

Meeting date: February 16, 2010

Metropolitan Council Meeting Date: February 24, 2010

ADVISORY INFORMATION

Date:	February 8, 2010
Subject:	LCA Local Housing Incentives Account Funding Recommendations
District(s), Member(s):	All
Policy/Legal Reference:	Livable Communities Act, Minnesota Statutes 473.254
Staff Prepared/Presented:	Linda Milashius, Senior Planner, 651-602-1541 Paul Burns, Manager, Livable Communities Program, 602-1384
Division/Department:	Community Development, Housing and Livable Communities

Proposed Action/Motion

That the Metropolitan Council award Local Housing Incentives Account (LHIA) grants totaling \$1,800,000 as follows:

Project	City	Number of New Units	Number of Units to be Rehabilitated	LHIA Funding Recommendation
Rental Housing Proposals				
Northgate Woods	Blaine		75	\$400,000
Dover Hill Apartments	Golden Valley		234	\$150,000
Riverside Plaza	Minneapolis		1,303	\$575,000
East Side Commons	St. Paul	2	48	\$575,000
Boulevard Apartments	Wayzata		6	\$100,000
	TOTAL:	2	1,666	\$1,800,000

Background

The Metropolitan Council, as a member of the Metropolitan Housing Implementation Group (MHIG), participated in the issuance of a Request for Proposals (RFP) for home ownership and multifamily rental housing programs in August 2009.

Applicants applied for funds for the purposes of financing acquisition, demolition, new construction, or rehabilitation of affordable housing. All proposals received through the RFP process were reviewed by Minnesota Housing staff for completeness and evaluated pursuant to the MHIG criteria to determine the extent to which the proposal met the following criteria:

- Preserving existing affordable housing stock
- Providing workforce housing for low and moderate income households
- Increasing opportunity for underserved populations
- Exhibiting strong implementation partnerships
- Identifying significant leveraged resources
- Demonstrating a high degree of development readiness
- Achieving comprehensive community support
- Consistency with the Minnesota Overlay to Green Communities Criteria

For rental housing proposals, applications were also reviewed to determine the extent to which proposals:

- Comply with the missions of the funding partners
- Meet strategic goals for cooperatively developed plans
- Use land efficiently
- Display efforts to end long-term homelessness

Proposals meeting these baseline criteria were then reviewed by a selection committee consisting of representatives of the MHIG, including staff from Minnesota Housing, the Metropolitan Council and the Family Housing Fund. Proposals were discussed regarding their overall concept, consideration of the joint selection criteria and individual funders' criteria, as well as any funder's past experience with the applicant, previous funding allocations, and familiarity with the project or expertise related to any aspect of the proposals. The selection committee then rated the proposals on the proposer's organizational capacity to deliver the project and the feasibility of the proposal.

Funds were then allocated to each proposal based on its composite rank, and the best use of each of the MHIG funding sources.

Rationale

The proposals recommended for funding by MHIG will be awarded nearly \$29 million to assist the construction, rehabilitation or preservation of affordable housing units (Table 1, page 3). Specifically, the Council will provide \$1.8 million to assist in the rehabilitation and preservation of 1,668 affordable units, to serve households with incomes at 30-50 percent of area median income.

As noted in Table 1, Minnesota Housing will be contributing over \$26 million. The Family Housing Fund did not have any grant funds available this year to contribute. The combined efforts of the MHIG funding partners will assist 8 homeownership programs and 20 multifamily rental projects, creating 275 new housing units, and rehabilitating and preserving 2,693 affordable units.

Table 1 Summary of Metropolitan Area Applications Received and Recommended Funding Awards				
Total Number of Applications Submitted	Total Number of Projects Being Recommended for Funding	Total MHIG Recommended Funding Award	Number of New Units Assisted	Number of Units to be Rehabilitated
Rental Housing				
50 <ul style="list-style-type: none"> • 13 suburban • 37 central cities 	20 <ul style="list-style-type: none"> • 5 suburban • 15 central cities 	\$27,070,586 <ul style="list-style-type: none"> • \$1,800,000 Metropolitan Council • \$25,270,586 MN Housing 	275	2,614
Ownership Housing				
17 <ul style="list-style-type: none"> • 7 suburban • 10 central cities 	9 <ul style="list-style-type: none"> • 4 suburban • 5 central cities 	<ul style="list-style-type: none"> • \$1,727,900 MN Housing 		79
Total:		\$28,798,486 <ul style="list-style-type: none"> • \$1,800,000 Metropolitan Council • \$26,998,486 MN Housing 	275	2,693

No homeownership projects are being recommended for LHIA funding this year. The four proposals that were ranked the highest and were most competitive for LHIA funding, have previous grant awards that have not been completed or closed out. These proposals will be fully funded through Minnesota Housing.

