

# City of Minneapolis

## Request for Committee Action

**To:** Community Development & Regulatory Services  
**Date:** 10/25/2016  
**Referral:** Ways & Means  
**From:** Community Planning & Economic Development  
**Lead Staff:** Carrie Flack Goldberg, Multifamily Finance Specialist, x5240  
**Presented by:** Carrie Flack Goldberg, Multifamily Finance Specialist, x5240  
**File Type:** Action  
**Subcategory:** Loan

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**Subject:**

2016 Affordable Housing Trust Fund Project Recommendations

**Description:**

Approving a total of \$7,084,679 from the Affordable Housing Trust (AHTF) and \$800,000 from the Family Housing Initiative subject to the availability of funding at project closing; authorizing the execution of necessary documents for the seven AHTF loans and one Family Housing Initiative award noted below.

1. A loan of up to \$925,000 from the AHTF for the Minnehaha Commons project located at 3001 Lake St E by Alliance Housing Inc., or an affiliated entity.
2. An additional loan of up to \$900,000 from the AHTF for the Great River Landing project located at 813 5<sup>th</sup> St N by Beacon Interfaith Housing Collaborative, or an affiliated entity.
3. A loan of up to \$1,250,000 from the AHTF for the Bunge Apartments project located at 937 13<sup>th</sup> Ave SE by Project for Pride in Living, or an affiliated entity.
4. A loan of up to \$209,679 from the AHTF for the Dundry-Hope Block Stabilization Phase II project located at 2011, 2101 Portland Ave; 616-618 22<sup>nd</sup> St E and 1829 5<sup>th</sup> Ave by Hope Community, or an affiliated entity.
5. A loan of up to \$1,250,000 from the AHTF for the Sabathani Senior Housing project located at 310 38<sup>th</sup> St E by Sabathani Community Center, or an affiliated entity.
6. A loan of up to \$2,050,000 from the AHTF for the Artspace Leef North Lofts project located at 212 James Ave N by Artspace Projects, Inc., or an affiliated entity.
7. A loan of up to \$500,000 from the AHTF for the Lake Street Housing project located at 510 Lake St W by Lupe Development Partners, or an affiliated entity.
8. A loan or grant of up to \$800,000 from the Family Housing Initiative for the Minnehaha Townhomes project located at 5348, 5364, and 5368 Riverview Road by the Minneapolis Public Housing Agency, or an affiliated entity.

**Previous Actions:**

1. **Minnehaha Commons:** None
2. **Great River Landing:** On November 16, 2015, the City Council approved a loan of \$900,000 from the AHTF program.
3. **Bunge Apartments:** None
4. **Dundry-Hope Block Stabilization Phase II:** None
5. **Sabathani Senior Housing:** None
6. **Artspace Leef North Lofts:** None
7. **Lake Street Housing:** None
8. **Minnehaha Townhomes:** On May 31, 2016, the City Council granted exclusive development rights to the Minneapolis Public Housing Agency.

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**Ward/Address:**

All Wards

**Background/Analysis:****Affordable Housing Trust Fund (AHTF) Program Overview**

In May 2003, the City Council combined previously separate multifamily affordable housing funding programs into the Affordable Housing Trust Fund (AHTF) to assist in the financing of the production and preservation/stabilization of affordable and mixed-income rental housing projects in Minneapolis. The AHTF Program assists with providing decent, safe and affordable housing opportunities, assists with community revitalization and blight removal, and supports tax base enhancement, job creation, and increasing density along critical corridors. AHTF Program administration is guided by the Minneapolis Plan, the Unified Housing Policy, and the HUD Consolidated Plan for Housing and Community Development.

From 2003 through the end of 2015, the AHTF has helped produce 7,153 construction-completed housing units of which 4,677 were affordable to families at or below 50% AMI. For more detailed information on previous CPED multifamily affordable housing production, please see the Multifamily Quarterly Reports posted here:

[http://www.ci.minneapolis.mn.us/cped/resources/reports/cped\\_multifamily\\_quarterly\\_reports](http://www.ci.minneapolis.mn.us/cped/resources/reports/cped_multifamily_quarterly_reports)

and the Affordable Housing Annual Reports available here:

[http://www.ci.minneapolis.mn.us/cped/resources/reports/cped\\_affordable\\_housing\\_annual\\_reports](http://www.ci.minneapolis.mn.us/cped/resources/reports/cped_affordable_housing_annual_reports)

The AHTF awards are typically structured as a loan with a note and mortgage. The maximum amount of AHTF that can be provided to a project is the lessor of \$25,000 per affordable unit (affordable to households with incomes at or below 50% of Metropolitan Area Median Income (AMI)), or 15% of the Total Development Cost (less reserves). If the project is located in a high poverty or minority concentrated area (see Attachment 2), the maximum amount of the AHTF award will be the lessor of \$25,000 per affordable unit (at or below 60% AMI) or 15% of the Total Development Cost (less reserves). All housing developments receiving AHTF subsidy must make at least 20% of their units affordable to people earning 50% or less of AMI. In 2016, 50% of AMI for a family of four is \$42,900.

