

Minneapolis
City of Lakes

# Community Planning & Economic Development

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July, 2004

#### Dear Prospective Applicant:

Community Planning & Economic Development (CPED) is soliciting proposals for the Downtown Minneapolis Neighborhood Association (DMNA) Affordable Housing 2004 Fund. The goal of the DMNA Affordable Housing 2004 Fund is to assist with the development of long-term (at least 20 years) affordable housing units for low-income families and individuals, including the elderly and persons with special needs at or below 50% of the Metropolitan Median Income as adjusted for family size. Approximately \$375,000 is to be awarded this year.

Program RFP guidelines and application materials can be obtained via the internet at:

http://www.ci.minneapolis.mn.us/cped/multifamily\_home.asp Program guidelines and application materials are also available to be picked up at CPED, Crown Roller Mill, Suite 200, 105 5<sup>th</sup> Avenue South, Minneapolis, MN 55401.

Applicants should submit two copies of the DMNA Affordable Housing 2004 Fund application to be received by CPED no later than 4:30 p.m. on Monday, August 30, 2004. Faxed or electronic applications will not be accepted. Late applications will not be accepted. CPED has the right to reject any and all applications. The applications should be delivered or mailed to:

Community Planning & Economic Development ATTN: Contract Services Department 105 - 5<sup>th</sup> Avenue South, Suite 200 Minneapolis, MN 55401-2534

Please direct any questions regarding the program or the application process to Dollie Crowther at 612-673-5263 or dollie.crowther@ci.minneapolis.mn.us

Technical difficulties with the on-line materials should be directed to Scott Ehrenberg at 612-673-5067 or scott.ehrenberg@ci.minneapolis.mn.us.

#### DOWNTOWN MINNEAPOLIS NEIGHBORHOOD ASSOCIATION



# OVERVIEW OF DMNA AFFORDABLE HOUSING FUND

The goal of the Downtown Minneapolis Neighborhood Association ("DMNA") Affordable Housing Fund (the "Fund") is to assist with the development of long-term (at least 20 years) affordable housing units for low-income families and individuals, including the elderly and persons with special needs, at or below 50% of the Metropolitan Median Income as adjusted for family size.

The Fund has been created using Phase I Neighborhood Revitalization Program (NRP) funds awarded to DMNA. Currently, there is \$375,000 to be awarded this year. Priority for use of these funds is reserved for projects (or portions of projects) that target households at or below 50% of the median income.

To eligible for funding from the Fund, a project must be located in Downtown East, Downtown West, or adjoining neighborhoods. (See enclosed map).

DMNA has elected to work closely with Community Planning & Economic Development (CPED) in the administration of the Fund to: ensure coordination with CPED's multi-family housing development activities; reduce administrative duplication and costs; and utilize CPED's expertise in facilitating the development of multi-family housing in downtown Minneapolis.

## **ELIGIBLE DEVELOPERS**

Developers may be non-profit or forprofit. Developers will be required to demonstrate professional development experience, reasonable financial strength, and the ability to complete the proposed project. They must have the ability to obtain sufficient financing and have the capability to manage the project successfully during and after construction.

DMNA will consider the developer's experience with the development of housing that is similar in scope to the proposed project. A developer's acceptability will largely be based on a determination that the developer's administrative and financial capacity are satisfactory and that they have demonstrated ability to carry out its responsibilities.

Financial statements and documentation of its records and achievements in housing are among the items required when submitting an application for funding.

The demonstrated achievements of the developer's proposed development team (contractor, architect, attorney, accountant, property manager, asset manager) will also be evaluated. Efforts must be made to include small, womenowned, and minority-owned businesses on the development team.

If a developer cannot demonstrate the proper strength in a particular area, the developer will be required to hire or joint venture with an entity that is strong in that particular area before any award would be made.

Changes to the development team must be reviewed and approved by CPED.