Not being recommended for funding this round were ownership proposals requesting nearly \$2 million in funding from Anoka County, Minneapolis, South St. Paul, St. Paul and Washington County, and multifamily rental proposals requesting nearly \$25 million from Arden Hills, Brooklyn Center, Champlin, Edina, Forest Lake, Maple Grove, Minneapolis, Roseville, Shakopee, St. Paul. These proposals were not recommended for funding because of their lower ranking, insufficient amount of funds available to meet all requests, and/or the selection committee's assessment that the proposals were premature for funding at this time. Many of the multifamily rental applications received from suburban communities did not move forward through the process for further funding consideration due to the lack of sufficient housing tax credits each of these applicants requested. Minnesota Housing is working with the applicants to assist them in producing more competitive tax credit proposals, and/or to explore other funding options to enable these projects to become candidates for future funding rounds.

All of the housing proposals recommended for LCA LHIA funding assistance are for housing development, preservation and affordability opportunities that are consistent with both local and regional policies and goals. They involve the rehabilitation of rental units that help revitalization and reinvestment efforts in aging and/or declining areas, or are affordable housing opportunities near areas of significant employment and growth. These housing efforts involve activities and public investment that advance *2030 Regional Development Framework* objectives. The funded proposals will include other significant public, private and nonprofit/philanthropic investment totaling nearly \$120 million (see Table 2).

Pursuant to the Additional MHIG Funding Criteria – LHIA, as amended in May 2002, the housing performance scores of the municipalities hosting or collaborating in proposals that are eligible and identified for LHIA funding consideration are to be used in reverse rank order to prioritize LHIA funding recommendations. All of the proposals recommended for LHIA funding through this fall’s MHIG process have 2009 housing performance scores lower than other proposed host cities, with the exception of Minneapolis and St. Paul.

As Table 2 indicates, these LHIA recommended awards will align LCA funding with other significant public and private investments being made in all five recommended proposals. LCA dollars will leverage over \$81 million in private investments and over \$37 million in other public investments. These combined efforts will assist 1,668 households in need of affordable housing in the metro area.

Every dollar of LHIA funds contributed to these projects leverages nearly \$45 in private investment, and an additional \$21 in other public investment to provide safe, affordable housing to low- and moderate-income residents in the metro area.

Proposal	Total Units	Recommended LCA Award	Estimated Total Private Investment	Estimated Total Other Public Investment*
Northgate Woods – Blaine	75	\$400,000	7,750,000	5,482,780
Dover Hill Apartments – Golden Valley	234	\$150,000	0	6,055,791
Riverside Plaza – Minneapolis	1,303	\$575,000	65,800,000	20,722,635
East Side Commons – St. Paul	50	\$575,000	7,776,608	4,322,577
Boulevard Apartments – Wayzata	6	\$100,000	200,000	589,856
Total	1,668	\$1,800,000	\$81,526,608	\$37,173,629

*Other public investments do not include the recommended LCA funds.

FUNDING

Recommended Multifamily Rental Proposals

Of the 20 multifamily rental proposals proposed to be funded through the MHIG (Table 3), five affordable multifamily rental proposals are being recommended for LHIA funding.

Table 3 Multifamily Rental Housing Proposals Recommended for Funding by the MHIG				
Project	City	Number of New Affordable Units	Number of Units to be Rehabilitated	Total MHIG Award
Northgate Woods	Blaine		75	5,317,320
Dover Hill Apartments	Golden Valley		234	4,925,000
Riverside Plaza	Minneapolis		1,303	5,375,000
East Side Commons	St. Paul	2	48	1,800,609
Boulevard Apartments	Wayzata		6	132,356
Harriet Tubman Center	Maplewood	150 (beds)		600,000
3631 Penn	Minneapolis		6	464,376
Anpa Waste	Minneapolis		10	317,630
Riverview Apartments	Minneapolis	42		200,000
Urban Homeworks Rental Reclamation	Minneapolis		65	800,000
Dundry House	Minneapolis		25	100,000
Gateway Lofts	Minneapolis	46		1,719,566
Whittier Cooperative	Minneapolis		45	875,000
Nicollet Towers	Minneapolis		306	1,239,729
Aeon Elliot Park	Minneapolis		191	500,000
PPL Foreclosure Redirection Program	Minneapolis		17	525,000
Near North Community	Minneapolis		62	224,000
St. Christopher Place	St. Paul		71	200,000
West Side Flats	St. Paul	185		1,500,000
Redeemers Arms	St. Paul		150	255,000
TOTAL:		275	2,614	27,070,586

(Shaded proposals are being recommended to receive LCA Local Housing Incentives Account funds as a portion of the total MHIG award.)

