

Commons @ Penn



47 residential housing units fully leased within 4 months

Commons @ Penn

- Developer: Building Blocks
- Architect: Mobilize Design & Architecture
- General Contractor: Watson Forsberg and Tri-Construction
- Property Manager: Real Estate Equities
- Processing Agent: Landon Group
- Attorney: Winthrop & Weinstine, P.A
- Construction Management: Miles Associates
- First Mortgage Lender: Sunrise Banks
- Syndicator: Minnesota Equity Fund

- Other Funding Partners: Minnesota Housing, City of Minneapolis, Hennepin County, Metropolitan Council, LISC, and Pohlad Foundation



Commons @ Penn Funding Timeline



- TBRA
- Hennepin County Environmental Response Fund
- Minneapolis Affordable Housing Trust Fund
- Tax Exempt Bonds/ Sunrise Loan

- Family Housing Fund
- Pohlad Foundation
- Henn. Co. Transit Oriented Development
- Local Initiative Support Corporation
- Minnesota Housing

- Metropolitan Council Livable Communities Demonstration Account TOD
- Henn. Co. Affordable Housing Incentive Fund
- Low Income Housing Tax Credit Investor Letter of Interest

- Additional Funds from Minneapolis
- Sunrise Bank 2nd Mortgage
- Additional Funds from Minnesota Housing

- Environmental Response Fund Emergency Funds
- Sale Tax Rebate
- Energy Rebates

FULLY FUNDED!

Commons @ Penn

Sources and Uses

Source	At Closing	At Completion	Use	At Closing	At Completion
Tax Credit Equity	\$ 3,824,343	\$ 3,999,646	Acquisition & Holding Costs	\$ 310,974	\$ 315,275
Tax Exempt Bonds/ Sunrise Loan	\$ 1,742,380	\$ 2,042,380	Construction	\$ 7,462,036	\$ 7,479,735
Minneapolis Deferred Financing	\$ 1,125,000	\$ 1,196,249	Earthwork/Excavating	\$ 542,991	\$ 1,113,914
MHFA Deferred Financing	\$ 1,249,975	\$ 1,299,000	Soft Costs	\$ 711,534	\$ 806,693
FHF Deferred Financing	\$ 350,000	\$ 350,000	Developer's Fee	\$ 1,078,000	\$ 1,093,454
TBRA Investigation Funds	\$ 22,500	\$ 18,374	Financing Costs	\$ 412,861	\$ 422,768
Hennepin County ERF	\$ 195,700	\$ 220,700	Working Capital	\$ -	\$ 41,366
Hennepin County TOD	\$ 150,000	\$ 150,000	Reserves	\$ 175,242	\$ 189,387
Met Council LCDA TOD	\$ 1,000,000	\$ 1,000,000	TOTAL USES	\$ 10,693,638	\$ 11,462,592
Hennepin County AHIF	\$ 500,000	\$ 500,000			
Deferred Developer Fee	\$ 212,866	\$ 324,457	Increase at Completion		\$ 768,954
LISC Deferred Loan	\$ 50,000	\$ 50,000			
Pohlad Foundation	\$ 100,000	\$ 100,000			
Sales Tax Rebate	\$ 175,000	\$ 211,786			
TOTAL SOURCES	\$ 10,697,764	\$ 11,462,592			

Finding shelter for your family should be one of the easiest things to do for a person. I found this task to be beyond challenging until I came across Commons at Penn. They made it such a pleasant experience and I was confident through the entire process. I have never paid rent late, never had any unlawful detainers, or any negative rental history and yet I had so much trouble trying to get into other places that were not as nice and definitely not new.

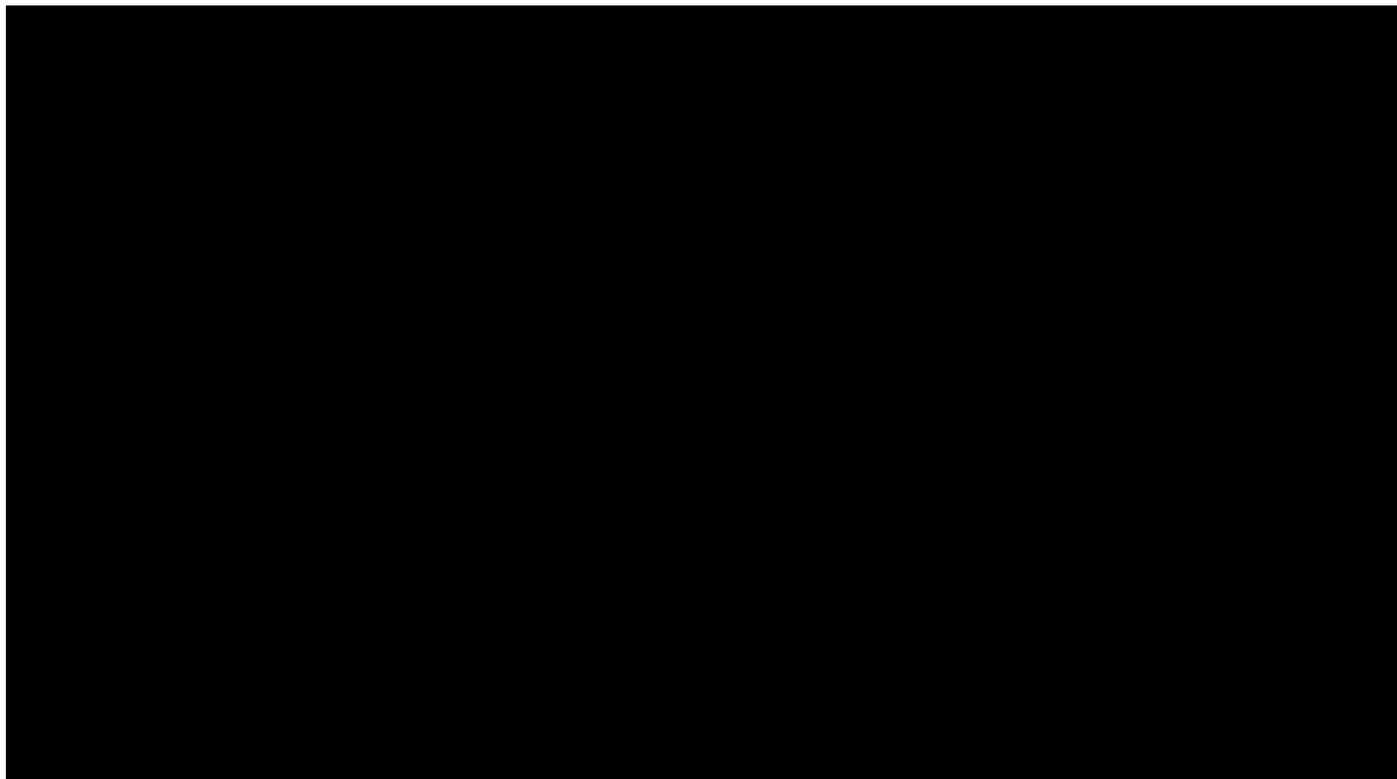
I love the fact that the building has this wonderful after school program for kids and incentives for being extra courteous around the building. The staff seems to be very helpful and resourceful. This experience has been a great blessing for me and my son.

