

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 10/27/2015
From: Community Planning & Economic Development
Prepared by: Carrie Flack, Multifamily Finance Specialist
Presented by: Carrie Flack, Multifamily Finance Specialist
File type: Action
Subcategory: Loan

Subject:

2015 Affordable Housing Trust Fund Project Recommendations

Description:

Appropriate the \$2,500,000 contingency funding for the AHTF, as approved in the 2015 Budget.

Approve a total of up to \$8,859,113 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 eleven (11) AHTF loans noted below.

1. A loan up to \$1,861,000 from the AHTF for the Ebenezer Park Apartments project located at 2700 Park Ave S. by Ebenezer Society, or an affiliated entity.
2. An additional loan up to \$363,003 from the AHTF for the Anishinabe Bii Gii Wiin project located at 1600 19th Street E. by Project for Pride in Living (PPL), or an affiliated entity.
3. A loan up to \$728,210 from the AHTF for the PRG 2 Portfolio project located at 2730 Portland Ave S. by CommonBond Communities, or an affiliated entity.
4. An additional loan up to \$1,050,000 from the AHTF for the Plymouth Stevens House project located at 1500, 1405, 1414, 1501, 1516, 1611, 1701, 1815 Plymouth Ave N. and 2625 Stevens Ave S. by Affordable Homes for All, Plymouth Stevens House Developer LLC, or an affiliated entity.
5. A loan up to \$550,000 from the AHTF for the Nicollet @ 36th project located at 3601 Nicollet Ave S. by Nicollet @ 36th, LLC, or an affiliated entity.
6. A loan up to \$900,000 from the AHTF for the Great River Landing project located at 813 5th Street N. by Beacon Interfaith Housing Collaborative, or an affiliated entity.
7. A loan up to \$900,000 from the AHTF for the Longfellow Field Senior Housing project located at 2800 27th Ave S. by Schuett Development LLC, or an affiliated entity.
8. A loan up \$900,000 from the AHTF for the House of Charity Housing project located at 714 Park Ave by Community Housing Development Corporation, or an affiliated entity.
9. A loan up to \$525,000 from the AHTF for the PRG 1 Portfolio project located at 3708 Elliot Ave S. by CommonBond Communities, or an affiliated entity.
10. An additional loan up to \$81,900 from the AHTF for the Indian Neighborhood Club Expansion project located at 2101 S 5th St by Indian Neighborhood Club, or an affiliated entity.
11. A loan up to \$1,000,000 from the AHTF for the West Broadway Curve – West Building project located at 1920 W Broadway by Sherman Associates, Inc., or an affiliated entity.

Previous Actions:

1. **Ebenezer Park Apartments:** None
2. **Anishinabe Bii Gii Wiin:** On October 28, 2013, the City Council approved an allocation of \$692,572 of 9% LIHTC and on October 31, 2014, the City Council approved a loan of \$1,170,000 from the AHTF program.

3. **PRG 2 Portfolio:** This scattered site project encompasses several projects that have received loans from the MHRA, MCDA and CPED over the years.
4. **Plymouth Stevens House:** On October 31, 2014, the City Council approved a loan of \$1,250,000 from the AHTF program.
5. **Nicollet @ 36th:** None
6. **Great River Landing:** None
7. **Longfellow Field Senior Housing:** None
8. **House of Charity Housing:** None
9. **PRG 1 Portfolio:** This scattered site project encompasses several projects that have received loans from the MHRA, MCDA and CPED over the years.
10. **Indian Neighborhood Club Expansion:** On October 31, 2014, the City Council approved a loan of \$160,000 from the AHTF program.
11. **West Broadway Curve – West Building:** None

Ward/Neighborhood/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; 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 2014, the AHTF has helped produce 6,544 construction-completed housing units of which 4,341 were affordable to families at or below 50% AMI (this total includes the 2012 Riverside Plaza renovation of which 1,303 units were rehabilitated). 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. 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 2015, 50% of AMI for a family of four is \$43,300.

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 1 for The AHTF Project & Funding Source Permitted Use Matrix for more detail).

As part of the 2015 Budget process, the Council directed that \$2,500,000 from the Development Account (01SDA) be set-aside to be used as a contingency to provide additional funding for the AHTF. Based on the level of funding requests, it is being recommended that this contingency be appropriated at this time.

2015 AHTF Application Evaluation Summary

In May 2015, CPED staff issued a Request for Proposals (RFP) for the 2015 round with a submission date of July 9, 2015. 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 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. In addition, a project must have complete site control.

Attachment 2 shows the minority and poverty impacted areas and the non-impacted areas of the City of Minneapolis. A poverty-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. A minority impacted area is a census tract that has a minority population of at least 50%. 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. The selection criteria do not address minority impacted areas.