1. City of Blaine – Northgate Woods

Grantee: City of Blaine

LHIA Award Recommendation - \$400,000

Project Purpose/Description

The project involves the acquisition, rehabilitation and preservation of a 75-unit development originally built in 1980, consisting of 45 townhome units and 30 elderly units in Blaine. The development has a project-based Section 8 Housing Assistance Payment (HAP) contract for all of its units, and is at risk of converting to market rate housing. Funding this project provides an opportunity to maintain and preserve a valuable suburban housing resource for the long term. Units will remain affordable for 30 years.

The entire project consists of 29 one-bedroom units, 29 two-bedroom units, 13 three-bedroom units, and 4 four-bedroom units. All units will be affordable to households at 50% or less of area median income (\$41,950 for a family of four). Four of those units will be set aside and marketed to households experiencing long-term homelessness. Rents (including utilities) range from \$820 to \$1,089.

Local resources used to match the LHIA funds include \$225,000 in Anoka County HOME funds and \$295,000 in CDBG funds, as well as \$20,000 from the Blaine EDA. LHIA funds will be used for costs associated with acquisition or rehabilitation of the units.

Project/Budget Information

# of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
75	<p>\$13,632,780 – TDC</p> <p>Anticipated Funding Sources:</p> <p>\$ 7,000,000 – Syndication Proceeds</p> <p>\$ 3,011,282 – LMIR 1st Mortgage</p> <p>\$ 295,000 – Anoka County CDBG</p> <p>\$ 225,460 – Anoka County HOME</p> <p>\$ 750,000 – General Partner Cash</p> <p>\$ <u>20,000</u> – Blaine EDA</p> <p>\$11,301,742 – Total funding sources</p> <p>\$ 2,331,038– Funding gap request</p>	<p>\$ 400,000 – LHIA</p> <p>\$1,931,038 – Mn Hsg.</p>	<p>\$820 – 1 BR</p> <p>\$883-950 – 2 BR</p> <p>\$994 – 3 BR</p> <p>\$1,089 – 4 BR</p>

2. City of Golden Valley – Dover Hill Apartments

Grantee: City of Golden Valley

LHIA Award Recommendation - \$150,000

Project Purpose/Description

The project involves the acquisition, rehabilitation and preservation of a 234-unit high rise elderly and family townhome development that was constructed in 1976 and is in need of rehabilitation to comply with new housing code standards. The proposed scope of work includes roof replacement, HVAC, electrical and plumbing upgrades to improve efficiency, and unit upgrades such as flooring, cabinets, appliances and doors. Green Certified products will be used which will result in lower costs for energy, water maintenance and ongoing repairs over the life of the development. Units will remain affordable for 30 years.

The entire project consists of 14 buildings situated on 13.34 acres. These include 170 one-bedroom units, 48 two-bedroom units, and 16 three-bedroom units. All units will be affordable to households at 50% or less of area median income (\$41,950 for a family of four). Rents (including utilities) range from \$672 to \$1,018.

Local resources used to match the LHIA funds include \$120,000 in local expenditures for housing maintenance, inspection and education programs, and \$30,000 in Hennepin County HRA levy funds. LHIA funds will be used for costs associated with acquisition or rehabilitation of the units.

Project/Budget Information

# of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
234	\$6,430,791 – TDC Anticipated Funding Sources: \$3,800,000 – LMIR 1 st Mortgage \$1,505,791 – PARIF \$5,305,791 – Total funding sources \$1,125,000– Funding gap request	\$150,000 – LHIA \$975,000 – Mn Hsg.	\$587-672 – 1 BR \$742-913 – 2 BR \$1,018 – 3 BR

3. City of Minneapolis – Riverside Plaza

Grantee: City of Minneapolis

LHIA Award Recommendation - \$575,000

Project Purpose/Description

The project involves the acquisition, rehabilitation and preservation of a 1,303 unit development, in the Cedar Riverside neighborhood of Minneapolis. Riverside Plaza was built in 1973 and was part of the HUD “New Town in Town” projects and is a mixed-income, workforce housing complex which includes 669 project based section 8 units, a post office, a grocery store, daycare facilities and resident services resource center. In addition, it houses one of the largest on-site education facilities found in any housing complex in the nation with services for early child care, a K-8 charter school, computer education labs and adult literacy programs. The project is also located immediately adjacent to a proposed Central Corridor LRT stop. Units will remain affordable for 30 years.

The entire project consists of 193 efficiency units, 510 one-bedroom units, 534 two-bedroom units, 58 three-bedroom units, and 8 four-bedroom units. All units will be affordable to households at 50% or less of area median income (\$41,950 for a family of four). Twenty of those units will be set aside and marketed to households experiencing long-term homelessness. Rents (including utilities) range from \$545 to \$1,595.

