



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

Date: October 21, 2014

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

Referral to: Council Member John Quincy, Chair, Ways & Means/Budget Committee

Subject: 2014 Affordable Housing Trust Fund Project Recommendations

Recommendation: Approve a total up to \$6,115,250 from the Affordable Housing Trust Fund (AHTF) subject to the availability of funding at project closing; authorize the execution of the necessary documents for the AHTF loans noted below.

1. A loan up to \$125,250 from the AHTF for the Affirmation House project located at 3310 Penn Ave N. by Project for Pride in Living (PPL), or an affiliated entity.
2. A loan up to \$1,025,000 from the AHTF for the Boeser Phase I/ Prospect North Gardens project to be located at 2901 Fourth St. SE by The Cornerstone Group or an affiliated entity, subject to the partnership securing a Limited Partner Equity Investor.
3. An additional loan up to \$415,000 from the AHTF for the Corcoran Triangle Apartments project to be located at 3120 24th Ave S. by Corridor Plaza LLC (Steve Wellington) or an affiliated entity, subject to the project receiving funding from MHFA.
4. A loan of up to \$160,000 from the AHTF for the Indian Neighborhood Club project to be located at 2101 South 5th Ave, by Indian Neighborhood Club or an affiliated entity.
5. An additional loan of up to \$190,000 for the Little Earth VI project to be located at 2432 Cedar Ave. S., 2434 Cedar Ave. S. and 2499 18th Ave. S. by the Little Earth of United Tribes Housing Corporation or an affiliated entity.
6. An additional loan of up to \$100,000 for the Marshall Flats project to be located at 2525 2nd St. NE by Clare Housing or an affiliated entity.
7. An additional loan of up to \$300,000 for the Mill City Quarter project to be located at 300 2nd St. S. by Iron Eagle Partners, LLC or an affiliated entity.
8. A loan of up to \$650,000 for the Opportunity Housing Partnership project located at 706 1st Ave North, 66 12th Street South and 1801 LaSalle Avenue by AEON or an affiliated entity
9. A loan of up to \$1,250,000 for the Plymouth Stevens House project located at 1495, 1414, 1500, 1501, 1516, 1611, 1701 1815 Plymouth Ave N, 1300 Irving Avenue North and 2625 Stevens Avenue South by Affordable Homes for All, MDR Real Estate Holdings, LLC or affiliated entity, subject to the partnership repaying the

outstanding CPED mortgages currently on Plymouth Avenue Townhomes and Stevens House sites respectively.

10. A loan of up to \$750,000 for the Rental Reclaim VI project located at several scattered addresses to be named later by Urban Homeworks or an affiliated entity.
11. A loan of up to \$1,150,000 for the Youthlink Project located at 41 12th Street North by Project for Pride in Living and Youthlink or an affiliated entity.

Previous Directives

Affirmation House:

1. On April 26, 2013, the City Council approved a loan up to \$306,000 from the AHTF.

Boeser/ Prospect North Gardens:

1. On October 2, 2013, the City Council authorized the acceptance and appropriation of \$260,000 from the Hennepin County ERF
2. On June 16, 2013, the City Council approved the Metropolitan Council LCDA grant of \$1,000,000 to the 4th Street Infrastructure/Boeser project
3. On April 25, 2012, the City Council authorized the acceptance and appropriation of \$720,307 from the Met Council TBRA
4. On June 29, 2012, the City Council authorized the acceptance and appropriation of \$2,000,000 from the Met Council LCDA
5. On June 29, 2012, the City Council authorized the acceptance of appropriation of \$260,000 from the Hennepin County Challenge
6. On June, 29, 2012, the City Council authorized the acceptance of appropriation of \$275,000 from the Met Council COO LIC Grant

Corcoran Triangle:

1. On February 22, 2013, the City Council accepted and appropriated a Metropolitan Council LCDA TOD grant of \$505,000 for Corcoran Triangle
2. On April 16, 2010, the City Council approved a loan up to \$300,000 from Hennepin County TOD.
3. On February 16, 2010, the City Council approved a loan up to \$735,000 from the AHTF

Indian Neighborhood Club Expansion

1. None

Little Earth VI:

4. On October 18, 2013, the City Council approved a loan up to \$444,692 from the AHTF.
5. The City provided affordable housing financing for previous renovations of the Little Earth campus that closed in 1995 (Phase I), 2003 (Phase III), 2006 (Phase IV), and 2009 (Phase V).