The AHTF has three funding sources: Local funds (City General Fund and Tax Increment), federal Community Development Block Grant (CDBG) funds, and federal HOME Investment Partnership Program funds. CDBG and HOME have differing policy objectives and differing restrictions on where and how those funds can be used in housing projects (Please see Attachment 1 for the AHTF Project & Funding Source Permitted Use Matrix for more detail).

New this year is the Family Housing Initiative to assist in gap financing for the production of new affordable housing opportunities for extremely low income families experiencing homelessness or at risk of homelessness. The maximum award from the Family Housing Initiative is \$50,000 per affordable unit (at or below 30% AMI) or 30% of the Total Development Cost (less reserves). Projects seeking funds from this source must have:

1. At least 20% of the units in the project are affordable to and occupied by households with incomes at or below 30% of AMI; and
2. At least 75% of the units in the project contain 3 or more bedrooms.

**2016 AHTF Application Evaluation Summary**

In May 2016, CPED staff issued a Request for Proposals (RFP) for the 2016 round with a submission date of June 28, 2016. The complete RFP materials are posted here:

<http://www.minneapolismn.gov/ahtf>.

The AHTF Program has established selection criteria used to review and score the proposals. There are two thresholds that a project must meet to be evaluated for funding. First, a project must meet the “Minimum Point Threshold” of at least 20 points combined in two selection criteria: “Financial Soundness and Management” and “Economic Integration.” A project must also meet the “Total Point Threshold,” which means a project must receive a minimum of 86 points in all selection criteria. In addition, a project must have complete site control.

Attachment 2 shows the minority and poverty concentrated areas and non-concentrated areas of the City of Minneapolis. A poverty concentrated census tract is defined as a census tract with a percent of persons greater than or equal to 45.2% in poverty as further described in the Consolidated Plan. A minority concentrated area is a census tract that has a minority population of at least 50%.

The concentrated and non-concentrated scoring criteria are designed to promote economic integration:

1. Projects in concentrated areas that rehabilitate housing projects receive 10 points whereas projects in non-concentrated areas that involve new construction receive 10 points.
2. Projects located in non-concentrated areas with a higher number of affordable units score higher and projects located in concentrated areas with a lower number of affordable units score higher.

Fourteen proposals were received in the 2016 round with a total funding request of \$15,034,679. Staff evaluated all of the proposals including financial underwriting, determining each project’s conformance to the AHTF selection criteria, conducting property inspections (when appropriate), analyzing the scopes of work, coordinating with other funders, considering support services plans, and additional criteria described in the RFP. All of the applications were scored and ranked. Attachment 3 summarizes the scoring and ranking of each AHTF application as to its conformance with the AHTF scoring and underwriting criteria. Attachment 4 has the project data worksheets with more detailed information on the recommended projects that are summarized below.

On September 20, 2016 and on October 4, 2016, the Development Finance Committee (DFC) reviewed the AHTF funding recommendations for the eight recommended projects and discussed each project’s proposed financing structure and the overall capacity of each developer. DFC actions and comments are included as Attachment 5.

### **AHTF Funding Recommendations**

Below is a summary of the projects that are recommended for funding, listed in descending order by the AHTF score.

**1. Minnehaha Commons – Ward 2 – Longfellow – Score 161**

3001 Lake St E

- a) 41 units (all 41 @ 50% AMI or lower) of new construction for senior housing
- b) Financing structure: HIB, 4% LIHTC, grants, and public deferred loans
- c) Policy alignment and public benefit summary: 41 new units in Ward 2 consistent with the Senior Housing Policy of 35 units in each Ward by 2025 and long term homeless units
- d) AHTF Recommendation: up to \$925,000

**2. Minnehaha Townhomes – Ward 12 – Minnehaha – Score 147.5**

5348, 5364, and 5368 Riverview Road

- a) 16 units (all 16 @ 50% AMI or lower) new construction
- b) Financing structure: AHTF and public deferred loans and/or grants