I also had the chance to personally thank Devean George as he has been very visible making sure the property is on point.

Many many more thanks for your contribution to this community.

KESHA C.





Low Income Housing Tax Credits

City of Minneapolis
Community Planning & Economic
Development
May 19, 2016

Minneapolis 2017 LIHTC Allocation

- **\$1,223,745** tax credit allocation
- Generates ~\$11.5 private equity investment
- In past years, Minneapolis credit allocation assisted 2 ½ to 3 projects annually
 - Partial allocations require supplemental allocations from future year RFPs and/or State apportionments
- May 18, 2016 – RFP available
- June 30, 2016 - Application deadline
- Web site:
http://www.ci.minneapolis.mn.us/cped/rfp/cped_lihtc_rfp_home

Minneapolis 2017 LIHTC Application

Threshold to Receive 9% Credits

1. **SRO HOUSING**: New construction or substantial rehabilitation in which at least 75% of the total tax credit units are single-room occupancy units affordable to households with incomes at or below 30% AMI;
2. **FAMILY HOUSING**: New construction or substantial rehabilitation family housing projects in which at least 75% of the total tax credit units contain two or more bedrooms and at least one-third of the 75% must contain three or more bedrooms;
3. Substantial rehabilitation projects in neighborhoods targeted by the City of Minneapolis for revitalization;
4. Projects in which at least a percentage of the units are for mentally ill, mentally retarded, drug dependent, developmentally disabled, or physically handicapped persons, all as further described in Minnesota Statutes, Section 462A.222, Subdivision 3(c)(1)(3);
5. Projects which preserve existing subsidized housing which is subject to prepayment if the use of tax credits is necessary to prevent conversion to market rate use.

Minneapolis 2017 LIHTC Application Scoring Criteria Highlights to Receive 9% Credits

- Meets the goals of Heading Home Hennepin Plan (Refer to Heading Home Hennepin Two-Year Action Plan (10 Points)
- Homeless households w/ supportive services (5 to 15 points)
- 10% to 25% of units serve mentally ill, disabled, drug dependent, brain injury, or HIV/AIDS (5 points)
- Neighborhood/community support (5 points)
- Project is located in non-impacted area or outside a Qualified Census Tract (15 points)

Minneapolis 2017 LIHTC Application Scoring Criteria Highlights to Receive 9% Credits

- Rehab / stabilization of existing housing in impacted areas (5 points)
- Secured Funding Commitments other than the City of Minneapolis (3 to 15 points)
- Mixed-Income: Promotes economic housing integration (up to 15 points)
- Transit Oriented Development located within .50 miles of high service fixed route transit or .25 miles of other transit stops (5 points)
- Promotes high density of units (>30 units / acre) (5 points)
- MINNEAPOLIS PREFERENCE PRIORITIES (Tiebreaker for Equal Rank Projects):
 - Extend affordability period duration (5 points)
 - 1 point for every five years over 20 years (maximum 5 points = 45 year commitment)
 - Feasibility and viability to the satisfaction of the City
 - Serve lowest income tenants (up to 12 points)

9% Credit Income & Rent Restrictions

(Hennepin County: Effective 3/28/2016)

Income Limits

AMI	1 person	2 people	3 people	4 people
30%	\$18,030	\$20,610	\$23,190	\$25,740
50%	\$30,050	\$34,350	\$38,650	\$42,900
60%	\$36,060	\$41,220	\$46,380	\$51,480

Rent Ranges

AMI	Efficiency	1 BR	2 BR	3 BR	4 BR
30%	\$450	\$483	\$579	\$669	\$747
50%	\$751	\$805	\$966	\$1,115	\$1,245
60%	\$901	\$966	\$1,159	\$1,338	\$1,494

Year 2015 Tax Credits - Proposal Summary

\$1,417,737

Project Owner	TOTAL UNITS	HTC UNITS	TDC	HTC REQUEST	HTC SCORE
Opportunity Housing (AEON)	117	117	\$ 23,124,704	\$ 1,264,576	127
Anishinabe Bii Gii Wiin (PPL)	77	77	\$ 10,512,131	\$ 692,572	120
Marshall Flats (Clare Housing)	36	36	\$ 9,005,352	\$ 750,526	113
PRG Portfolio (CommonBond)	91	81	\$ 16,700,991	\$ 925,000	108
YouthLink Supportive Housing (PPL)	47	42	\$ 11,497,150	\$ 849,194	105
Jordan Apartments (Alliance Housing)	38	38	\$ 10,296,102	\$ 876,333	97
Flats on 46th (Quest Development)	40	36	\$ 7,645,650	\$ 666,366	97
Madison Apartments (NFAHS)	73	73	\$ 17,987,305	\$ 1,000,000	76
TOTALS	519	500	\$ 106,769,385	\$ 7,024,567	

DEMAND:
\$4.95 request
per \$1 tax
credit
available in
2015.

Year 2016 Tax Credit - Proposal Summary

\$1,427,361

Project Owner	TOTAL UNITS	HTC UNITS	TDC	HTC REQUEST	HTC SCORE
YouthLink Supportive Housing (PPL)	47	40	\$ 11,186,661	\$ 807,098	133
Marshall Flats (Clare Housing)	36	36	\$ 8,872,096	\$ 329,095	128
PRG Portfolio I (CommonBond)	42	42	\$ 14,004,120	\$ 740,108	113
House of Charity (CHDC)	65	65	\$ 18,382,457	\$ 1,200,000	113
Prospect Park (AEON)	73	66	\$ 19,859,683	\$ 1,000,000	111
Great River Landing (Beacon)	72	72	\$ 17,130,900	\$ 1,349,519	98
PRG Portfolio II (CommonBond)	49	49	\$ 13,592,402	\$ 698,855	65
TOTALS	384	370	\$ 103,028,319	\$ 6,124,675	

DEMAND:
\$4.29 request
per \$1 tax
credit
available in
2016.