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

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.

Fourteen proposals were received in the 2015 round with a total funding request of \$15,359,113. 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 plan, 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 24, 2015 and on October 8, 2015, the Development Finance Committee (DFC) reviewed the AHTF funding recommendations for ten of the eleven recommended projects (the recommended supplemental award for Indian Neighborhood Club Expansion is less than the \$200,000 DFC review threshold) 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. **Ebenezer Park Apartments – Ward 6 – Phillips West – Score 145**
2700 Park Ave S
 - a) 200 units (all 200 @ 50% AMI or lower) of rehabilitated senior housing units.
 - b) Financing structure: HUD Map Mortgage and public deferred loans.
 - c) Policy alignment and public benefit summary: Preservation of 200 existing federally assisted affordable senior housing units.
 - d) AHTF Recommendation: \$1,861,000

2. **Anishinabe Bii Gii Wiin – Ward 6 – Ventura Village – Score 140**
1600 19th Street E
 - a) 77 units (all 77 @ 50% AMI or lower) of preservation/rehab (45 units) and new construction (32 units)
 - b) Financing structure: Debt assumption with 9% LIHTC, public deferred loans, grants and tax credit syndication proceeds.
 - c) Policy alignment and public benefit summary: Preservation/rehab and new construction of long term homeless single room occupancy units with sober housing.
 - d) AHTF Recommendation: \$363,003

3. **PRG 2 Portfolio – Ward 6 & 9 – Powderhorn Park – Score 138**
2730 Portland Ave S
 - a) 49 units (25 @ 50% AMI or lower) of preservation/rehab
 - b) Financing structure: Debt assumption with 9% LIHTC, public deferred loans, grants and tax credit syndication proceeds.
 - c) Policy alignment and public benefit summary: Preservation/rehab of large family affordable housing units.
 - d) AHTF Recommendation: \$728,210

4. **Plymouth Stevens House – Ward 5 & 10 – Near North – Score 135**
1500, 1405, 1414, 1501, 1516, 1611, 1701, 1815 Plymouth Ave N & 2625 Stevens Ave S
 - a) 207 units (92 @ 50% AMI or lower) of preservation/rehab
 - b) Financing structure: Debt assumption with 4% LIHTC with housing revenue bonds, private equity, public deferred loans and HUD 221 (d) mortgage.
 - c) Policy alignment and public benefit summary: Preservation/rehab of 207 federally assisted affordable housing units in 12 buildings.
 - d) AHTF Recommendation: \$1,050,000

5. **Nicollet @ 36th – Ward 8 – King Field – Score 134**
3601 Nicollet Ave S
 - a) 57 units (22 @ 50% AMI or lower) of new construction
 - b) Financing structure: Deferred public loans, grants, private equity and private mortgage.
 - c) Policy alignment and public benefit summary: Mixed-income project on underutilized vacant lot.
 - d) AHTF Recommendation: \$550,000

6. **Great River Landing – Ward 5 – North Loop – Score 126**
813 5th Street N
 - a) 72 units (all 72 @ 50% AMI or lower) of new construction
 - b) Financing structure: 9% LIHTC, deferred public loans, grants, private fund raising and tax credit syndication proceeds.
 - c) Policy alignment and public benefit summary: Supportive housing for previously incarcerated and long term homelessness with 40 federally assisted affordable housing units.
 - d) AHTF Recommendation: \$900,000

7. **Longfellow Field Senior Apartments – Ward 2 – Longfellow – Score 119**
2800 27th Ave S
 - a) 62 units (all 62 @ 50% AMI or lower) of new construction
 - b) Financing structure: 4% LIHTC with housing revenue bonds, deferred public loans, grants and tax credit syndication proceeds.
 - c) Policy alignment and public benefit summary: New senior housing construction.
 - d) AHTF Recommendation: \$900,000

8. **House of Charity Housing – Ward 7 – Elliot Park – Score 118**
714 Park Ave
 - a) 65 units (all 65 @ 50% AMI or lower) of new construction
 - b) Financing structure: 9% LIHTC, deferred public loans, grants, private fund raising and tax credit syndication proceeds.
 - c) Policy alignment and public benefit summary: New construction of supportive housing for long term homelessness.
 - d) AHTF Recommendation: \$900,000

9. **PRG 1 Portfolio – Ward 2 & 9 – Powderhorn Park – Score 117**
3708 Elliot Ave S
 - a) 42 units (21 @ 50% AMI or lower) of preservation/rehab
 - b) Financing structure: Debt assumption with 9% LIHTC, public deferred loans, grants and tax credit syndication proceeds.
 - c) Policy alignment and public benefit summary: Preservation/rehab of large family affordable housing units including 5 federally assisted affordable housing units.
 - d) AHTF Recommendation: \$525,000