Local resources used to match the LHIA funds include \$2,500,000 Minneapolis CAP funds. LHIA funds will be used for costs associated with acquisition or rehabilitation of the units.

Project/Budget Information

# of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
1,303	\$87,097,635 – TDC Anticipated Funding Sources: \$44,300,000 – HUD Insured Mortgage \$20,000,000 – Syndication Proceeds \$ 6,000,000 – CPED \$ 5,422,635 – Energy Grants \$ 2,500,000 – Minneapolis CAP \$ 2,000,000 – Hennepin County \$ 1,500,000 – Deferred Developer Fee \$81,722,635– Total funding sources \$ 5,375,000 – Funding gap request	\$ 575,000 – LHIA \$4,800,000 – Mn Hsg.	\$545-645 – Efficiency \$645-795 – 1 BR \$745-1320 – 2 BR \$1295-1595 – 3 BR

4. City of St. Paul – East Side Commons

Grantee: City of St. Paul

LHIA Award Recommendation - \$575,000

Project Purpose/Description

The project involves the acquisition, rehabilitation and preservation of 30 townhouses at the Bradley Terrace site (built in 1989); 8 apartments in the Gus Johnson commercial building (built in 1897); 8 townhouses at the York-Sims site (built in 1984), along with the construction of a new duplex on a vacant lot adjacent to the York-Sims site. All sites are located adjacent to or in close proximity to the Payne Avenue commercial neighborhood of East St. Paul, and within the city's "Invest St. Paul" community revitalization area. Units will remain affordable for 30 years.

The project will have 4 efficiency, 3 one-bedroom, 18 two-bedroom, 19 three-bedroom, and 6 four-bedroom units. All of the units will be affordable to households at 50 percent of the area median income (\$41,950 for a family of four). Four of those units will be set aside and marketed to households experiencing long-term homelessness. Rents (including utilities) will range from \$592 to \$1,188.

Local resources used to match the LHIA funds will be \$2,596,971 in HRA resources that the city has dedicated to this project. LHIA funds will be used for costs associated with acquisition and rehabilitation of the units.

Project/Budget Information

# of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
50	\$12,374,185 – TDC	\$ 575,000 – LHIA \$1,425,606 – Mn Hsg.	\$592 – Efficiency \$699 – 1 BR \$740-925 – 2 BR \$1035-1080–3 BR \$1138-1188–4 BR
48-rehab 2-new	Anticipated Funding Sources: \$6,776,608 – Syndication Proceeds \$2,596,971 – HRA <u>\$1,000,000</u> – General Partner Cash \$10,373,579 – Total funding sources \$2,000,606 – Funding gap request		

5. City of Wayzata – Boulevard Apartments

Grantee: City of Wayzata

LHIA Award Recommendation - \$100,000

Project Purpose/Description

The project involves the acquisition and rehabilitation of a 6 unit, walk-up apartment building built in 1967 in Wayzata. The property has been vacant for about a year. Scope of the work will include re-roofing, kitchen remodeling, rebuilding balconies, installing a new play area, and redesign and renovation of the parking area. Most recently this building served as a halfway house, so funding this project provides an opportunity for reuse of a structure to provide housing for families. Units will remain affordable for 30 years.

The project will have 1 one-bedroom and 5 two-bedroom units. Two of the units will be affordable to households at 30 percent of area median income (\$25,170 for a family of four), and 4 units will be affordable to households at 50 percent or below of the area median income (\$41,950 for a family of four). Rents (including utilities) will range from \$471 to \$834.

Local resources used to match the LHIA funds will be \$111,500 in CBDG funds that the city has dedicated to this project. LHIA funds will be used for costs associated with the acquisition and rehabilitation of the units.

Project/Budget Information

# of Units	Total Development Costs (TDC)/ Funding Sources	Gap Funding Sources This Cycle	Anticipated Rents
6	\$889,856 – TDC Anticipated Funding Sources: \$300,000 – Hennepin County AHIF \$121,000 – CDBG 2008 \$111,500 – CDBG 2009 \$200,000 – Presbyterian Homes \$ 25,000 – Henn. Env. Response Fund \$757,500 – Total funding sources \$132,356 – Funding gap request	\$100,000 – LHIA \$ 32,356 – MN Hsg.	\$471 – 1 BR \$565-873 – 2 BR

Known Support/Opposition

The five proposals being recommended for LHIA funding are all supported by the communities in which the projects are located, receiving both resident support as well as official community support through policies that encourage the preservation and maintenance of affordable housing, and financial support through the local funds invested in the projects that serve as match for the LHIA dollars. There is no known opposition to any of these projects being funded through the LHIA.