Minneapolis Tax Credit Allocations (2015 – 2016)

Project Owner	TOTAL UNITS	HTC UNITS	TDC	MPLS (2015)	MPLS (2016)	STATE APPORTIONED	EQUITY	SYNDICATION	% TDC
Opportunity Housing (AEON)	117	117	\$ 23,124,704	\$ 353,477	\$ -	\$ 774,550	\$ 11,053,559	\$ 0.98	48%
Anishinabe Bii Gii Wiin (PPL)	77	77	\$ 10,512,131	\$ 692,572	\$ -	\$ -	\$ 6,496,076	\$ 0.94	62%
Marshall Flats (Clare Housing)	36	36	\$ 9,005,352	\$ 371,688	\$ 67,359	\$ 261,736	\$ 6,895,188	\$ 0.98	77%
YouthLink Supportive Housing (PPL)	47	40	\$ 11,186,661	\$ -	\$ 831,962	\$ 24,032	\$ 7,736,473	\$ 0.90	69%
PRG Portfolio I (CommonBond)	42	42	\$ 14,004,120	\$ -	\$ 348,458	\$ 174,200	\$ 5,487,909	\$ 1.05	39%
			\$ 67,832,968	\$ 1,417,737	\$ 1,247,779	\$ 1,234,518	\$ 37,669,205	\$ 0.97	56%

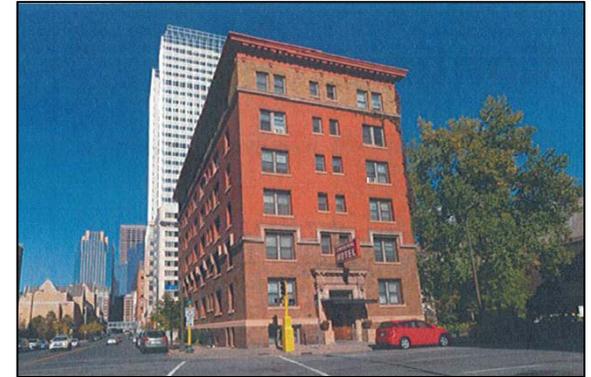
Minneapolis Tax Credit Project Highlights

Opportunity Housing (2015)

706 1st Ave N

Housing Production and Affordability									
UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	112		0BR	57	55	0	0	0
	1BR	4		1BR	2	2	0	0	0
	2BR	0		2BR	0	0	0	0	0
	3BR	0		3BR	0	0	0	0	0
	4+BR	0		4+BR	0	0	0	0	0
	TOT	116		TOT	59	57	0	0	0

- Preservation
- Non-impacted
- Homeless special needs



Youthlink (2016)

41 12th St N

Housing Production and Affordability									
UNIT COMPOSITION	UNIT	QTY	UNIT AFFORDABILITY	UNIT	<30%	<50%	<60%	<80%	MKT
	0BR	46		0BR	32	14	0	0	0
	1BR	1		1BR	0	0	0	0	1
	2BR	0		2BR	0	0	0	0	0
	3BR	0		3BR	0	0	0	0	0
	4+BR	0		4+BR	0	0	0	0	0
	TOT	47		TOT	32	14	0	0	1

- New construction
- Non-impacted
- Homeless youth (18 – 24 years of age)



NEW CONSTRUCTION
9% TAX CREDIT PROJECTS (2009-2016)

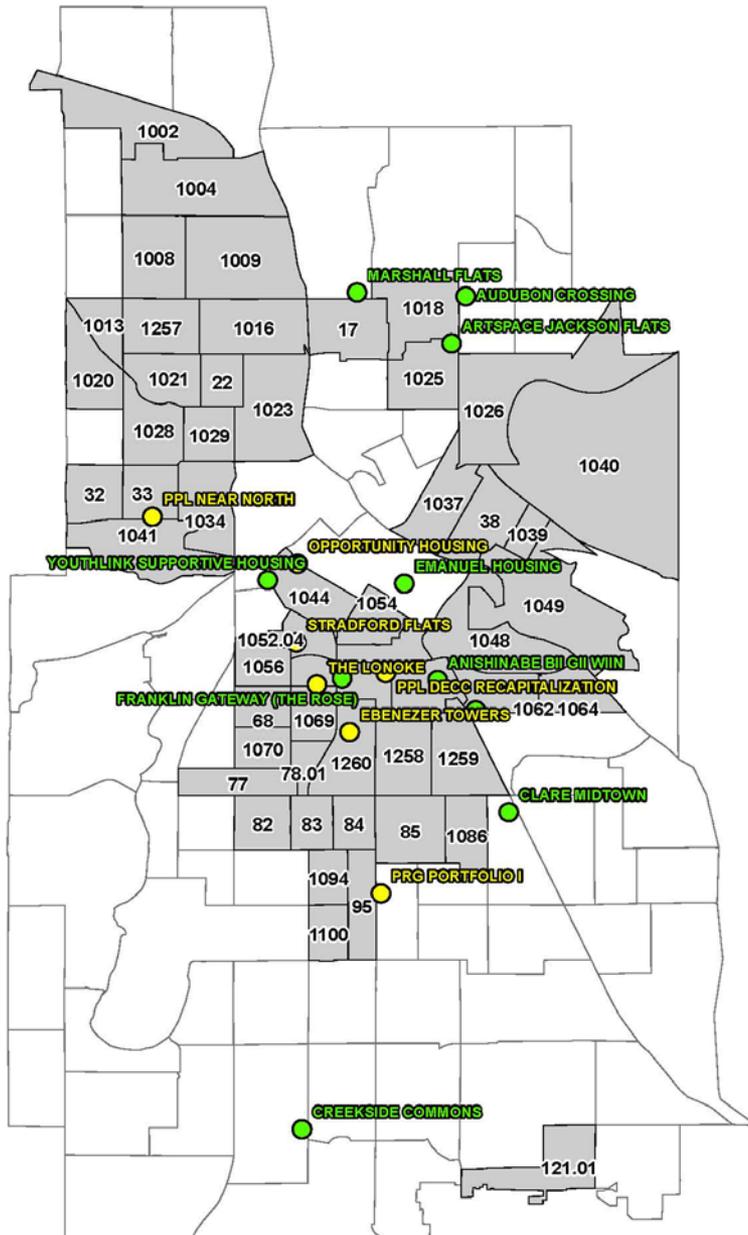
<u>Project</u>	<u>Main Address</u>	<u>Total Units</u>	<u>Affordable Units (<60% AMI)</u>
Anishinabe Bii Gi Wiin	1530 Franklin Ave E	32	32
Artspace Jackson Flats	1839 Jackson St NE	35	35
Audubon Crossing	2500 Polk St	30	30
Clare Midtown	3105 23rd Ave S	45	45
Creekside Commons	103 54th St	30	30
Emanuel Housing	822 3rd St S	101	101
Franklin Gateway (The Rose)	1900 Portland	90	47
Marshall Flats	2525 2nd St NE	36	36
Touchstone Supportive Housing	2304 Snelling Ave	40	40
Youthlink	41 12th St N	47	46
		486	442