Marshall Flats:

1. On October 18, 2013, the City Council approved a loan up to \$555,000 from the AHTF.
2. On April 26, 2013, the City Council approved the acquisition of 201 Lowry Avenue NE from Hennepin County-Tax Forfeited Land and simultaneous disposition to First & First LLC or an affiliated entity for \$150,000 plus Hennepin County and City of Minneapolis costs incurred in acquisition, holding, maintaining and administration of the property, including the City's 10% admin fee, and further authorized staff to enter into a redevelopment contract and related documents. (The Marshall Flats development will be located on the northern half of the lot.)
3. On May 10, 2013, the City Council approved up to \$150,000 of 2013 Department of Housing & Human Development (HUD) Housing Opportunities for Persons with AIDS (HOPWA) funding to be allocated to Clare Lowry NE Minneapolis new 36-unit development [Marshall Flats) from available HOPWA funds.

Mill City Quarter:

1. On October 18, 2013, the City Council approved a loan up to \$1,200,000 from the AHTF.
2. On February 22, 2013, the City Council accepted and appropriated a Metropolitan Council LCDA TOD grant of \$1,000,000 for Mill City Quarter and a TBRA TOD grant of \$1,000,000 for Mill City Quarter.
3. On August 3, 2012, the City Council adopted Resolution 2012R-411 authorizing submitting LCDA and LCDA TOD grant applications for Mill City Quarter.
4. On May 11, 2012, the City Council authorized proper City officers to execute an Operating Agreement between the City of Minneapolis and Standard Parking for parking operation and maintenance on Parcel A.
5. On December 16, 2011, the City Council adopted Resolution 2011R-674 authorizing the submittal of a DEED funding application for Parcel A.
6. On December 18, 2009, the City Council extended the exclusive development rights for 24 months.
7. On March 6, 2009, the City Council awarded exclusive development rights to Eagle Iron Partners Joint Venture, Lupe Development Partners, LLC and North First Ventures, LLC (or an affiliate).
8. On February 6, 2009, the City Council authorized staff to execute an Operating Agreement between the City of Minneapolis and Standard Parking for continued parking operations and maintenance on Parcel A and waived the City procurement policy.
9. On September 18, 1998, the City Council adopted Development Objectives for portions of the Milwaukee Road Depot and Mills District area, including this parcel.
10. In May 1993, the Minneapolis Community Development Agency (MCDA) entered into an Operating Agreement with Standard Parking for the operation and maintenance of over 1,000 parking spaces spread throughout several blocks in the Mill District area.
11. In June 1992, the Minneapolis Community Development Agency (MCDA) acquired Parcel A as part of the Milwaukee Depot property acquisition.

Opportunity Housing Partnership:

Plymouth Stevens House:

1. None

Rental Reclaim VI:

1. None

Youthlink:

1. None

Prepared by: Jon Clevenger, Multifamily Housing Finance Specialist, 673-2495
Approved by: Charles T. Lutz, Deputy Director CPED Cathy Polasky, Director Economic Development
Presenters in Committee: Jon Clevenger

Financial Impact

- No financial impact: These funds have been appropriated in the 2014 budget and also include appropriations from prior years.

Community Impact

- Neighborhood Notification – Plans for all projects being recommended for funding have been submitted for review to the official neighborhood organization of the area in which the project is located. All recommended projects have received a letter of support from the official neighborhood organization. Plymouth Stevens House received a letter of support from NRRC but did not receive a letter of support from the Whittier Neighborhood; therefore they did not receive any of the corresponding neighborhood support points.
- 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.

