

**City of Minneapolis**  
**Request for Committee Action**

**To:** Community Development & Regulatory Services  
**Date:** 12/1/2015  
**Referral:** N/A  
**From:** Community Planning & Economic Development  
**Prepared by:** Tiffany Glasper, Senior Project Coordinator  
**Presented by:** Tiffany Glasper, Senior Project Coordinator  
**File type:** Action  
**Subcategory:** Staff Direction

---

**Subject:**

Project Analysis Authorization for Hawthorne EcoVillage Apartments Project

**Description:**

Authorize the appropriate staff to either 1) continue analysis of the Hawthorne EcoVillage Apartments affordable housing proposal to determine if tax increment financing (TIF) is appropriate and justifiable, or 2) discontinue further TIF analysis of the project. If further analysis concludes that TIF assistance is appropriate and justifiable, authorize the appropriate staff to negotiate redevelopment contract terms and conditions and prepare a TIF Plan and any necessary Redevelopment Plan or modifications for the project. All such terms and conditions, plans and other provisions would be subject to future City Council review, discussion, and approval or denial.

**Previous Actions:**

- April 26, 2013 – City Council approved exclusive development rights for 12 months with the option for a 6-month administrative extension for Project for Pride in Living on five City-owned parcels located at 617 Lowry Avenue North, 3110 and 3116 Lyndale Avenue North and 3113 and 3117 6<sup>th</sup> Street North
  - October 18, 2013 – City Council approved an Affordable Housing Trust Fund award in an amount up to \$1,875,000 for the Hawthorne EcoVillage Apartments affordable housing project.
  - October 31, 2014 – City Council approved a 24-month extension of the exclusive development rights on five City-owned parcels located at 617 Lowry Avenue North, 3110 and 3116 Lyndale Avenue North and 3113 and 3117 6<sup>th</sup> Street North.
- 

**Ward/Address:**

Ward 5  
617 Lowry Avenue North, 3110 and 3116 Lyndale Avenue North, 3113 and 3117 6th Street North

**Background/Analysis:**

The development site is located at the southeast corner of the Lyndale-Lowry intersection in the Hawthorne neighborhood of north Minneapolis and is within the West Lowry Avenue Redevelopment Project Area. The site consists of a total of five parcels, all of which are owned by the City. The parcels are 617 Lowry Avenue North, 3110 and 3116 Lyndale Avenue North and 3113 and 3117 6<sup>th</sup> Street North. The developer, Project for Pride in Living has an Exclusive Development Rights Agreement in place with the City for all five parcels.

The development will consist of the new construction of 75 units of affordable rental housing. There will be a 71-unit apartment building and two detached townhome units, each containing two additional units. The units will be a mix of 1, 2 and 3 bedroom units affordable to households at or below 50% AMI. There will be up to 70 spaces of underground parking for the residents and other amenities, including an on-site property management office, community room, exercise room, outdoor play area, public art, an integrated transit shelter, in-unit washers and dryers, dishwashers and bicycle storage.

This project will be the first higher density housing development on Lowry Avenue North since the roadway reconstruction in 2008 and will set the tone for quality and design. This project will also help catalyze additional housing development in this area of north Minneapolis and will activate this intersection.

Located on a transit corridor, the site is readily accessible to public transportation on Lyndale and Lowry Avenues North and has good access to both the near northern suburbs and the downtown core. Redevelopment of this site is a key element of the City’s commitment to north Minneapolis and is a vital component of the revival of Lowry Avenue North.

The project will be owned by Hawthorne EcoVillage Limited Partnership. National Equity Fund will be the syndicator, PPL Hawthorne EcoVillage LLC will be the managing general partner and PPL Service Corporation will be the co-general partner.

**Project Financing Overview**

The total development cost of the project is approximately \$17,606,422. Developer equity in the project includes deferring a portion of the developer fees of approximately \$473,000. The developer intends to submit an application to CPED staff for preliminary approval of Housing Revenue Entitlement Bonds which carries automatic 4% low income housing tax credits. The tax credits will generate approximately \$6,710,379 of syndication proceeds which is equity to the project. The developer will request the issuance of bonds in an amount not to exceed \$10 million. It has not yet been determined how the bond series will be bifurcated. Staff will return to this Committee later this year with recommendations for the City land sale, HRB approvals and the final TIF Plan.

The developer has secured financing from the following sources:

<b>Program</b>	<b>Amount</b>	<b>Source</b>
City Affordable Housing Trust Fund	\$1,875,000	City of Minneapolis
Met Council LCDA	\$1,000,000	Metropolitan Council
First Mortgage (HRB)	\$2,077,000	City of Minneapolis
Housing Infrastructure Bonds	\$3,134,528	MN Housing
Hennepin County AHIF	\$ 450,000	Hennepin County
FHLB AHP	\$ 450,000	Federal Home Loan Bank
County TOD	\$ 300,000	Hennepin County
Home Depot Foundation	\$ 150,000	Home Depot
County ERF	\$ 227,700	Hennepin County
NRP	\$ 60,000	Hawthorne Neighborhood

Deferred Developer Fee	\$ 472,934	PPL
Sales Tax and Energy Rebate	\$ 308,882	
Mississippi Watershed Management Org	\$ 160,000	Mississippi Watershed Management Org
City NPA	\$ 30,000	City of Minneapolis
LHIA	<u>\$ 200,000</u>	Metropolitan Council
Total Funds Committed	\$10,896,044	

The total developer fee of \$1.3 million falls within the CPED Housing Developer Fee Policy and is subject to further analysis before the amount is finalized. The Project Data Worksheet is attached as a reference with additional project and financing information.

### **Proposed TIF Assistance**

The developer is requesting approximately \$800,000 in Pay As You Go TIF assistance. This TIF is intended to act as an additional income stream to assist with debt coverage. As staff further analyzes the project and the request for TIF assistance, it will include review of the sources and uses of funds, justification for the use of tax increment, terms of the TIF assistance and other sources, and the eligibility of tax increment expenses. At this time, all development cost estimates are preliminary and subject to further review and refinement.

If this Project Analysis Authorization (PAA) is approved by the City Council, staff will proceed into the project analysis stage to address 1) the appropriate level of tax increment financing assistance, if any, 2) eligible costs that can be paid for with the various forms of assistance, 3) the qualification and establishment of a housing TIF district, 4) appropriate sources of financing and 5) possible recapture of any City financial assistance.

### **Project Timeline**

The proposed timeline is as follows:

- Upon approval of the TIF PAA in December 2015, proceed with TIF analysis, consideration of redevelopment contract terms and creation of a TIF district. (3 – 4 month process)
- Consideration of preliminary and final approval of HRB entitlement bonds in March 2016
- Consideration of the City Land Sale in March 2016
- Consideration of final approval of the TIF Plan in March 2016
- Project closing and construction start in May 2016
- Project completion in early spring 2017

### **Preliminary Staff Analysis**

Based on a preliminary review to date, staff concludes that a) the Application for Public Financial Assistance is essentially complete; b) the project appears feasible, based on the preliminary information that the developer has submitted; and c) some level of public financial assistance appears to be justified.

### **Project Analysis Fee**

Upon approval of the PAA by the City Council, the developer will be assessed a non-refundable project analysis fee of \$12,490. This fee is based on the estimated cost of staff time and other expenses associated with analysis of the project for approval or denial by the City Council.

Acceptance and review of the application and the PAA fee does not signify a commitment on the part of the City to grant approval of any public assistance. If analysis of this project requires additional work or there are unforeseen complexities, the City at its discretion may charge an additional fee to the developer.

**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. Hawthorne EcoVillage Apartments Project Data Worksheet