10. **Indian Neighborhood Club Expansion – Ward 6 – Ventura Village – Score 116**
2101 S 5th St
 - a) 20 units (all 20 @ 50% AMI or lower) of new construction
 - b) Financing structure: public deferred loans and private fund raising.
 - c) Policy alignment and public benefit summary: Supportive and sober housing.
 - d) AHTF Recommendation: \$81,900

11. **West Broadway Curve West Building – Ward 5 – Jordan – Score 105**
1920 W Broadway
 - a) 63 units (40 @ 50% AMI or lower) of new construction
 - b) Financing structure: 4% LIHTC with housing revenue bonds, public deferred loans, private investor equity, grants and tax credit syndication proceeds.
 - c) Policy alignment and public benefit summary: Mixed income units and large family housing units on City owned property.
 - d) AHTF Recommendation: 1,000,000

Projects Not Recommended

12. **Aeon Prospect Park – Ward 2 – Prospect Park – Score 143**
3001 4th Street SE
 - a) 73 units (49 @ 50% AMI or lower) of new construction
 - b) Financing structure: 9% LIHTC, public deferred loans, and grants
 - c) Policy alignment and public benefit summary: Mixed income family units along with youth long term homeless units and on-site supportive services
 - d) This project did not score competitively enough for the 9% LIHTC subsidy. In addition, there are a number of project questions including higher than typical project costs per unit. Staff will work with the developer to address these questions, after which the developer may re-apply for AHTF funding.

13. Madison Apartments – Ward 6 – Elliot Park – Score 112

501 E 15th Street

- a) 73 units (36 @ 50% AMI or lower) of preservation/rehab and new construction
- b) Financing structure: 4% or 9% LIHTC with housing revenue bonds, public deferred loans, HUD mortgage and possible other sources still being explored.
- c) Policy alignment and public benefit summary: Rehabilitation and new construction of large family housing units and preservation of federally assisted affordable housing.
- d) This project is still identifying issues to resolve as well as other possible funding sources. The project is infeasible as it is currently structured.

14. Aeon Health Supported Housing – Ward 7 – Elliot Park – Score 118

620 10th Street S

- a) 90 units (all 90 @ 50% AMI or lower) of new construction
- b) Financing structure: dual application for 4% and 9% LIHTC and public deferred loans.
- c) Policy alignment and public benefit summary: Transitional care housing for a consortium of healthcare, housing, social services, mental health and chemical dependency treatment.
- d) This project did not have full site control which is a threshold criterion.

Summary of Awards

The total development cost for all recommended projects combined is approximately \$149,862,406. If the funding recommendations are approved, the total expenditure for these projects will be up to \$11,439,113 (\$8,859,113 2015 AHTF and \$2,580,000 AHTF previous awards) from the AHTF. The leftover 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 914 units: 371 are new construction units and 543 are stabilization/preservation units. There will be 448 units built or preserved in non-poverty impacted census tracts and 466 units will be built or preserved in poverty impacted census tracts this funding round. There will be 616 units in minority impacted census tracts and 298 units in non-minority impacted census tracts. Approximately 452 Section 8 assisted units will be preserved. There will be 696 units affordable to households at or below 50% of AMI.

Indian Neighborhood Club is 20 units of new construction in a minority impacted area. This project meets the needs of a specific demographic and this location is important to that mission. West Broadway Curve – West Building is 63 units of new construction in a minority impacted area. However, 23 of those units are 60% AMI or above or market rate which helps promote economic diversity in this area. Anishinabe Bii Gii Wiin also has a portion of their project in both a minority and poverty impacted area that is new construction, 32 units. Similarly to the Indian Neighborhood Club, this project is an expansion at an existing location and meets the needs of a specific demographic and is important to the mission at that location.

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 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.

Financial Review:

Additional appropriation required.

The 2015 Budget provides that \$2,500,000 from the Development Account (01SDA) be appropriated, when needed, to provide additional funding to the AHTF. Based on the amount of funding requests, it is recommended that the full contingency amount be appropriated at this time.

Fund Name: Development Account (890001SDA)

Department: 8900220

Revenue Source: Available Fund Balance

Meets Small and Underutilized Business Program goals.

These projects will all meet required SUBP goals.

Attachments:

1. AHTF Project and Funding Source Permitted Use Matrix
2. Map of Minority and Poverty Impacted and Non-Impacted 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 24, 2015 and October 8, 2015.