Affordable Housing Trust Fund Program Overview

The City Council combined previously separate multifamily affordable housing funding programs into the Affordable Housing Trust Fund (AHTF) in May 2003 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; 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 2013, the AHTF has helped produce 6,168 construction-completed housing units of which 4,141 were affordable to families at or below 50% AMI (this total includes the 2012 Riverside Plaza renovation of which 1,303 units were rehabbed). For more detailed information on previous CPED's 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 and the Affordable Housing Annual Reports available here: http://www.ci.minneapolis.mn.us/cped/resources/reports/cped_affordable_housing_annual_reports.

The AHTF awards are structured as a loan with a note and mortgage with the maximum amount of AHTF that can be provided to a project is \$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), whichever is less. All housing developments receiving AHTF subsidy must make at least 20% of their units affordable to people earning 50% or less of AMI. In 2014, 50% of AMI for a family of four is \$41,150.

The AHTF has three funding sources: Local funds, 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 C for The AHTF Project & Funding Source Permitted Use Matrix for more detail).

2014 AHTF Application Evaluation Summary

In May, 2014 CPED staff issued a Request for Proposals (RFP) for the 2014 round with a submission date of June 26, 2014. The complete RFP materials are posted here: <http://www.minneapolismn.gov/ahtf>. RFP excerpts are included as Attachment A.

The AHTF Program has established selection criteria used to review and score the proposals. There are two point 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 85 points in all selection criteria.

Attachment A-1 shows the poverty impacted areas and the non-impacted areas of the City of Minneapolis. An impacted (concentrated) census tract is defined as a census tract with a percent of persons greater than or equal to 45.4% in poverty as further described in the Consolidated Plan. There are two sets of selection criteria, one for projects located in poverty impacted areas of the City, and another set for projects located in poverty non-impacted areas of the City (please see Attachment A-2).

The impacted and non-impacted scoring criteria are nearly the same with these differences:

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

Thirteen proposals were received with a total funding request of over \$7,131,661 million. 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, coordination with other funders, consideration of support services plan, and additional criteria described in the RFP. All of the applications were scored and ranked. Attachment B summarizes the AHTF application comparison and recommendations, and Attachment D summarizes the scoring and ranking of each AHTF application as to its conformance with the AHTF scoring and underwriting criteria. Attachment E has the project data worksheets with more detailed information on the recommended projects that are summarized below.

On September 18, 2014 and on October 2, 2014, the Development Finance Committee (DFC) reviewed the AHTF funding recommendations for seven of the eleven recommended projects (the recommended supplemental awards for Little Earth, Marshall Flats, Affirmation House and Indian Neighborhood Club Expansion are less than the \$200,000 DFC review threshold) and discussed each project's proposed financing structure the overall capacity of each developer. DFC actions and comments are included as Attachment F.

AHTF Funding Recommendations

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

- 1. Mill City Quarter by Eagle Iron Partners, Score = 143**
 - a. 150 units (60 @ 50% AMI or lower) of new construction
 - b. Financing structure: 4% LIHTC with housing revenue bonds, public deferred loans, private equity and private tax credit syndication proceeds.
 - c. Policy alignment and public benefit summary: Pioneering senior-oriented multifamily development with a reputable operator in downtown Mill District redevelops City-owned Parcel A.
 - d. AHTF recommendation: \$300,000 (\$1,200,000 2013 AHTF and \$300,000 2014 award for a total AHTF award of \$1,500,000).
- 2. Plymouth Stevens House by Affordable Homes for All and MDR Real Estate Holdings, Inc., Score = 137**
 - a. 207 units (51 @ 50% AMI) of preservation/rehab on two separate sites
 - b. Financing structure: 4% LIHTC, private equity, public deferred loans, and private tax credit syndication proceeds.

