non-impacted area. Production of affordable units in non-impacted areas is consistent with City housing policy favoring the dispersion of affordable units throughout the City's neighborhoods. With its proximity to light-rail, it delivers transit-oriented workforce housing.

The project will be a four-story building with 1½ stories of parking. Layout and massing of the project have been adapted from original designs to meet neighborhood compatibility concerns in the adjacent area of single-family homes. As part of project redesign with City planning and the neighborhood, the developer has incorporated a common deck space on the fourth floor with views of Minnehaha Park and the Mississippi River Valley. The building also features an adjacent indoor community activity room. The developer has added a green buffer and green boulevard between street and sidewalk.

The developer has submitted a rezoning application recently. The proposed rezoning is consistent with the objectives of greater density and transit-oriented development identified for the area in the Nokomis East Small Area Plan.¹

Over the last 29 years, the developer has successfully completed the development of about 120 developments in nine states across the Upper Midwest. Average annual project production is three to four projects per year, ranging in size from \$1 million to \$25 million in size. Projects have ranged from 5% to 100% market-rate and have served both families and seniors. MetroPlains has significant experience

¹ Adopted by the City Council on January 12, 2007.

in new construction, rehabilitation, adaptive reuse and redevelopment projects, in the form both of rental and ownership.

The total development budget for Minnehaha is \$7,781,587 or \$210,313 per unit. This represents an 8% increase over originally anticipated project costs at the time of the initial AHTF application, which culminated in City Council approval of the first award of \$1,104,000.

This application for Supplemental AHTF dollars reflects two unforeseen gaps – one due to unanticipated site conditions and the other to unanticipated inability to qualify for supplemental (TIF) financing. See **Exhibit 2** for summary of unforeseen project costs.

In regard to the site conditions, the developer found poor soils with borings carried out in late February. The fill, topsoil, silts, and clays found at the site were found to be “too weak” to support the proposed structure. The budget associated with addressing these conditions have been substantiated by letters with cost estimates submitted by qualified engineers and contractors. In addition, water main access is not readily available to the site, but instead must be made available with additional water main excavation under Minnehaha Avenue. This accounts for another \$65,000 in costs. Other than these unforeseen costs, the developer was successful in finding an experienced contractor prepared to deliver the project at the originally estimated budget.

In regard to the supplemental TIF financing, the developer submitted an application for tax-increment financing to support this project. Based on its internal numbers, the developer had estimated that the project would qualify for \$307,000 in tax-increment financing. Following a preliminary review of the application by City Finance staff, City staff estimated that the project would in fact qualify for about \$257,000, an amount well below the \$300,000 minimum required for staff consideration of the TIF application.

Staff recommends full funding of this request. The request is consistent with the purpose and conditions the City Council established for pipeline AHTF dollars. As a previous AHTF applicant experiencing an unexpected shortfall, the developer is an eligible applicant. Moreover, the proposal has met all stipulated criteria:

- (1) Met all AHTF guidelines and minimum point threshold;
- (2) CPED is fully confident that the proposal has adequately demonstrated financial soundness and feasibility;
- (3) Preference for non-impacted projects.

In addition, the developer has demonstrated strong interest in meeting neighborhood concerns, City policy objectives, and has exercised creativity in seeking out ways to close these unanticipated gaps.

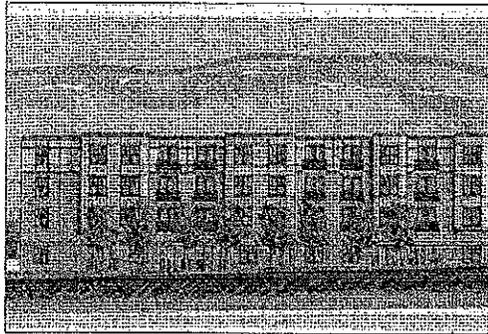
Exhibits

- 1. Project Data Worksheet
- 2. Summary of Unforeseen Project Costs

Exhibit 1 - Project Data Worksheet

CPED MULTIFAMILY HOUSING DEPARTMENT Affordable Housing Inventory Project Data Worksheet