REHAB CONSTRUCTION
9% TAX CREDIT PROJECTS (2009-2016)

<u>Project</u>	<u>Main Address</u>	<u>Total Units</u>	<u>Affordable Units (<60% AMI)</u>
Anishinabe Wakiagun	1600 19th St E	45	45
Ebenezer Towers Apts (Senior)	2523 Portland Ave	192	192
Franklin Gateway (Pinecliff)	501 19th St E	30	30
Opportunity Housing	706 1st Ave N	117	117
PPL DECC Recap (Scattered)	3308 4th Ave	51	51
PPL Northside Recap (Scattered)	610 Logan	62	62
PRG Portfolio I	3708 Elliot Ave S	42	42
Stradford Flats	16 E 15th St	62	62
The Lonoke	1926 3rd Ave S	19	19
		578	578



City of Minneapolis 2016 Qualified Census Tracts HTC Projects 2009 - 2016



Legend

- HTC New Construction Projects (2009 - 2016)
- HTC Rehab Projects (2009 - 2016)
- 2016 LIHTC Qualified Census Tracts

Low Income Housing Tax Credits

Saint Paul Housing and
Redevelopment Authority

May 19, 2016

Saint Paul Rental Housing Trends

- Median income – Saint Paul= \$48,258*
- 57% of renters pay more than 30% of their income for rent*
- Vacancy rate = 1.6% - 3BR 2.2% - 2BR
- To rent a two-bedroom unit with fair market rent of \$894, households need an annual income of \$35,767 (hourly wages of \$16.01-\$19.15 are needed to rent in metro area).**
- Multi-family housing adjacent to public transit is expected to perform***

* American Factfinder (2014). <http://factfinder.census.gov>

** Minnesota Out of Reach Report (2015), Minnesota Housing Partnership

*** Cassidy-Turley Commercial Real Estate Services

Low Income Housing Tax Credits

Background

- Low Income Housing Tax Credit (LIHTC) Program was created to encourage private investment in affordable housing by creating or preserving affordable housing for individuals, families, and youth.
- LIHTC developments have rent and tenant income restrictions for 15-30 years
- Mpls/St. Paul Housing Finance Board is the Credit Suballocator for Saint Paul



Federal Law Requirements 9% Credits

- Selection criteria must include:
 - Project location
 - Housing needs characteristics
 - Project characteristics
 - Sponsor characteristics
 - Tenant populations with special housing needs
 - Public Housing waiting lists
 - Tenant populations of individuals with children
 - Projects intended for eventual tenant ownership
- Project must be financially feasible and viable throughout the credit period

State Requirements for 9% Credits

Applications must meet one of the following threshold types:

- New construction or substantial rehabilitation in which, for the term of the extended use period, at least 75% of the total tax credit units are SRO units which are affordable by households whose income does not exceed 30% AMI;
- New construction or substantial rehabilitation family housing projects that are not restricted to persons who are 55 years of age or older and in which, for the term of the extended use period, at least 75% of the total tax credit units contain two or more bedrooms and at least one-third of the 75% must contain three or more bedrooms;
- Substantial rehabilitation projects of existing housing in neighborhoods targeted by the City of Saint Paul for revitalization;
- Projects in which at least 50% of the units are for mentally ill, mentally retarded, drug dependent, developmentally disabled, or physically handicapped persons, all as further described in Minn. Statutes §462A.222, Subdivision 3(c)(1)(3);
- Projects which preserve existing subsidized housing which is subject to prepayment if the use of tax credits is necessary to prevent conversion to market rate use.

City of Saint Paul Underwriting Standards for 9% Credit Projects

- Project must be financially feasible and viable as a qualified low-income project throughout the credit period
- Project Sponsor must:
 - Be creditworthy;
 - Have site control; and
 - Have financial ability to develop project
- Project must:
 - Be completed in a timely manner;
 - Forecast positive cash flow after debt service
 - Demonstrate reasonable operating expenses;
 - Comply with applicable building, land use and zoning ordinances;
 - Must not have excessive Project Costs of Intermediaries; and
 - Conforms to City's Consolidated Plan

9% Credit Income & Rent Restrictions

Income Limits

AMI	1 person	2 people	3 people	4 people
30%	\$18,050	\$20,600	\$23,200	\$25,750
50%	\$30,050	\$34,350	\$38,650	\$42,900
60%	\$36,060	\$41,220	\$46,380	\$51,480

Rent Ranges

AMI	Efficiency	1 BR	2 BR	3 BR	4 BR
30%	\$451	\$483	\$580	\$677	\$815
50%	\$751	\$805	\$966	\$1,116	\$1,245
60%	\$901	\$966	\$1,159	\$1,338	\$1,494

Projects Approved for Tax Credits

	Ward	Year	9% or 4%	# Units	New or Preservation	Supportive Units?
St. Phillip's Garden	1	2011	9%	55	Preservation	Yes
Northern Warehouse	2	2011	4%	52	Preservation	No
PPL West 7 th	3	2011	9%	44	New	Yes
St. Alban's Park	1	2012	9%	74	Preservation	Yes
Rolling Hills	5	2013	9%	107	Preservation	Yes
Lewis Park**	5	2013	9%	103	Preservation	No
Maryland Park	6	2014	4%	172	Preservation	No
Hamline Station**	4	2014	9% 4%	51 57	New	Yes

*River Pointe – 29 of the 133 units are tax credit

**Hamline Station is in final development,

Projects Approved for Tax Credits

	Ward	Year	9% or 4%	# Units	New or Preservation	Supportive Units?
Jamestown Homes	1	2015 2016	9%	77	Preservation	Yes
2700 University***	4	2015	4%	248	New	No
Cambric	7	2015	4%	113	New	No
72 Cesar Chavez	2	2016	9%	40	New	No

Saint Paul's 2017 LIHTC Allocation

- \$755,842
- Generates \$6.8-7.5 million of private equity investment
- In past years, St. Paul's Credits assisted (1) project per year
- With 2017 Credit allocation of \$755,842 is \$308,035 less than the 2016 Credit allocation of \$1,063,867 (which generated about \$10 million of private equity investment.)