Proposals seeking to utilize Fund resources will be reviewed by Community Planning & Economic Development (CPED) to determine financial feasibility. CPED staff will present all proposals to DMNA for consideration.

#### **USES OF FUNDS**

Generally, no more than \$250,000 of the Fund's resources is available for use by any one project. However, DMNA may elect to fund projects at a higher or lower level.

DMNA funding is limited to supporting affordable housing units as defined in the program goals that help meet the affordable housing unit requirements of the City in non-impacted neighborhoods or exceed the affordable housing unit requirements of the City in impacted neighborhoods.

# **DEFINITIONS**

The DMNA Affordable Housing Fund emphasis in impacted census tracts is preservation, rehabilitation, and stabilization. The affordable housing emphasis in non-impacted census tracts is construction and positive conversion. The following definitions will be used by the Affordable Housing Fund to help meet these objectives.

<u>Construction:</u> New construction of affordable housing units

<u>Rehabilitation:</u> The rehabilitation of a structure for rental housing.

<u>Preservation:</u> Preventing the loss of viable federally subsidized units through acquisition and/or rehabilitation activities.

<u>Stabilization:</u> Preventing the loss of viable non-federally subsidized affordable units through acquisition and/or rehabilitation activities.

<u>Positive Conversion:</u> The conversion, in any manner, of units that do not currently have affordable housing costs to units with affordable housing costs or the conversion of non-residential property to affordable housing.

Impacted Census Tracts: Census tracts with a 2000 minority population greater than or equal to 35.2% or with a 2000 census percent of people in poverty greater than or equal to 31.9%

#### **LEVERAGE**

The program will provide assistance only to those proposals that require such assistance to achieve the program's goals. Proposals must demonstrate that the assistance requested is necessary and that other sources of public and/or private investment are not available or adequate.

DMNA funds must be leveraged on at least a 1 to 1 basis with non-DMNA funds.

#### **CPED FEES**

A new policy establishing a fee structure for compensating CPED staff for their time spent on NRP funded activities was adopted on May 1, 2004. The fee is a fixed percentage of the NRP funds provided for the project. CPED will assess a fee of 2% for any project that has CPED funding with the affordability requirement and a fee of 4% if the project is not tied to any other CPED funding mechanism.

# **MIXED-INCOME PROJECTS**

Mixed-income projects are acceptable and encouraged. DMNA assistance will be limited to support for the affordable housing units.

All rental housing projects of 10 units or more shall meet the City requirement of at least 20% of the units affordable at or below 50% of median income.

## **PER-UNIT CAP**

Per unit assistance should not exceed the per unit cap established by the Federal HOME Investment Partnership Program. The subsidy limits vary according to the number of bedrooms, and the caps are adjusted periodically by the Department of Housing and Urban Development (HUD).

# **REHAB STANDARDS**

Each project, at a minimum, must meet the Section 8 Existing Housing Quality Standards or the Federal Housing Administration (FHA) Minimum Property Standards. At the discretion of the DMNA, however, more substantial rehabilitation may be required. Developers will be required to submit preliminary cost estimates and brief rehab specifications, or preliminary drawings and site plans.

Recipients may be required to comply with the current Department of Housing and Urban Development (HUD) Lead Safe Housing Regulation and asbestos mitigation rules.

#### **UNDERWRITING CRITERIA**

All proposals will use a current market interest rate for purposes of estimating mortgage financing in the applications.

With respect to the operating fees of a project the following should be considered: a 7 percent vacancy rate, sufficient operation reserves and reserves for replacement, a 1.05 to 1.3 debt service coverage ratio, and sufficient cash flow to cover any unforeseen changes in any operating expenses anticipated initially. Normally projects will be underwritten with these projections: a 4 percent annual operating increase and a 2 percent annual income increase. The developer must prepare a twenty year cash flow utilizing the foregoing assumptions.

# SITE CONTROL

Evidence of site control must be demonstrated through one of the following means at the time of closing.