- c) Policy alignment and public benefit summary: A project with large family housing units for a priority population (extremely low income families in shelters) with a federal operating subsidy under the Faircloth limit
  - d) Family Housing Initiative Recommendation: up to \$800,000
3. **Great River Landing – Ward 5 – North Loop – Score 145**  
813 5<sup>th</sup> St N
- a) 72 units (all 72 @ 50% AMI or lower) of new construction
  - b) Financing structure: 9% LIHTC, public deferred loans, grants, private fundraising
  - c) Policy alignment and public benefit summary: Supportive housing for previously incarcerated and long term homeless with 40 federally assisted affordable housing units.
  - d) AHTF Recommendation: up to \$900,000
4. **Bunge Apartments – Ward 2 – Como – Score 132.5**  
937 13<sup>th</sup> Ave SE
- a) 150 units (42 @ 50% AMI or lower) of new construction
  - b) Financing structure: HRB, 4% LIHTC, grants, and public deferred loans
  - c) Policy alignment and public benefit summary: new construction for workforce and artist living with long term homeless units
  - d) AHTF Recommendation: up to \$1,250,000
5. **Dundry-Hope Block Stabilization Phase II – Ward 6 – Ventura Village – Score 116**  
2011, 2101 Portland Ave, 616-618 22<sup>nd</sup> St E, and 1829 5<sup>th</sup> Ave
- a) 30 units (all 30 @ 50% AMI or lower) of preservation/rehab
  - b) Financing structure: AHTF and public deferred loans
  - c) Policy alignment and public benefit summary: Preservation/rehab of large family affordable housing units
  - d) AHTF Recommendation: up to \$209,679
6. **Sabathani Senior Housing – Ward 8 – Central – Score 113**  
310 38<sup>th</sup> St E
- a) 50 units (10 @ 50% AMI or lower) of new construction for senior housing
  - b) Financing structure: HRB, 4% LIHTC, grants, and public deferred loans
  - c) Policy alignment and public benefit summary: 50 new units in Ward 8 consistent with the Senior Housing Policy of 35 units in each Ward by 2025
  - d) AHTF Recommendation: up to \$1,250,000
7. **Artspace Leef North Lofts – Ward 5 – Harrison – Score 100**  
212 James Ave N
- a) 110 units (23 @ 50% AMI or lower) of new construction
  - b) Financing structure: HRB, 4% LIHTC, public deferred loans, and private loans
  - c) Policy alignment and public benefit summary: Mixed-income project of underutilized property
  - d) AHTF Recommendation: up to \$2,050,000
8. **Lake Street Housing – Ward 10 – Whittier – Score 94**  
510 Lake St W
- a) 100 units (20 @ 50% AMI or lower) of new construction
  - b) Financing structure: HRB, 4% LIHTC, grants, and public deferred loans
  - c) Policy alignment and public benefit summary: New construction of affordable housing in a strengthening market
  - d) AHTF Recommendation: up to \$500,000

## **Projects Not Recommended**

### **9. Park 7 – Ward 7 – Elliot Park – Score 149**

714 Park Ave & 615 7<sup>th</sup> St S

- a) 55 units (all 55 @ 50% AMI or lower) of new construction
- b) Financing structure: 9% LIHTC, deferred public loans, grants, private fund raising
- c) Policy alignment and public benefit summary: New construction of supportive housing for long term homeless
- d) This project did not score competitively enough for the 9% LIHTC subsidy. In addition, staff continues to work with the developer on the project costs and financing structure.

### **10. Blooming Place Apartments – Ward 9 – Powderhorn Park – Score 136**

3017 Bloomington Ave

- a) 54 units (all 54 @ 50% AMI or lower) of new construction
- b) Financing structure: 9% LIHTC, public deferred loans, grants
- c) Policy alignment and public benefit summary: Large family housing units with long term homeless
- d) This project did not score competitively enough for the 9% LIHTC subsidy. In addition, there are a number of questions including high total development costs per unit. Staff will continue to work with the applicant for potential reapplication.

### **11. Mino-bimaadiziwin – Ward 6 – Ventura Village – Score 124**

2105, 2109, 2113 Cedar Ave S and 1820 22<sup>nd</sup> St E

- a) 115 units (55 @ 50% AMI or lower) of new construction
- b) Financing structure: HRB, 4% LIHTC, grants, and public deferred loans
- c) Policy alignment and public benefit summary: large family units with on-site support services
- d) This project has high total development costs per unit and staff will continue to work with the applicant for potential reapplication.