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Project Status	
Proposed:	6/26/2006
Approved:	<input checked="" type="checkbox"/>
Closed:	<input type="checkbox"/>
Complete:	<input type="checkbox"/>

Project Name:	Minnehaha Apts
Main Address:	5359 Minnehaha Ave
Project Allases:	
Additional Addresses:	

Impaction	
<input checked="" type="radio"/> Non-Impacted	
<input type="radio"/> Impacted	

Ward: Neighborhood:

Occupancy	
<input checked="" type="radio"/> Rental	
<input type="radio"/> Ownership	

Housing Production and Affordability

UNIT	QTY	AFFORDABILITY				MKT
		<30%	<50%	<60%	<80%	
0BR	0	0	0	0	0	0
1BR	23	0	13	10	0	0
2BR	11	0	8	3	0	0
3BR	3	0	2	1	0	0
4+BR	0	0	0	0	0	0
TOT	37	0	23	14	0	0

Project Activity	
<input checked="" type="checkbox"/> New Construction	
<input type="checkbox"/> Rehabilitation	
<input type="checkbox"/> Stabilization	
<input type="checkbox"/> Preservation	
Year Built: <input type="text"/>	

Development	
<input checked="" type="radio"/> Apartment/Condo	
<input type="radio"/> Townhome	
<input type="radio"/> Coop	
<input type="radio"/> Shelter	
<input type="radio"/> Transitional	
<input type="radio"/> Scattered Site/Other	

Household	
<input checked="" type="checkbox"/> General	
<input checked="" type="checkbox"/> Family w/Children	
<input type="checkbox"/> Senior	
<input type="checkbox"/> Single	
<input type="checkbox"/> Special Needs	
<input type="checkbox"/> Homeless	

Shelter Units: + Conversion Units:

Section 8:

GENERAL INFORMATION

General occupancy workforce housing project to provide 37 new construction apartment units with green design features. Density of 80 DU/acre. Located near Hiawatha LRT and Minnehaha Park at Nokomis East LRT Master Plan. Four-story elevator building with 1 1/2 stories of parking. Proposed parking ratio at 1.1:1 with 41 parking spaces. 23 units affordable at 50% AMI, with 14 units at or below 60% AMI.

Project is near Minnehaha Regional Park.

Project triggers relocation of 8 boarding-house renters, occupants of one 2-BR house, and one business and demolition of all three buildings.

Project includes green building elements and sought and received Green Communities funding award from Family Housing Fund.

Supplemental AHTF Pipeline request of \$552,000 (\$245,00 in unforeseen additional construction costs; \$307,000 to replace anticipated TIF Assistance). Anticipated construction start Winter, 2007. Anticipated completion in Summer, 2008.

Partnership:

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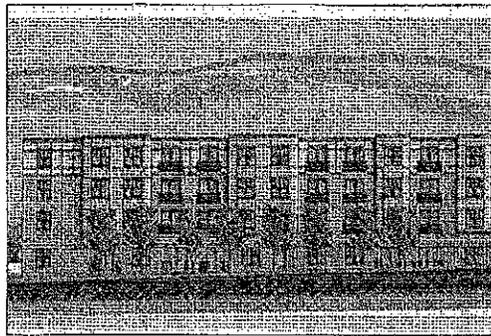
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MPLS Affirmative Action:
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CPED MULTIFAMILY HOUSING DEPARTMENT
Affordable Housing Inventory Project Data Worksheet



Project Status	
Proposed:	6/26/2006
Approved:	<input checked="" type="checkbox"/>
Closed:	
Complete:	

Project Name:	Minnehaha Apts		
Main Address:	5359 Minnehaha Ave		
Project Aliases:			
Additional Addresses:			
Ward:	12	Neighborhood:	Minnehaha

Impact	
<input checked="" type="radio"/> Non-Impacted	
<input type="radio"/> Impacted	