- c. Policy alignment and public benefit summary: Preservation of 192 federally assisted affordable housing (Section 8 vouchers).
 - d. AHTF recommendation: \$1,250,000. The AHTF award will be contingent on the developer paying back all of the outstanding CPED mortgages (current unpaid balance \$844,000) at closing and the Section 8 contract being preserved and/or extended at both locations.
- 3. Opportunity Housing Partners by Aeon, Score = 134**
- a. 117 units (all at 50% AMI or lower) of rehab
 - b. Financing structure: Historic tax credits and 4% LIHTC with housing revenue bonds, private equity and tax credit syndication proceeds, and public deferred loans.
 - c. Policy alignment and public benefit summary: Preservation of existing federally assisted affordable supportive housing SRO units and historic properties.
 - d. AHTF recommendation: \$650,000.
- 4. Corcoran Triangle by Wellington Management, Score = 133**
- a. 135 units (46 @ 50% AMI or lower) of new construction
 - b. Financing structure: 4% LIHTC with housing revenue bonds, public deferred loans, private tax credit syndication proceeds.
 - c. Policy alignment and public benefit summary: High density affordable housing at Lake Street Hiawatha LRT station.
 - d. This 100% affordable project will also need to apply for TIF as a financing stream as it is currently structured.
 - e. The project was originally awarded in 2009 with Trust Funds. The developer was informed that they would need to return this AHTF award if they did not score well this time around.
 - f. AHTF recommendation: \$415,000 (\$735,000 AHTF 2009 and \$415,000 AHTF 2014 for a total AHTF award of \$1,150,000). Award will be contingent on receiving MHFA funding this year.
- 5. Marshall Flats by Clare Housing, Score = 129**
- a. 36 units (all at 50% AMI or lower) of new construction
 - b. Financing structure: 9% LIHTC with public and private deferred loans and tax credit syndication proceeds.
 - c. Policy alignment and public benefit summary: Redevelop tax forfeited Little Jack's parking lot on the Lowry community corridor. Project is also proposed to serve as permanent supportive housing for people living with AIDS/HIV, many of which were previously homeless or at risk of homelessness.
 - d. AHTF recommendation: \$100,000 (\$555,000 2013 AHTF and \$100,000 AHTF for a total AHTF award of \$655,000).
- 6. Prospect North Garden (Boeser Phase 1) by Cornerstone Group, Score = 127**
- a. 189 units (41 at 50% AMI or lower) of new construction

- b. Financing structure: 4% LIHTC with housing revenue bonds, public deferred loans, private investor equity, TIF and tax credit syndication proceeds.
 - c. Policy alignment and public benefit summary: Pioneering mixed-income, transit oriented non-student multifamily development along the Green Line. A major part of the greater redevelopment plan of the Prospect North Neighborhood.
 - d. AHTF recommendation: \$1,025,000 The AHTF award will be contingent on the developer securing a Limited Partner Investment for the market rate portion of the development. Furthermore, while the project data worksheet shows TIF financing, TIF will not be available for this project and the developer will need to fill this gap with other funds.
- 7. YouthLink by YouthLink and PPL, Score =120**
- a. 46 units (all at 50% AMI or lower) of positive conversion
 - b. Financing structure: 9% LIHTC, private tax credit syndication proceeds, public deferred loans and private donation funding.
 - c. Policy alignment and public benefit summary: Conversion of youth shelter beds to permanent, supportive housing.
 - d. AHTF recommendation: \$1,150,000
- 8. Little Earth VI by Little Earth of United Tribes, Score = 119**
- a. This phase- 78 units (all at 50% AMI or lower) of rehab
 - b. Financing structure: Public deferred loans, private charitable donations and equity.
 - c. Policy alignment and public benefit summary: Preserve existing federal project-based assistance of affordable units; continue phased improvements to Little Earth campus.
 - d. AHTF recommendation: \$190,000 (\$500,000 2013 AHTF and \$190,000 2014 AHTF for a total AHTF award of \$690,000).
- 9. Indian Neighborhood Club Expansion by Indian Neighborhood Club, Score = 118**
- a. 20 units (all of which are at 50% AMI or lower) of new construction
 - b. Financing structure: Public deferred loans.
 - c. Policy alignment and public benefit summary: Supportive housing, Sober Housing.
 - d. AHTF recommendation: \$160,000.
- 10. Rental Reclaim VI by Urban HomeWorks, Score = 100**
- a. 30 proposed units (all of which will be at 50% AMI or lower) of positive conversion
 - b. Financing structure: Public deferred loans, private charitable donations, 1st mortgage debt and equity.
 - c. Policy alignment and public benefit summary: Tornado and foreclosure recovery.
 - d. AHTF recommendation: \$750,000
- 11. Affirmation House by PPL, Score = 92**
- a. 12 units (all of which are at 50% AMI or lower) of rehab.

