

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

Date: December 2, 2008

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: 2008 Affordable Housing Trust Fund and Non Profit Development Assistance Fund Project Recommendations

Recommendation: Approve a total of up to \$8,504,283 from the Affordable Housing Trust Fund (AHTF) and a total up to \$97,500 from the Non Profit Development Assistance Fund (Non Profit Admin Fund) for the following projects and developers; authorize the execution of the necessary documents for the AHTF loans and the Non-Profit Admin Fund grants; and approve the sale of Fremont Avenue Flats (1814, 1816, 1820-22) by Northside Residents Redevelopment Council to Project for Pride in Living and the assumption of all City existing debt in the amount of \$960,616 (reflecting both principal and accrued interest as of 12/31/08) on the project by Project for Pride in Living or an affiliated entity with a 30 year deferred term at 1% interest;

1. A loan up to \$884,000 from the AHTF for Alliance Addition to be located at 724 East 17th Street by Aeon or an affiliated entity;
2. A loan up to \$900,000 from the AHTF for Andrew Riverside Senior Housing to be located at 415 8th Avenue S.E. by CommonBond Communities or an affiliated entity;
3. A loan up to \$1,190,413 from the AHTF and a grant up to \$30,000 from the Non Profit Admin Fund for Clare Midtown to be located at 3105 23rd Avenue South by Clare Housing or an affiliated entity;
4. A loan up to \$129,000 from the AHTF and a grant up to \$7,500 from the Non Profit Admin Fund for Exodus Apartments located at 3131 - 3133 First Avenue South, 3137 – 3139 First Avenue South, 3143 – 3145 First Avenue South, and 106 – 108 East 32nd Street by Community Housing Development Corporation or an affiliated entity;
5. A loan up to \$445,870 from the AHTF and a grant up to \$30,000 from the Non Profit Admin Fund for Fremont Flats located at 1814, 1816 and 1820 – 22 Fremont Avenue North by Project for Pride in Living or an affiliated entity and approval of the sale of the property by Northside Residents Redevelopment Council to Project for Pride in Living and assumption of all City existing debt in the amount of \$960,616 (reflecting both principal and accrued interest as of 12/31/08) on the project by Project for Pride in Living or an affiliated entity with a 30 year deferred term at 1% interest;
6. A loan up to \$997,000 from the AHTF for Gateway Lofts to be located at 2601 West Broadway by Alliance Housing Incorporated or an affiliated entity;
7. A loan up to \$108,000 from the AHTF for Hope Block Stabilization located at 2020 Portland Avenue, 616 – 618 East 22nd Street, 2024 – 26 Oakland Avenue

- South, and 2107, 2109, 2115, 2123 Portland Avenue by Hope Community, Inc. or an affiliated entity;
8. A loan up to \$500,000 from the AHTF for Longfellow Station to be located at 3815 Hiawatha Avenue by Longfellow Housing Limited Partnership or an affiliated entity;
 9. A loan up to \$975,000 from the AHTF for Lyndale Green to be located at 610 West 28th Street by Brighton Development Corporation or an affiliated entity;
 10. A loan up to \$800,000 from the AHTF and a grant up to \$30,000 from the Non Profit Admin Fund for Riverview Apartments to be located at 5100 East 54th Street by Plymouth Church Neighborhood Foundation and CommonBond Communities or an affiliated entity; and
 11. A loan up to \$1,575,000 AHTF for The Walker Apartments to be located at the southeast corner of South 12th Street and Hennepin Avenue by Metropolitan Development, Inc. or an affiliated entity.

Previous Directives

1. Alliance Addition –
 - a) In December 2005, the City Council approved up to \$300,000 Affordable Housing Trust Fund monies (no longer available) and a grant up to \$30,000 from the Non Profit Admin Fund
 - b) In April, 2008, the Council approved a loan up to \$275,000 from the AHTF.
2. Andrew Riverside: None.
3. Clare Midtown – On November 7, 2008, the City Council approved a partial allocation of 2009 Low Income Housing Tax Credits in the amount of \$150,517.
4. Exodus Apartments – In October, 2008, the Council authorized application to the Hennepin County Environmental Respond Fund for this project.
5. Fremont Flats – None.
6. Gateway Lofts – In December 2005, the City Council approved an AHTF loan up to \$400,000 (no longer available) and a Non Profit Admin Fund grant up to \$30,000.
7. Hope Block Stabilization – In December 2007, the City Council approved a 2007 AHTF loan up to \$538,000 and a \$30,000 Non Profit Admin Fund grant.
8. Longfellow Station –
 - a) In December, 2005, the City Council approved a resolution authorizing submission of applications to the Metropolitan Council for Hiawatha Corridor Land Assembly Fund proposals;
 - b) In March, 2006, the Council approved acceptance and appropriation of the Metropolitan Council Hiawatha Light Rail Land Assembly Fund Grants of \$3,500,000 for projects along the Hiawatha Light Rail line, including this project;
 - c) In June, 2006, the Council authorized submission of an application for Metropolitan Council Livable Communities Demonstration Account (LCDA) fund;
 - d) In October, 2006, the Council authorized submission of an application for a Hennepin County ERF brownfields grant;
 - e) In December, 2006, the Council up to \$400,000 from the Affordable Housing Trust Fund;