What kind of affordable housing supports the HRA Board priorities?

- HRA Board supports both Preservation and New Production projects.
- HRA Board current provides points for Preservation
- New Production
- Economic Integration
- Senior Housing
- Transit-oriented Housing

Current Selection Priorities

Preservation Projects. 15 points to projects that preserve subsidized low income housing or non-subsidized low income housing with current rents at or below 50% AMI – if tax credits are needed to preserve housing conversion to market rate.

Project-based Section 8 housing. 15 points for substantial renovation projects that preserve existing project-based Section 8 assistance.

HRA interest/Land. 10 points to affordable housing that is located on HRA land or has a HRA/City debt obligation.

Current Selection Priorities

Enhanced Services, Programing, and Amenities. 1-7 points to affordable housing that has new or enhanced services for residents. 50% of its units set aside and rented to persons who have physical and mental challenges.

Economic Integration. 7 points to affordable housing are located in non-impacted areas; OR

7 point to affordable housing if located in non-impacted area, OR if the affordable housing is located in an impacted area, the project has at least 20% of the units restricted to households above the 60% AMI income threshold.

Current Selection Priorities

Homelessness. 1-5 points are provided to projects that have 10%, 20%, or 100% of tax credit units.

Senior Housing. 5 points to projects that serves residents 55 years or older in compliance with Threshold #1.

Intermediary Costs (soft costs). 3-5 points for projects that have intermediary costs (0-15%) or (15.1%-20%)

Transit-friendly housing. New construction or preservation projects located 0.25 miles from LRT, Bus Rapid transit, or high-frequency routes.

Current Selection Priorities

Non-profit status. 2 points are provided to projects that have a non-profit organization as a material participant of project.

Neighborhood Support. 1 points to projects that have letter of recommendation from city-recognized citizen participation planning council or neighborhood-based organization which present the geographic location of the project.

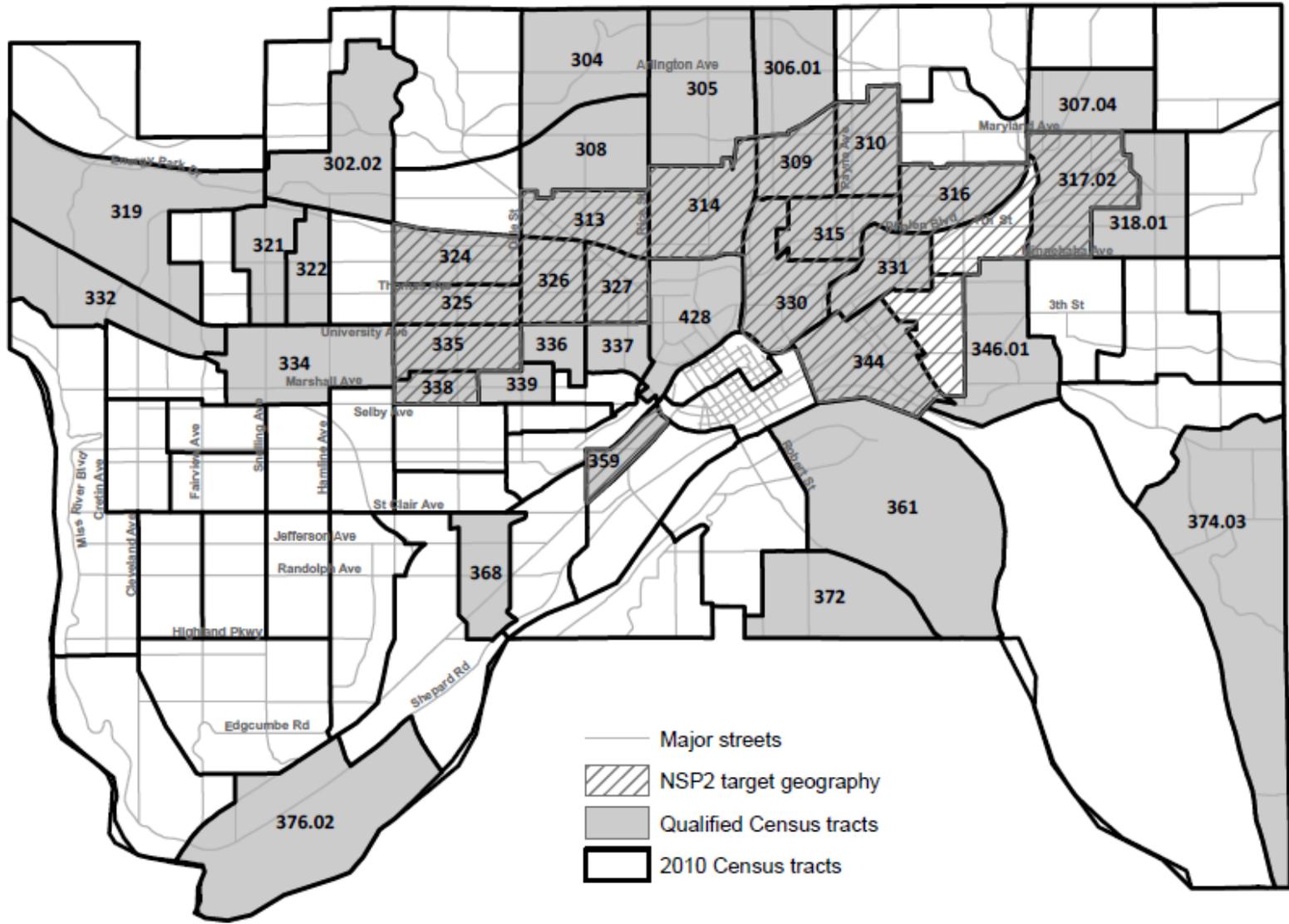
Non-smoking. 1 points for projects that have no-smoking policy.