- 1. Fee Title
- 2. Contract-For-Deed
- 3. Signed purchase agreement
- 4. Signed purchase option
- 5. Signed redevelopment contract

6. An application with the MCDA for a parcel of land or a building which CPED owns.

In 2-6 above, the developer also must show that the site is controlled for an acceptable amount of time and has no conditions that would limit the use of the property.

## REPAYMENT PROVISIONS

Unless a grant to a project is specifically approved, repayment provisions will be included in all funding agreements. At a minimum, repayment of funds will be required in the event the DMNA-assisted units fail to retain their affordability for the required time period.

Repayment provisions will be structured on a project by project basis.

Repayment provisions may take the form of an amortized loan, distribution from annual project cash flows, repayment at time of sale, refinancing or conversion, or other acceptable forms such as a shared loan.

If there is repayment of program funds, these funds will revert back the Affordable Housing Fund for reallocation.

# REGULATORY COMPLIANCE

Funded projects must adhere to certain requirements, when applicable, which include but are not limited to the following:

- Equal employment opportunity
- Prevailing wage requirement
- Affirmative action plan

- Affirmative marketing
- Emerging small business
- Apprentice certification
- Public bidding
- Performance and payment bond
- Insurance coverage
- Conformance with the Americans with Disabilities Act
- Zoning Regulations and Plan Review
- Relocation

Once a project is approved for funding, specific information will be provided about each of these requirements.

In addition, the developer must provide on-going record keeping/project monitoring to meet the Program requirements (e.g. rents, incomes, insurance, affirmative marketing).

#### **DISBURSEMENT OF FUNDS**

All developers will be required to submit to CPED an implementation schedule that outlines the stages of the project (i.e., acquisition of site, relocation, demolition, construction, rent-up) and the estimated date for completion of each stage.

The time between the date of the DMNA Board's preliminary funding commitment and the date of project closing should not exceed eighteen (18) months. The Board may approve extensions. If a commitment expires before a closing has occurred the funds will be considered to be available for other projects. Developers would be allowed to resubmit the proposal for future consideration.

No disbursement of funds under the program will be made until total project

financing is in place and available for closing on the project.

#### **ADMINISTRATIVE COSTS**

The developer is responsible for covering all up front costs associated with developing, and submitting their proposed project.

Program funds cannot be used for up front administrative assistance.

Typical predevelopment costs such as architect fees, engineering work, environmental surveys, legal work, etc. incurred prior to closing are eligible for reimbursement as project costs.

#### PROGRAM ADMINISTRATION

Policies governing the use of funds and day-to-day administration of the program will be the responsibility of CPED. CPED will be the contract administrator for program projects.

#### **TIMELINE**

July 17, 2004 - RFP issued August 30, 2004 - Proposals Due September 27, 2004 - CPED review complete October 29, 2004 - Funding awards by DMNA Board

# **SELECTION PROCESS**

CPED staff will review the submitted proposals and may conduct interviews with applicants. Additional information clarifying the components of the proposals may be requested from applicants. For rehab proposals, a physical inspection of the property may

be necessary. Proposals will be evaluated in accordance with these guidelines and the selection criteria.

