

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

Date: November 30, 2010

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

Subject: Approve an extension of development rights and committed financing for the proposed Riverview Apartments Senior Housing development

Recommendation: Authorize CPED staff to execute the necessary agreements to extend the development rights and financing for the proposed Riverview Apartments Senior Housing development to close on or before December 31, 2011.

Previous Directives: On February 26, 2010, the City Council approved an allocation of 2009 Affordable Housing Trust Funds of \$834,602 for the Riverview Apartments development proposed by the Community Development Collaborative, LLC, a joint partnership of the Plymouth Church Neighborhood Foundation and CommonBond Communities or an affiliated entity;

On March 27, 2009, the City Council 1.) approved the sale of Lot 2 of the 54th & Riverview Road Development Project for \$11.59 per square foot to PCNF Acquisition LLC or an affiliated entity created specifically to undertake the development of the Riverview Apartments project; 2.) authorized CPED to reduce its Good Faith Deposit from 10% to 5% of the purchase price; and 3.) authorized appropriate City staff to execute a redevelopment contract in accordance with the terms of the report.

On December 12, 2008, the City Council approved an allocation of 2008 Affordable Housing Trust Funds of \$800,000 and Non-Profit Housing Development Assistance Funds of \$30,000 for the Riverview Apartments development.

On January 18, 2008, the City Council approved the selection of a joint partnership of the Plymouth Church Neighborhood Foundation, CommonBond Communities, and Twin Cities Habitat for Humanity, Inc. as the joint partnership developers of the 54th & Riverview Road Development Site.

Department Information

Prepared by:	Theresa Cunningham, Senior Project Coordinator, 612.673.5237
Approved by:	Charles T. Lutz, Deputy CPED Director _____ Thomas Streitz, Director, Housing Policy and Development _____
Presenters in Committee:	Theresa Cunningham, Senior Project Coordinator

Financial Impact: No financial impact

Community Impact

- Neighborhood Notification: The Nokomis East Neighborhood Association is currently working with the development team to finalize design features of the proposed development.
- City Goals: A safe place to call home and connected communities
- Comprehensive Plan: On July 24, 2008, the Planning Commission completed a land sale review of this parcel and approved the proposed development finding it consistent with the Comprehensive Plan.
- Zoning Code: The site is currently zoned R1. To accomplish the proposed development, the Developer will be required to apply for a zoning change, alley vacation/re-alignment, conditional use permit and site plan review.

- Living Wage/Job Linkage: NA
- Other: NA

Background Information:

On June 24, 2007, CPED released a Request for Proposals for the 54th & Riverview Road development site to solicit and identify a potential developer or development team that could develop a medium-density residential development of approximately forty to fifty (40-50) units with a preference for senior/elderly rental or ownership housing. Three proposals were received with the Community Development Collaborative, LLC: a joint partnership of Plymouth Church Neighborhood Foundation, CommonBond Communities and Twin Cities Habitat for Humanity, Inc. (Habitat), selected as the preferred developers. As initially planned, CommonBond Communities would partner with Plymouth Church Neighborhood Foundation to develop the senior apartments and with Twin Cities Habitat for Humanity, Inc. on the townhouse ownership development component.

The 54th & Riverview Road development site includes approximately 78,000 square feet of land. As proposed, the Riverview Apartments Senior Housing complex will occupy approximately 64% of the site (or approximately 48,578 square feet). This first component of the proposal promises the development of a 3-story, elevator building with 42 one-bedroom apartments for senior households comprised of at least one person who is at least 62 years old at the time of initial occupancy. Three units will be specifically set aside for physically and sensory disabled individuals as well as all common areas in the building will be handicap accessible. The second component of the proposal promises the development of an 8-unit townhomes development on the remainder of the site. Attached as Exhibit A is a site plan for the area. Lot 1 is the townhouse development site and Lots 2 and 3 comprises the senior apartment building.

To undertake the seniors apartment building development, the joint partnership of Plymouth Church Neighborhood Foundation and CommonBond Communities created a 501©(3) non-profit corporation named the Riverview Apartments Senior Housing. All 42 apartments in the development will be affordable to households earning less than 50% of area median income.

SENIOR APARTMENT'S FINANCING:

Total development cost to construct the senior apartment complex is estimated at \$8,202,336 or \$195,294 per unit. Attached is a Project Data Worksheet that provides additional details regarding the proposed development. The primary source of financing the apartment complex is a HUD Section 202 Supportive Housing for the Elderly Program grant, which was awarded July 2010 totaling \$6,056,900 for hard construction cost assistance and \$506,100 in a 3-year rental assistance award.

A total of \$1,624,602 has been committed from the City's Affordable Housing Trust Fund Program in addition to \$30,000 in Non-Profit Housing Development Assistance. To date, all funds needed to construct the development have been secured.

Due to the extended timeline for closing on the referenced City-owned land, the City's Redevelopment Contract, which was signed with the developer on November 9, 2009 required that the developer pay one-year of holding cost (\$27,000) to the City at a rate of \$2,250 per month from the date of City Council authorizing the sale of the land on March 20, 2009 and pro-rated monthly until the actual closing date. Upon signing the redevelopment contract, the developer paid to the City one-year's holding cost totaling \$27,000. Assuming a closing date of October 2011, the total holding costs minus the first year's holding cost would leave a balance of approximately \$42,750 to be collected at closing.

TOWNHOMES FINANCING:

The second phase of the initiative is the new construction of an ownership townhomes development, proposed to be undertaken by a joint partnership of CommonBond Communities and Twin Cities Habitat for Humanity, Inc. This component promised the creation of 8 three-bedroom, for-sale townhome units that would also be affordable to families earning less than 50% of area median income. Attached is a Project Data Worksheet that provides additional details.

The total development cost of the townhomes development is approximately \$1,667,272 or \$208,409 per unit. The land sale of this component of the development was also approved by the City Council on March 27, 2009. Due to the collapse of the ownership housing market which started in 2008, its continuing erosion of property resale values today and seeing no end in sight, the developer has not been successful in securing any financing to complete this component of the proposed development. While their initial plans were to secure City Affordable Ownership Housing Program funds, this program has not been funded due to a lack of demand for new construction of low income ownership housing. CPED staff recommends that this site be re-marketed for market-rate residential redevelopment when and if Habitat cannot close by the originally established closing date of April 1, 2011.

CURRENT REQUEST:

Since funding has been secured to move the apartment development forward, the developer has provided the following timeline:

Benchmark Activity	Timeline
HUD 202 Allocation Awarded	July 2010
Neighborhood Meetings	Sept. – Nov. 2010
Submit Land Use Application	Dec. 2010
HUD Due Diligence Completed	Feb 2011
Land Use Application Approved	March 2011
HUD and City Approval of Construction Drawings	April 2011
Architectural Drawings Completed	April 2011
Project Released for Bidding	June 2011
Project Closing	Oct. 2011
Construction Completion	Aug. 2012
Complete Occupancy of the Units	Nov. 2012

In consideration of the new timeline; an inevitable extension of the development rights and Affordable Ownership Housing Development Program commitment of funding is appropriate. CPED staff supports the developer’s request and recommends that the City Council take the following actions: 1. extend the development rights to the newly created developer and ownership entity: Riverview Apartment Senior Housing, to allow a closing on or before December 31, 2011; 2. extend the allocation of \$360,000 in Affordable Ownership Housing Program funds to the proposed development; and 3. authorize the appropriate CPED official to execute the appropriate documents to allow the aforementioned actions and all previously approved actions relating to this development.