Where should 9% credit housing be located?

HRA Board must evaluate whether the location of affordable housing affirms HRA Board priorities such as neighborhood stability, economic development, and locational choice.

Current Selection Priorities

- Economic Integration. 7 points to affordable housing are located in non-impacted areas; OR if located in impacted area, the affordable project has at least 20% of the units restricted to households above the 60% AMI income threshold.
- HRA interest/Land. 10 points to affordable housing that is located on HRA land or has a HRA/City debt obligation.
- Transit-friendly housing. New construction or preservation projects located 0.25 miles from LRT, Bus Rapid transit, or high-frequency routes.





WORKFORCE HOUSING CHALLENGE

SW Minnesota Housing Partnership, Minnesota Housing Finance Agency, Minnesota
Department of Employment and Economic Development & Greater Minnesota
Housing Fund
Affordable Housing Summit

RISING SUN ESTATES, Worthington, MN (48 units)



RISING SUN ESTATES

A WORKFORCE SOLUTION(?)

- Income Approach Valuation (Obtainable vs Prevailing Rent)
- Number of Units: 48 (16-2 Bedroom, 32-3 Bedroom) Town House Units
- Market Rate (No income or rent restrictions)
- Obtainable Rent Level
 - 2 Bedroom Units \$850 (all utilities paid by tenant)
 - 3 Bedroom Units \$950 (all utilities paid by tenant)
- Prevailing Rents (established in appraisal)
 - 2 Bedroom TH Units \$670
 - 3 Bedroom TH Units \$720



RISING SUN ESTATES

A WORKFORCE SOLUTION(?)

- Rising Sun Estates Valuation Issue
 - Bank Appraisal: \$5,229,000
(land value \$245,000)
 - 75% Loan to Value (LTV): \$3,900,000
 - Total Development Cost (TDC): \$6,498,359
 - Bank Approved Financing: \$3,900,000
 - ❖ **Finance Gap: \$2,598,359**

RISING SUN ESTATES

A WORKFORCE SOLUTION(?)

▶ FINANCING STRUCTURE

▶ Amortizing 1st Mortgage

▶ Taxable Bonds (held by community banks) \$3,900,000 (4.82% interest)

❖ Bonds supported by prevailing rents with 30 year amortization

▶ Mezzanine (Amortizing Subordinated Debt)

▶ City and Utility Commission \$1,600,000 (1%)

▶ SW Initiative Foundation \$ 200,000 (1.5%)

❖ Mezzanine debt supported by rent differential above prevailing rents/30 year AMORT

▶ Soft Secondary Financing (GAP Loan)

▶ Worthington HRA \$ 773,359 (0% DEFERRED)

▶ JBS \$ 25,000 (0% DEFERRED)

❖ Gap created by cost over supportable debt

▶ Development Subsidy

▶ SWMHP sold land at cost (\$75,000 vs \$245,000 value)

▶ SWMHP took minimal development fee (\$60,000)

▶ SWMHP used wholly owned construction company (near break-even)

Workforce Housing Development Program

Minnesota Statue 116J.549 Section 2, Subdivision 1

Providing financial assistance to communities to address the need for workforce housing to improve economic development within the State of Minnesota.



Program Funding

\$4 million from general fund allocated to the program over 2016-17

- \$1.62 million awarded in 2016
- \$2.18 million available in 2017 RFP

Eligible Applicants

- A home rule charter or statutory city with a population exceeding 500 or
- A community that has a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city
- Preference is given to communities of less than 18,000



Department of Employment and Economic Development

www.AffordableHousingSummitMN.com



Program Requirements

- Community and other communities within 15 miles has a vacancy rate of <5% for previous 2 years
- One or more businesses within 25 miles of the eligible project area employs a minimum of 20 full-time equivalent employees.
- Business provides a written statement that a lack of available rental housing has impeded their ability to recruit and hire employees.
- Program is for Market Rate Rental Housing. Excluded:
 - Properties constructed with financial assistance requiring the property to be occupied by residents that meet income limits under federal or state law of initial occupancy.
 - Properties constructed with federal, state, or local flood recovery assistance, regardless of whether that assistance imposed income limits as a condition of receiving assistance.



Department of Employment and Economic Development

www.AffordableHousingSummitMN.com



Grant Amounts

- The amount of an individual grant may not exceed 25 percent of the rental housing development total project cost. Due to the competitive ranking, awards will likely be less than 25% of total project costs.

Required Match

- The awarded grant shall be matched by a local unit of government, business, or nonprofit organization with \$1 for every \$2 provided in grant funds.



Department of Employment and Economic Development

www.AffordableHousingSummitMN.com



Affordable Housing Summit

Application Ranking

- Need- stronger the better, vacancy rate
- Impact- location to business and site impact
- Cost effectiveness- per unit costs, solid financing plan
- Readiness- projects ready to start within 12 months
- Capacity- of applicant, project manager, developer, funders

Tips from 2016 Round

- Communities/Businesses with existing shortage score better than projected shortage from planned growth
- Strong tie in to businesses' housing need - be specific
- Be clear on experience of developer, owner, management
- Clear and secure community support



Department of Employment and Economic Development

www.AffordableHousingSummitMN.com



2016 Requested Projects

- 6 Applications
- \$3.1 million requested
- \$52 million in projects requested
- 289 units

2016 Funded Projects

- 2 Projects
- \$1.62 million awarded
- 96 units funded



Department of Employment and Economic Development

www.AffordableHousingSummitMN.com



The District at Miller Hill, Duluth

- Awarded \$1 million
- 72 Apartments
- \$13.1 million TDC
- \$13,889 per unit
- 8% of TDC
- 3.1% vacancy Rate
- Application letters from Cirrus, United Healthcare, Maurice's, Essentia Health, St. Lukes, and Mills Fleet Farm. Existing shortage, plus adding 1,030 employees in 2016
- City support in place, site in place, financing in place
- Start construction in 2016



Minnesota

Department of Employment and Economic Development

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2016 
Affordable Housing Summit