### **12. Penn Ave Union Development – Ward 5 – Willard-Hay – Score 110**

2200 Golden Valley Road, 1906-1914 Queen Ave N and 1911-1915 Penn Ave N

- a) 43 units (9 @ 50% AMI or lower) of new construction
- b) Financing structure: HRB, 4% LIHTC, grants, and public deferred loans
- c) Policy alignment and public benefit summary: mixed income project with large family units
- d) This project has high total development costs per unit and staff will continue to work with the applicant for potential reapplication

### **13. Rental Reclaim VI – Ward 9,6,5 – Near North, Hawthorne, Ventura Village, and Central – Score 106**

900 and 1415 16<sup>th</sup> Ave N, 2100 Dupont Ave N, 2106, 2108-2110, 2116-2118, 2221, and 3416-3418 Elliot Ave

- a) 22 units (all 22 @ 50% AMI or lower) of preservation/rehab
- b) Financing structure: HRB, 4% LIHTC, public deferred loans, and seller's note
- c) Policy alignment and public benefit summary: Preservation/rehab of large family units
- d) This project has high total development costs per unit and staff will continue to work with the applicant for potential reapplication. This project's financing structure also needs additional analysis.

### **14. West Broadway Curve – West Building – Ward 5 – Jordan – Score 103**

1706-1920 West Broadway Ave

- a) 69 units (31 @ 50% AMI or lower) of new construction

- b) Financing structure: HRB, 4% LIHTC, public deferred loans, grants, private equity
- c) Policy alignment and public benefit summary: Mixed income units and large family housing units on City owned property
- d) This project received a 2015 AHTF award of \$1,000,000. An additional AHTF award will be considered when additional funds have been secured for the project.

### **Summary of Awards**

The total development cost for all eight recommended projects combined is approximately \$132,028,491. If the funding recommendations are approved, the total expenditure for these projects will be up to \$7,884,679 (\$7,084,679 2016 AHTF and \$800,000 Family Housing Initiative) from the AHTF. The remaining available funding from this round will be included in subsequent AHTF rounds and/or available on a pipeline basis to be awarded by the City Council.

The projects in this round will create or preserve 569 units: 539 are new construction units and 30 are stabilization/preservation units. There will be 279 units built or preserved in non-concentrated census tracts and 290 units will be built or preserved in concentrated census tracts this funding round. Approximately 56 Section 8 assisted units will be preserved. There will be 262 units affordable to households at or below 50% of AMI.

There are two projects this year that meet the Senior Housing Policy Goal of 35 units in each Ward by 2025: Sabathani Senior Housing in Ward 8 and Minnehaha Commons in Ward 2. One project this year was submitted for the Family Housing Initiative: Minnehaha Townhomes in Ward 12. This is a Faircloth housing project with large family units and a permanent operating subsidy. This is a ground breaking, innovative project for an extremely high priority population.

### **Timely Completion Conditions and Rescission of Awards**

The AHTF policies in the RFP require timely completion of projects within the context of the established funding cycles of the other funders such as Minnesota Housing. The AHTF project awards are reserved for 15 months from the City Council approval date. The developer must submit monthly progress reports describing incremental project financing and development achievements. At the end of 15 months, if the developer can demonstrate that at least one-third of the total development funds have been raised; and can provide evidence that the balance of the development money is likely to be raised; and can provide evidence that a closing will occur within the next twelve months, the funding reservation may be administratively extended for an additional 12 month period. Projects unable to meet the timelines may have their awards rescinded. Projects receiving a supplemental AHTF award are held to the timely completion conditions from the year of the first AHTF award for that project, which means that receiving a supplemental AHTF award does not extend the 27 month timeframe in which the project should be fully financed.

### **AHTF Repayment and Recapture Terms**

The AHTF funds are typically provided as a deferred payment loan with a 30 to 40 year term with 0% to 1% simple interest. Funds from the Family Housing Initiative may be awarded in the form of a forgivable loan or grant if necessary to achieve long term affordability (longer than 30 years) or to satisfy HUD requirements. Additionally, the City seeks to recapture a percentage of net cash flow in mixed income projects, where possible, pursuant to CPED's approved policy guidelines. In this round, there are no mixed income projects subject to this requirement.

### **AHTF Application and Loan Origination Fees**

In May 2011, the City Council approved the collection of a \$1,000 application fee for each AHTF proposal and a one percent (1%) loan origination fee for each AHTF project. The loan origination fee for the recommended projects will be collected at project closing, except for projects with HOME funding because HUD prohibits collecting an origination fee with HOME funds.

**Financial Review:**

**No additional appropriation required, amount included in current budget.**

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**

**Attachments:**

1. AHTF Project and Funding Source Permitted Use Matrix
2. Map of Minority and Poverty Concentrated and Non-Concentrated Areas
3. Scoring and ranking of projects in accordance with AHTF underwriting criteria
4. Project Data Worksheets for each project being recommended for funding
5. Development Finance Committee Actions from September 20, 2016 and October 4, 2016.