Occupancy	
<input checked="" type="radio"/> Rental	
<input type="radio"/> Ownership	

Housing Production and Affordability																						
UNIT	QTY	UNIT	<30%	<50%	<60%	<80%	MKT	SINGLE-FAMILY			MULTI-FAMILY											
								0BR	1BR	2BR	3BR	4+BR	TOT	0BR	1BR	2BR	3BR	4+BR	TOT			
								0BR	0	0BR	0	0	0	0	0	0	0	0	0	0	0	0
								1BR	23	1BR	0	13	10	0	0	0	0	0	0	0	0	0
								2BR	11	2BR	0	8	3	0	0	0	0	0	0	0	0	0
								3BR	3	3BR	0	2	1	0	0	0	0	0	0	0	0	0
4+BR	0	4+BR	0	0	0	0	0	0	0	0	0	0	0	0								
TOT	37	TOT	0	23	14	0	0	0	0	0	0	0	0	0								
Shelter Units:											+ Conversion Units:											
Section 8:																						

Project Activity	Development	Household
<input checked="" type="checkbox"/> New Construction	<input checked="" type="radio"/> Apartment/Condo	<input checked="" type="checkbox"/> General
<input type="checkbox"/> Rehabilitation	<input type="radio"/> Townhome	<input checked="" type="checkbox"/> Family w/Children
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<input type="checkbox"/> Preservation	<input type="radio"/> Shelter	<input type="checkbox"/> Single
Year Built: _____	<input type="radio"/> Transitional	<input type="checkbox"/> Special Needs
	<input type="radio"/> Scattered Site/Other	<input type="checkbox"/> Homeless

USES AND PERMANENT SOURCES

Project Uses:	
Land:	\$850,000.00
Construction:	\$4,795,000.00
Construction Contingency:	\$193,740.00
Construction Interest:	\$236,005.00
Relocation:	\$30,000.00
Developer Fee:	\$927,000.00
Legal Fees:	\$87,500.00
Architect Fees:	\$193,740.00
Other Costs:	\$356,202.00
Reserves:	\$112,400.00
Non-Housing:	\$0.00
TDC:	\$7,781,587.00
TDC/Unit:	\$210,313.16

Project Permanent Sources:				
Source / Program	Amount	%	Term	Committed
General Partner Cash	\$15,383.00			6/5/2007
MMA Tax Exempt Loan	\$2,810,000.00	6.50%	40 yrs	
CPED AHTF Supplemental Pipeline	\$552,000.00	1.00%	40 yrs	Deferred
City of Minneapolis AHTF (HOME)	\$1,104,000.00	1.00%	40 yrs	12/22/2006 Deferred HD00000767
Employer Donations	\$500.00			6/26/2006
Hennepin County TOD	\$200,000.00	0.00%	40 yrs	6/5/2007 Deferred
MHFA Super RFP	\$355,000.00	0.00%	40 yrs	Deferred
Syndication Proceeds	\$2,144,704.00			6/5/2007
FHF FHF	\$600,000.00	0.00%	40 yrs	6/5/2007
TDC:	\$7,781,587.00			

Financing Notes:
 AHTF - HOME
 AHTF - Linden Hills NRP
 Tax Exempt Bond / 4% tax credits
 HUD Insurance
 AHTF Pipeline: \$552,000, of which \$75,000 to be funded by Linden Hills neighborhood, remaining \$477,000 from HOME funds.

Exhibit 2 - Summary of Unforeseen Project Costs

Summary of Unforeseen Project Costs

Minnehaha Avenue Apartments
MDI Limited Partnership #64
5359 Minnehaha Avenue

	Change In Costs	AHTF Supplemental Request
Construction		
Shoring due to poor soil compaction	35,000	35,000
Geopiers due to poor soil compaction	125,000	125,000
Water extension under Minnehaha Ave	65,000	65,000
Soil removal	20,000	20,000
Financing		
Reduction in tax credit equity (.96 to .90)	130,098	-
Elimination of tax increment financing	307,000	307,000
Total	682,098	552,000