

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 4/5/2016
Referral: N/A
From: Community Planning & Economic Development
Prepared by: Tiffany Glasper, Sr. Project Coordinator – Residential Finance, (612) 673-5221
Presented by: Tiffany Glasper, Sr. Project Coordinator – Residential Finance
File type: Resolution
Subcategory: Bond

Subject:

Final Approval of Tax Exempt Multi-Family Housing Entitlement Revenue Bonds for the Hawthorne EcoVillage Apartments affordable housing project

Description:

Passage of Resolution giving final approval for up to \$6.8 million in Tax Exempt Multi-Family Housing Entitlement Revenue Bonds

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 6th 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 6th Street North.
 - December 11, 2015 – City Council approved Preliminary Analysis Authorization for the subject Tax Increment Financing Plan (15-01475).
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Ward/Address:

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

Background/Analysis:

Project for Pride in Living is proposing to purchase five City owned parcels located on the southwest corner of Lyndale and Lowry in the Hawthorne neighborhood of north Minneapolis. The proposed redevelopment project consists of 75 units of affordable housing, 71 units will be in a four story building fronting Lowry and Lyndale Avenues and an additional four units will be located in two separate townhouse structures. The project will be 100 percent affordable to households at or below 50 percent of Area Median Income (AMI) with four units set aside to serve homeless or formerly homeless households. The project will also include up to 70 spaces of underground parking, on-site property management, community room, exercise room, in-unit

laundry facilities, dishwashers and bicycle storage. Site amenities will include outdoor play area, public art and a variety of other public pedestrian amenities.

Project Financing Information:

The total development costs (TDC) for the project are estimated at \$17.6 million. If this request for Housing Revenue Bonds is approved today, all of the project financing will be secured and in place and the project can proceed to closing. Please refer to the attached Project Data Worksheet for the financial details.

The developer has submitted an application to CPED staff for final approval of short term Housing Revenue Entitlement Bonds which carries an automatic allocation of 4 percent Low Income Housing Tax Credits. The tax credits are expected to generate approximately \$6,665,176 in syndication proceeds which is equity to the project. Additional developer equity includes deferred developer fee in the amount of 231,637 and foundation grants of approximately \$310,000.

In order for a project to be eligible for 4 percent Low Income Housing Tax Credits, at least 50 percent of the total development cost must be bond financed (the “50 Percent Test”). Accordingly, the developer is requesting that the City issue bonds in an amount not to exceed \$6.8 million with a 24-month term. The short term bonds, coupled with Minnesota Housing’s Housing Infrastructure Bond allocation for the project, will enable the project to meet the 50 Percent Test. The bonds will act as a construction bridge loan. Project costs will be paid from bond proceeds, and the bonds will be secured by and paid off upon construction completion with the second equity installment of the LHITCs and the City’s Affordable Housing Trust Fund Loan. The financing package also includes a HUD Multifamily Accelerated Processing (“MAP”) mortgage provided by Minnesota Housing.

If this funding is approved as requested, the Hawthorne EcoVillage Apartments project will leverage more than \$8.9 million in private funding sources, which represents 51 percent of the total development cost of \$17.6 million. Public funds comprise approximately 49 percent of the total development cost.

The developer has proposed a total developer fee of approximately \$1.3 million which represents about 7.3 percent of the total development costs and is in compliance with the CPED Housing Developer Fee Policy.

The current status of the 2015-2016 HRB Entitlement allocation is shown in the table below.

ALLOCATION	AMOUNT
2015 Entitlement Allocation Remaining	\$10,832,408
2016 Entitlement Allocation	\$49,381,909
TOTAL AVAILABLE ALLOCATION	\$60,214,317
CURRENT PROJECTS APPROVED	AMOUNT
Plymouth Stevens	\$17,500,000
Hawthorne EcoVillage	\$ 6,800,000
BALANCE AVAILABLE FOR OTHER PROJECTS	\$35,914,317

Financial Review:

No additional appropriation required, amount included in current budget.

Future budget impact anticipated.

The approval of tax-exempt multi-family housing entitlement revenue bonds for this project utilizes a portion of the City's 2015/2016 entitlement allocation as shown in the table above. At this time, the remaining balance for other projects (\$35.9M) appears to be sufficient to cover other bonding requests that are currently anticipated by the end of 2016.

Approved by the Permanent Review Committee. N/A

Meets Small and Underutilized Business Program goals. N/A

Attachments:

1. Project Data Worksheet
2. Resolution