- f) In February 2007, the Council accepted and appropriated \$934,523 Metropolitan Council LCDA grant and \$90,000 County ERF grant;
 - g) In May, 2007, the Council authorized submission of an application for Metropolitan Council LCDA funding;
 - h) In August 2007, the Council adopted a resolution approving the Longfellow Station Redevelopment Plan;
 - i) In December 2007, the Council approved up to an additional \$1,000,000 from the Affordable Housing Trust Fund;
 - j) In January 2008 the Council accepted and appropriated \$500,000 in Metropolitan Council LCDA funding; and
 - k) In February 2008, the Council approved the Project Analysis Authorization.
9. Lyndale Green –
- a) On April 18, 2008 the City Council authorized the submission of a Hennepin County Transit Oriented Development (TOD) application and authorized submission of a Hennepin County ERF grant application.
 - b) On June 6, 2008 the Council authorized submission for Livable Communities Demonstration Account funding by the Metropolitan Council.
 - c) On August 8, 2008, the Council authorized acceptance of the County ERF grant funds.
 - d) On September 26, 2008, the Council authorized staff to execute a Cooperate Agreement with Hennepin County related to a TOD grant awarded to the Project.
 - e) On October 24, 2008, the Council adopted a resolution approving the Lyndale Green Redevelopment Plan.
10. Riverview Apartments – On January 18, 2008, the City Council a) authorized CPED staff to negotiate the terms of a redevelopment agreement and land purchase and pass-through of the 54th and Riverview Road development site with the MN DOT and the Community Development Collaborative, LLC (a joint partnership of Plymouth Church Neighborhood Foundation, CommonBond Communities, and Twin Cities Habitat for Humanity, all Minnesota non-profit corporations); and b) direct staff to establish productive negotiations and completed terms within twelve months of final approval of this action.
11. The Walker Apartments – In October 2008, the Council authorized application to the Hennepin County Environmental Response Fund (ERF) for The Walker Apartments.

Prepared by: Donna Wiemann, Principal Project Coordinator, Housing, 673-5257

Approved by: Thomas Streitz, Director, Housing Policy & Development _____

Presenters in Committee: Wesley Butler, Manager, Multi-Family Housing

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 – All projects being recommended for funding have been reviewed by the official neighborhood organization of the area in which the project is located.

City Goals – In five years all Minneapolis residents will have a better quality of life and access to housing and services.

Sustainability Targets – The proposed projects meet the affordable housing targets.

Comprehensive Plan – 4.9: Minneapolis will grow by increasing its supply of housing;

4.11: Minneapolis will improve the availability of housing options for its residents.

Zoning Code – All projects being recommended either comply or will comply with the zoning code.

Supporting Information

Affordable Housing Trust Fund (AHTF)

The City Council established the Affordable Housing Trust Fund (AHTF) to provide gap funding for the development and stabilization/preservation of affordable rental housing. The City's Affordable Housing Policy requires that all housing developments receiving city subsidies make at least 20% of their units affordable to people earning 50% or less of the Metropolitan Area Median Income (AMI).

The AHTF includes selection criteria used to score and competitively rank the proposals. There are two sets of selection criteria – one for projects located in impacted areas of the City (Attachment A-2) and another set for projects located in non-impacted areas of the City (Attachment A-3). The definition of impacted (concentrated) census tract is based on the definition in the Hollman Consent Decree relative to poverty and minority concentration.

2008 AHTF Request for Proposals

In late May of 2008, CPED staff issued a Request for Proposals (RFP) for the 2008 AHTF. Twenty two (22) proposals were received in response to the 2008 AHTF with a total funding request of over \$20 million. Staff undertook the evaluation of these proposals including financial underwriting, determining conformance to the AHTF selection criteria, property inspections, plan and scope of work review, coordination with other lenders, consideration of support services plan, among other things.

During the course of staff review, eleven (11) proposals were removed from consideration and the details are as follows:

- 1) The application for Seward Flats was withdrawn by the applicant.

