



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

Date: April 22, 2008

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

**Subject:** Guideline Change to the Northside Home Fund Clusters Acquisitions Program Contract.

**Recommendation:** It is recommended that the guidelines to the non-CPED Acquisition Program of the Northside Home Fund be revised to allow for development gap subsidy, not to exceed \$25,000 per project.

**Previous Directives:** On July 21, 2006, the City Council authorized the CPED Director to approve development partners for the pilot program; approve up to \$1,000,000 of CPED Single Family Housing Vacant & Boarded program (CDBG) funds to approved Northside Home Fund development partners for acquisition and demolition activities consistent with the Northside Home Fund cluster program; and authorize execution of the appropriate documents. On December 23, 2004, the City Council approved guidelines associated with the creation of a Northside Home Fund (NHF) Cluster concept.

Prepared by: Earl S. Pettiford, Senior Project Coordinator, Phone 612.673.5231

Approved by: Charles T. Lutz, Deputy CPED Director \_\_\_\_\_

Thomas Streit, Director Housing Policy & Development \_\_\_\_\_

Presenters in Committee: Earl S. Pettiford, Senior Project Coordinator

**Reviews**

Permanent Review Committee (PRC): Approval \_\_\_ Date \_\_\_\_\_

Policy Review Group (PRG): Approval \_\_\_ Date \_\_\_\_\_

**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: Not applicable

City Goals: A SAFE PLACE TO CALL HOME. 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.

Sustainability Targets: Not applicable

Comprehensive Plan: All projects will be in compliance with the Comprehensive Plan

Zoning Code: Will comply with current zoning

Living Wage/Business Subsidy Agreement Yes \_\_\_\_\_ No X \_\_\_\_\_

Job Linkage Yes \_\_\_\_\_ No X \_\_\_\_\_

Other

## Supporting Information

On July 21, 2006, the City Council approved the City of Minneapolis investment in the Northside Home Fund clusters of \$1,000,000. This approval limited expenditures under this funding to costs eligible for reimbursement under the Minneapolis Housing Replacement Tax Increment District II. The program planned that the eligible tax increment costs, coupled with funds secured from an outside source would make the resulting developments financially feasible. With this planned framework, the City has entered into contracts with the designated cluster partners for the 25<sup>th</sup> and James Avenue North Cluster Development—Powderhorn Residents Group (PRG) and Neighborhood Housing Services of Minneapolis (NHS).

Both PRG and NHS have acquired properties within the 25<sup>th</sup> and James Cluster and have determine that the structured funding is inadequate to support the costs of development. This is to a large degree a consequence of declining market values with the large inventory of foreclosed houses for sale in that local market. Development proformas have been submitted on two projects—a new construction and a rehab. A development gap on each project is about \$50,000. Staff have reviewed the proforma and concluded that the costs are in line with market costs.

The development partners have approached other funders and have successfully secured \$25,000 per project in the cluster and are seeking the city matching these funds to bridge the gap. Staff believe, but for the City of Minneapolis' contribution these projects may not move forward, thereby impacting the success of the cluster. The current program guidelines do not allow the funds to be used for development gap financing. Staff is hereby recommending that the guidelines be revised to allow for the funds to also be used for development gap subsidy. This request does not increase the City's commitment; it only revises the guidelines to allow the use of the funds to match secured non-City funds on a one-to-one ratio at an amount not to exceed \$25,000 per project in the cluster.

Staff recommends this amendment to the program in order to advance the work of the cluster development.