Grow Perham Workforce Housing

Awarded \$620,000

- 24 Apartments
- \$2.6 million TDC
- \$25,833 per unit
- 24% of TDC
- < 1% Vacancy
- Barrel of Fun, KLN Brands, Arvig Enterprises, and Industrial Finishing have 1,400 employees earning an average of \$31,325 per year.
- Grow Perham is an investment group of local business leaders organized to solve housing issues. The group has constructed manages 138 units of housing in Perham.
- Construction starts spring 2016



Minnesota

Department of Employment and Economic Development

www.AffordableHousingSummitMN.com

2016 
Affordable Housing Summit

2017 Application Round

March 2016

Application Packet available online

July 2016

Application Training Sessions

July 25 – 10:00 am – 11:30 am

Austin

Jay C. Hormel Nature Center

Ruby Rupner Auditorium

July 26 – 9:30 am – 11:00 am

Slayton

Southwest Regional Development Commission

2401 Broadway Avenue

July 28 – 9:30 am – 11:00 am

Perham

City Hall – Council Chambers

125 Second Avenue NE

July 29 – 9:30 am – 11:00 am

Grand Rapids

Blandin Foundation – Stender Community Room

100 North Pokegama Avenue

November 10, 2016

Deadline for Application

December 2016

Funding status provided to applicants

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**Minnesota Department of Employment and Economic Development
BCD Division/Community Finance
First National Bank Building
332 Minnesota Street, Suite E200 St. Paul, MN 55101**

GREATER MINNESOTA HOUSING FUND

Largest CDFI lender in Greater MN supporting affordable housing.

CDFI that raised over

\$150 million

in charitable grant funds

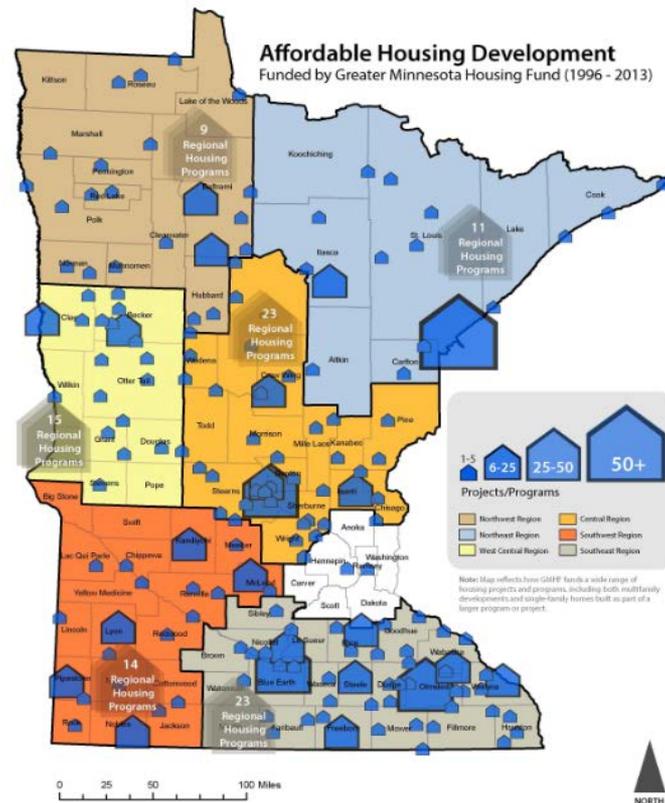
to finance **500**

developments in over

150 MN cities to

support the creation of over **13,200** units of affordable housing in greater

Minnesota.



GMHF WORKFORCE HOUSING FINANCING

1. **Pre-Development Loans**
2. **Low-cost construction and bridge financing**
3. **Mini-perm mortgages**
4. **Tax increment financing**
5. **LIHTC**
6. **Deferred Loan Financing**
7. **Risk – Tolerant Capital**
 - ❑ **Mezzanine debt and loan payment guarantees facilitate new development in markets with high workforce housing demand, low prop-erty values, and depressed rents. The programs also maximize conventional debt and equity financing, reducing the need for limited deferred gap loan subsidy dollars.**

The EAH Challenge

For Minnesota Communities

- **A lack of affordable workforce housing makes it harder to recruit and retain workers**
- **Substantial commutes for workers**
- **Lack of workforce limits business expansion and job growth**

Reasons Why Employers Participate

Company Interests:

- Recruit / retain employees
- Increase workforce stability
- Increase employee productivity
- Human Resource Investment

Civic Interests:

- Meet community-wide needs
- Strengthen community relations
- Leverage other resources
- Civic pride, leadership

Key Part of the Housing Continuum

Housing Continuum



Community-wide EAH Programs

- Potential to create capital *pools among many employers*
- Enormous community development potential
- Opportunity for leadership by employers and partnerships between employers
- Dramatic leverage possibilities
- Flexibility to fund projects

Employers provide education, funding and leadership

Forms of Employer Participation in MN

- Cash/Grants to projects
- Land donation
- Equity Investments
- Hands on development / ownership
- Low-interest construction financing
- Downpayment assistance
- Homeownership training for employees
- Leadership: Recruiting other employers
- Community advocacy, with elected officials



Tamarack Apartments

Roseau County Workforce Housing Program –Polaris Industries

41 Units New Multi Family
18 Low Income Housing Tax Credit and
23 Market Rate Rental

Partnership between local government, local employers, for profit/nonprofit builders, GMHF to construct multi-family rental



Sand Companies, Inc.

Participants & Contributions:

Boarder/Citizens Banks	\$1,530,000
MHFA	\$2,500,000
GP/Sponsor	\$290,000
City of Roseau	\$58,000
Polaris Industries	\$1,100,000
GMHF	<u>\$300,000</u>
Total Funds	\$5,700,000

Lessons Learned

- **Employer Assisted Housing investment can be cost effective for a business**
 - **Example: cost of turnover (recruitment and training) can be more expensive than providing a forgivable down payment loan to an employee that will keep the employee at the company for a number of years.**
- **Employer involvement stems from either:**
 - **strong civic responsibility (strong ties to community)**
 - **urgent need for employees**
 - **Community stabilization concerns**
- **Employers are often attracted by ability to leverage other private and public funds (ie: matching funds)**
- **Employer pools attract smaller employers with limited resources**

Lessons Learned

- **Local leadership or catalyst needed to obtain employer commitment:**
 - **City with a vision**
 - **Developer with a specific plan**
 - **Advocating around known needs**
- **That leadership needs to build a strong relationship with employers before commitment will be made**
- **Working relationship and common vision needed before commitment is made**