- 2) The Bystrom Franklin Station application was removed from consideration because the applicant did not have site control; the AHTF Program requires that the applicant demonstrates site control by fee ownership, a signed purchase agreement, an option agreement, and so forth.
- 3) Creekside Commons, Nicollet Square, Lowry Apartments, and PPL Northside Recap ultimately did not need AHTF money because their funding gaps were covered by a higher amount of Low Income Housing Tax Credits as a result of the Housing Stimulus Act.
- 4) The application for The Bridge Center for Youth was dropped from consideration because the applicant proposed to use the AHTF money to reduce the first mortgage amount; this is not an eligible use of AHTF monies.
- 5) Harrison Commons, Aeon Refinance, Agape Apartments, and Ebenezer Tower did not meet the program scoring thresholds. Specifically, to remain competitive in a funding round, a project proposal must meet both minimum point threshold (at least 20 points in two criteria - Financial Soundness/Management and Economic Integration) and total point threshold (at least 80 points for projects in impacted areas and 85 points for projects in non-impacted areas).

2008 AHTF Project Recommendations

Eleven (11) proposals are being recommended for 2008 AHTF loans. Attachment B shows the AHTF and Non Profit Admin Fund recommendations; Attachment C shows the scoring and ranking of each project as to its conformance with the AHTF selection criteria. Attachment D provides a comparison of the proposals on certain key measures. Finally details about each of the projects being recommended for funding are provided in the attached Project Data Worksheets (PDWS) which are Attachment E1 to E11.

Five of the recommended projects are new construction developments located in non impacted areas of the City. These projects are Clare Midtown, Longfellow Station, Lyndale Green, Riverview Apartments, and The Walker Apartments.

If the funding recommendations are approved, the projects will result in the total expenditure of up to \$8,504,283 from the AHTF and up to \$97,500 from the Non Profit Development Assistance Fund. A total of 565 housing rental units will be developed and 41 housing rental units will be stabilized/preserved. Of this total, 325 units will be affordable to households at or below 50% of AMI of which 100 will be affordable to households at or below 30% of AMI.

AHTF Repayment and Recapture Terms

The AHTF funds are typically provided as a deferred payment loan with a 30 to 40 year term and a no interest to 1% simple interest. Loans with no interest will be allowed only when absolutely required by the results of the tax credit debt analysis in projects with low income housing tax credits.

Additionally, the City seeks recapture of a percentage of net cash flow in mixed income projects, where possible, pursuant to CPED's approved policy guidelines. The Walker Apartments is a mixed income project with 20 market rate units. At this time, staff has

not yet negotiated a percentage share of the net cash flow. CPED staff will negotiate this matter when the Housing Revenue Bond application for the project is submitted and the staff recommendation of Housing Revenue Bonds will be contingent upon agreed upon terms.

Fremont Avenue Flats

In addition to the AHTF funding recommendation for Fremont Flats, a stabilization project owned by Northside Residents Redevelopment Council to be acquired by Project for Pride in Living, staff recommends approval of this sale and the assumption of the existing debt. The existing City loan amount and accrued interest through the end of December, 2008 is \$970,616. Staff recommends assumption of this financing by Project for Pride in Living as a 30 year deferred payment loan with a 1% simple interest.

2008 AHTF Pipeline

With City Council approval of the 2008 AHTF funding recommendations, there will be approximately \$832,000 remaining 2008 funds. Staff will follow the AHTF pipeline process as established by the Council as follows:

- Proposals will be considered on a first come, first served basis. Staff will perform an initial analysis of the eligibility, feasibility, completeness and competitiveness; if not acceptable will move to the next project on the list;
- The time frame will align with Minnesota Housing's black out period – CPED will not accept pipeline proposals for a period of two months immediately preceding the issue of the 2009 RFP estimated to be in mid to late May 2009.
- Pipeline will be offered only as long as 2008 funding remains.

Eligible applicants for the 2008 AHTF pipeline are as follows:

- 2008 RFP applicants not yet approved;
- Previous AHTF or low Income Housing Tax Credit RFP applicants experiencing unexpected shortfall/gap;
- ISG projects moving through the ISG technical Team review process;
- New proposals receiving Minnesota Housing, HUD and /or County funding awards.
- New proposals with strong neighborhood support. These are proposals that have been reviewed and are supported (in writing) by the City-recognized official neighborhood group on all of the following measures:
 - A) Identify of developer and identity of owner;
 - B) Number of units;

- C) Project size (square footage, number of floors);
- D) Number of affordable units and the number of market rate units;
and
- F) Projects physical design to the degree known.