

Community Development Committee

Meeting date: December 16, 2013

Subject: City of Minneapolis Request to Amend Three Livable Communities Act Grants for the *Currie Park Lofts* Project

District(s), Member(s): District 8 – Adam Duininck

Policy/Legal Reference: Minnesota Statutes §473.25

Staff Prepared/Presented: Deb Jensen, Livable Communities Grant Administrator, (651) 602-1554

Division/Department: Community Development / Livable Communities

Proposed Action

That the Metropolitan Council approve amendments to Livable Communities Act (LCA) grant agreements SG011-160, SG011-144 and SG012-140, for the *Currie Park Lofts / Five15 on the Park* project, in the City of Minneapolis by changing the end project to allow a reduction in the number of affordable housing units from 208 to 130 out of a total of 259 housing units.

Background

This project has received three Livable Communities Act grants:

- 2011 – a \$433,771 Livable Communities Demonstration Account (LCDA) grant,
- 2011 – a \$400,000 Local Housing Incentives Account (LHIA) grant, and
- 2012 – a \$993,229 LCDA Transit Oriented Development grant.

The procedures governing amendments to LCA grants provide Community Development Directors the discretion to administratively approve changes in the grant funded activities and/or the Project provided the changes do not *significantly* change the project. The determination of a *significant* change is based on consideration of account-specific factors including a reduction in the percentage of affordable housing units from the Project as originally proposed. The proposed change to the Currie Park/Five15 on the Park project reduces the percentage of affordable units from 80% to 50% of the total.

The City is also requesting a grant term extension and budget reallocation, both of which can be approved administratively by the Community Development Division Director and are not the subject of this amendment request.

Rationale

The nearby neighborhood currently has over 1,700 affordable units in the adjacent properties of Riverside Plaza (1,174 of 1,303 units) and The Cedars (539 of 539 units). By adding market-rate housing and households with higher incomes, the project will reduce the concentration of income-restricted/affordable rental housing, stimulate nearby commercial activity and add to the overall success of the area.

The addition of market-rate housing will align with one of the requirements of the Livable Communities Act, Minnesota Statutes Section 473.25 Subd.(b)4, which reads:

“Involve development or redevelopment that mixes incomes of residents in housing, including introducing or reintroducing higher value housing in lower income areas to achieve a mix of housing opportunities. . .”

This revised affordability mix will also align with statements in the preliminary draft of *Thrive MSP 2040* including:

- “Invest in a mix of housing affordability along the region’s transitways”
- “Work with communities to create more economically balanced neighborhoods, including strategically targeted subsidies to develop market-rate housing in select areas”

The proposed changes to the development will result in 259 total units, with 16 efficiencies, 125 one-bedroom units, 92 two-bedroom units, and 26 three-bedroom units. In each case, approximately half of the units will be available at 50-60% of Area Median Income (AMI). This revised mix of unit sizes increases the number of two- and three-bedroom units from 75 to 118, addressing the City’s and region’s need for more family units.

The City’s amendment request states that while there is a need for affordable housing city-wide, the increase of market rate units at this location is an improvement over the previous project configuration and that adding more market rate units will add to the livability of this location.

The City’s request further states the changes are necessary because of increased financing and construction costs and compliance with HUD 221(d)4 underwriting standards, making the loan application easier to underwrite and approve. HUD expressed concerns about the long-term viability of the project with 80% of the units being income-restricted in such close proximity to the high number of affordable units within Riverside Plaza and The Cedars.

The project will be fully financed in early December of 2013. According to City staff, every LCA dollar awarded to this project leverages \$11.66 in private investments.

Funding

There is no impact on funding.

Known Support / Opposition

The Minneapolis City Council has taken over 14 separate, supportive actions related to land use and project financing including \$1,200,000 from the City’s Affordable Housing Trust Fund, \$4,955,600 in a Limited “Pay –As-You-Go” Tax Increment Financing Note, and \$30,800,000 in tax exempt multifamily housing entitlement revenue bonds.