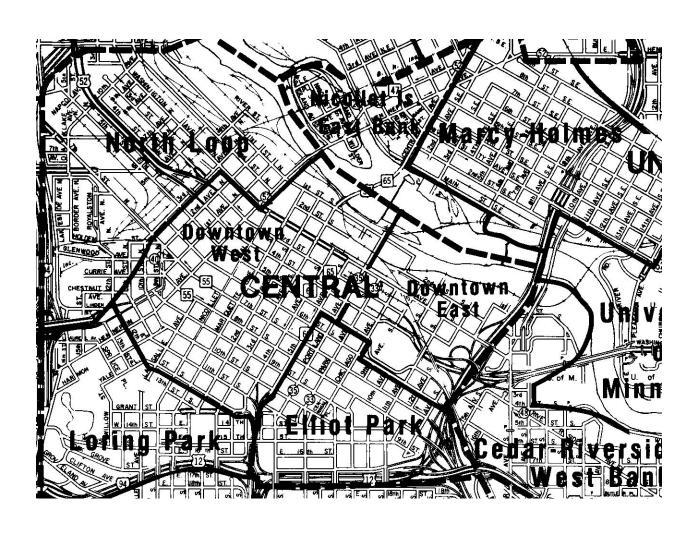
CPED staff will present projects proposed for funding to DMNA and will make recommendations for funding to DMNA. Developers requesting funds may be asked by DMNA to make a presentation of the their project to the DMNA Board.

The DMNA Board must approve all funding allocations. After the Board approves a project for funding, CPED will execute a financing agreement with the developer. The financing agreement will outline the time frame the developer must meet in order to secure DMNA funds and any other requirements for obtaining the DMNA funds.

It is the prerogative of the Board to determine the number and amount of awards. The Board may award less than the total amount available in any year.

The DMNA Board, in considering requests by Developers, will utilize the selection criteria set forth in Exhibit "A."

# ELIGIBLE AREA FOR DMNA AFFORDABLE HOUSING FUNDING 2004



# SELECTION CRITERIA

Proposals must score a minimum of **25 points from Section A and Section B combined**, and must score a minimum of **70 points overall** to be considered for funding.

Point Value	A. Experience and Capacity of the Applicant
0 - 10	The length of experience and extent to which the development team has demonstrated its capacity to complete the activity within the designated time period.
	For rental projects, the extent and length of experience the proposed management company has in managing similar housing developments.
Point Value	B. Project Feasibility and Leverage
0 - 10	The extent to which the applicant has demonstrated the financial capacity needed to complete the project, e.g. status of financial commitments, financial statements.
0 - 10	2. The extent to which the applicant has demonstrated that the project is financially viable, e.g. marketability, underwriting assumptions.
2 - 4 - 8 - 10 - 15	3. Leverage:
	Points will be awarded as follows:  3 to 1 or greater of private funds 3 to 1 or greater of private & public funds 2 to 1 or greater of private funds 3 to 1 or greater of private funds 4 points 5 to 1 or greater of private & public funds 6 to 1 or greater of public funds 7 only 8 points 9 to 1 or greater of public funds only 9 points
Point Value	C. Other Project Criteria
0 – 5	The extent to which the development team includes small, women-owne and minority-owned businesses.

YES - 5 NO - 0	2. The application represents a multi-neighborhood collaboration.
YES – 5 NO - 0	3. The project is located in a non-impacted census tract
5 – 10 - 20	4. The extent to which the proposed activity ensures long-term affordability for the target population.  Points will be awarded as follows:  10 to 15 years 5 points 16 to 20 years 10 points 21 + years 20 points
0 - 20	<ul> <li>The extent to which the DMNA-assisted units serves very low-income families and individuals.</li> <li>20 points = all DMNA-assisted units serve families and individuals at 0-30 % median income</li> <li>0-10 points = some DMNA-assisted units serve families and individuals at 0-30% median income and the rest serve families and individuals at 31-50% of median income</li> </ul>
0 - 5	6. The project is a mixed-income project.
0 - 5	7. The extent to which the project provides units with 2 or more bedrooms for families.
0 - 10	8. The extent to which the project is consistent with the Comprehensive Plan in terms of land-use, density, and urban form.
YES – 10 NO - 0	9. Housing Emphasis: Points will be awarded for the following types of projects in:  Impacted Census Tracts: Preservation – Rehabilitation – Stabilization - Construction Non-Impacted Census Tracts: Construction -Positive Conversion
0 - 5	10. The extent to which the application includes support services appropriate to the targeted population as an integral part of the proposed activity.