- b. Financing structure: Public deferred loans, private equity and foundation funding.
- c. Policy alignment and public benefit summary: Foreclosure recovery and reinvestment along a major transportation thoroughfare.
- d. Developer requested \$235,000 but was out of compliance with the Trust Fund rules of award being based on the lesser of 15% of total development costs or \$25,000 for each unit affordable to 50% AMI and below.
- e. AHTF recommendation: \$125,250. (2012 AHTF pipeline award was *returned*). The project's AHTF award will be contingent on receiving Federal Home Loan Bank funding this year.

A. PROJECTS NOT RECOMMENDED

12. Flats on 46th St. by Quest Development and Minnesota Attainable Housing Corporation, Score = 116

- a. 40 units (36 units @ 50% AMI or less) of new construction
- b. Financing structure: 9% LIHTC with public deferred loans and private syndication proceeds
- c. Policy alignment and public benefit summary: Affordable, high density TOD development adjacent to Hiawatha (Blue Line) 46th Street station.
- d. The project will not receive the required 9% LIHTC subsidy making the project infeasible as it is currently structured.

13. Jordan Apartments by Alliance Housing Inc., Score = 127

- a. 38 units (37 units @ 50% AMI or less) of new construction
- b. Financing structure: 9% LIHTC with public deferred loans and private syndication proceeds.
- c. Policy alignment and public benefit summary: Redevelop vacant and blighted City-owned and tax forfeit land on the Penn Ave. corridor that was cleared due to blight and 2011 tornado damage.
- d. Project secured Exclusive Development Rights through a 2013 RFP and will have these development rights through the end of 2014.
- e. The project will not receive the required 9% LIHTC subsidy making the project infeasible as it is currently structured.
- e. 2013 AHTF award of \$505,308 will be requested back.

Summary of Awards

The total development cost for all recommended projects combined is approximately \$189,351,904. If the funding recommendations are approved, the total expenditure for these projects will be up to \$9,105,250 (\$6,115,250 2014 AHTF and \$2,990,000 AHTF previous awards) from the AHTF. The leftover available funding from this round will be included in subsequent AHTF rounds. The projects in this round will create or preserve 1021 units: 530 are new construction units and 491 are stabilization/preservation units. There will be 991 units built in non-poverty impacted census tracts and 30 units built in poverty impacted census tracts (this assumes that all of the Rental Reclaim VI to be

determined units are in poverty impacted areas) this funding round. There will be 257 units in minority impacted census tracts (only Indian Neighborhood Club is new construction, 194 of the 257 units will preserve Section 8 vouchers and assumes that the 30 units of Rental Reclaim VI will be in minority impacted census tracts) and 764 units in non-minority impacted census tracts. There will be 506 units affordable to households at or below 50% of AMI.

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 MHFA. The AHTF project awards are reserved for fifteen (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 fifteen 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 twelve (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. Additionally, the City seeks to recapture of a percentage of net cash flow in mixed income projects, where possible, pursuant to CPED's approved policy guidelines.

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.

Attachments

- Attachment A: AHTF RFP Maps
 - A-1: Map of Minority Impact and Non-Impacted Areas
 - A-2: Map of Poverty Impacted and Non-Impacted Areas
- Attachment B: AHTF Project & Funding Source Permitted Use Matrix
- Attachment C: Scoring and ranking of each AHTF application as to its conformance with the AHTF underwriting criteria
- Attachment D: Project Data Worksheets providing details about each of the projects being recommended for funding

2014 AHTF RCA

- Attachment E: Development Finance Committee actions from September 18, 2014 and October 2, 2014.