Lessons Learned

- **Employers need to be able to choose their method of involvement based on their resources:**
- **Employers need someone with experience to put projects together and administer programs**

Preservation at MN Housing

- **Our 8bb role**
- **Keys to funding success**
- **How we work together**

Preservation at MN Housing

- **Our 8bb role:**
 - Opt-outs, terminations, and underutilization
 - Formal approval role as Contract Administrator
 - Property A & Property B interest lists

Preservation at MN Housing

Project A: Sending Property

- Correct chronic underutilization of Section 8 rental assistance
- Preserve Section 8 rental assistance when an opt-out notice has been delivered
- In certain cases, address failing REAC or other non-compliance issues
- Preserve assistance if properties are physically obsolete and have significant capital needs

Project B: Receiving Property

- Facilitate financial stability on an underperforming property
- Increase assistance at a partially assisted property in a strong market (that might otherwise be at risk)
- Alleviate resident rent burden in a partially assisted property or in a non-assisted project
- Assist a Rural Development property with partial rental assistance
- Transfer to new construction if supportive housing or to further Olmstead principals

Preservation at MN Housing

- **Keys to funding success:**
 - For every 3 or 4 proposals, we are able to select 1
 - Focus on Strategic Priorities - Risk of Loss:
 - *Ownership Capacity*
 - *Critical Physical Needs*
 - *Market Conversion*
 - Two types of units:
 - *Federally assisted (Section 8, RD, NAHASDA)*
 - *Critical affordable units (rent/income restricted)*

Preservation Tools

Equity

- 9% and 4% tax credits
- Rural Development Set-Aside

- Critical Affordable Units
- Tribal
- Section 8
- Supportive Housing
- Rural Development

Deferred Debt

- Rental Rehabilitation Deferred Loan
- Publicly Owned Housing Program
- Pres. Aff. Rental Investment Fund
- Challenge Program
- Challenge Indian Set-Aside
- HOME
- Housing Infrastructure Bonds

- Critical Affordable Units
- Tribal
- Section 8
- Supportive Housing
- Rural Development
- Public Housing
- Greater Minnesota Unsubsidized

Amortizing Debt

- First Mortgages
- Tax-Exempt Bonds

- Critical Affordable Units
- Tribal
- Section 8
- Supportive Housing

Preservation at MN Housing

- **Keys to funding success:**
 - Approach primary funders as early as possible
 - Discuss the new financial structure as a group
 - Explore debt modification or loan servicing requests
 - Survey the full landscape of funding options
 - Preservation TA happens year-round
 - Work closely with HAP Contract Administration team

Preservation at MN Housing

- **How we work together – post-closing:**
 - **Monitoring and Reporting:**
 - Specific to funding types and loan documents
 - Asset Management vs. Compliance Monitoring
 - HAP Contracts
 - Loan Servicing/Requests for Action

MN Housing Contacts

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Section 8(bb) Transfers

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Section 8(bb) Transfer Background

- **Need for Section 8(bb) Transfers**
 - Unutilized or underutilized Section 8 in existing properties
 - Opt-Outs
- **Section 8(bb) of the United States Housing Act of 1937 – 42 U.S.C. § 1437f(z)(2)(bb)(1)**
 - Authorized the transfer of budget authority remaining in a Section 8 contract to another contract, under terms prescribed by the Secretary
- **Transfers are Covered by HUD Notice H-2015-03**
 - Allows transfer of a Section 8 Contract from “Property A” to “Property B”
 - Can be Full Transfer or a Partial Transfer
 - Property A can retain some of the subsidy
 - Property B can be:
 - Existing HUD Affiliated Property
 - Existing non-HUD Affiliated Property
 - New Construction Property
 - New 20-year HAP Contract at Property B and at Property A if some subsidy is retained

Section 8(bb) Transfer Basics

- **Must be an Active Section 8 Contract**
- **Transfer Requires Mutual Agreement of Owners of Both Property A and Property B**
 - HUD is not able to step-in, in order to execute the transfer
- **Transfer must be Budget Neutral**
 - HUD will not increase the amount of subsidy from before the transfer to after the transfer
 - Determining Budget Neutrality
 - Rent Schedule at Property A versus the Rent Comparability Study at Property B
 - Property A – Based on Rent Schedule Contract Rents
 - Commitment to fund Property A for one year
 - Does not take into account vacancies
 - Property B - Based on Rent Comparability Study
 - Likely that rents at Property A will be lower than Property B. Therefore, it is likely less units will be supported at Property B.

Section 8(bb) Transfer Basics

- **Number of Units at Property B must be Substantially the Same as Property A**
 - Lesser of 5 Units or 5 Percent Test

8(bb) Transfer Scenario 1:

Project A's budget authority funds 130 units

5% of 130 is 6.50 units

The reduction in units cannot be more than 5

8(bb) Transfer Scenario 2:

Project A's budget authority funds 28 units

5% of 28 is 1.4 units (rounded up)

The reduction in units cannot be more than 2

- **Material Improvement**
 - When the Lesser of 5 Units or 5 Percent Test is not met, HUD will look to whether there is a material improvement by moving from Property A to Property B



Flow and Timing of a Section 8(bb) Transfer

- **Transfer will take approximately 10-12 months to accomplish**
- **Five Stages to a Section 8(bb) Transfer**
 - Pre-Application (3-4 months)
 - Eligibility, Budget Neutrality, and Tenant Protection Review (1 month)
 - Technical Review and Determinations (3 months)
 - Final Approvals (2 months)
 - Execution (1 month)

Flow and Timing of a Section 8(bb) Transfer

- **Pre-Application Phase (3-4 months) – Owner Focused**
 - Identification of Properties
 - Ensure feasibility of the Transfer – HUD Field Office will review concept with the owners
 - Rent Comparability Study at Property B
 - Phase 1 Environmental at Property B
 - Preparation of the Application
 - Memorandum between Owners to HUD
 - Tenant Meetings

Takeaways

- **Active Contract Throughout Process**
- **Transfer must be Budget Neutral**
- **Substantially the Same Number of Units**
- **Takes a Significant Amount of Time (10-12 months)**
- **Costs involved**
 - Rent Comparability Study
 - Phase 1 Environmental
 - Potentially Tenant Relocation costs
- **FAQs being Released – [Multifamily Housing RHIIP](#) (Rental Housing Integrity Improvement Program)**