



*City of Minneapolis
Affordable Housing Trust Fund
2002-2012*



January 2013



Old 3rd Ave Townhomes-Habitat for Humanity

Contents

- Affordable Housing Trust Fund (pages 3-4)
 - Description of Program
 - Process for applying for funding
 - Scoring/Underwriting/Feasibility Process
 - Awards to Projects
 - Types of AHTF Projects
- Production (page 5)
- Location (pages 6-7)
- Leverage (pages 8-9)
- Amount of AHTF per affordable unit (pages 10)
- Benefits of the AHTF (pages 11-13)
- Exhibit 1 Selection Criteria (pages 14-19)

This report demonstrates the effectiveness of the Affordable Housing Trust Fund since it began in 2002. The projects identified in this report represent all types of housing that have been partially funded with the Affordable Housing Trust Fund. The information in this report was generated from the Multifamily Housing Development Data-base and is deemed to be highly accurate. The information is current through 2012.



Audubon Crossing-Metro Plains Development

The Affordable Housing Trust Fund

The Affordable Housing Trust Fund (AHTF) established by the City Council and Mayor creates and preserves affordable rental housing. The program provides gap funding for development; the developer must leverage as much additional funds as possible from both private and public sources. Experience has shown that the percentage of AHTF dollars in projects is approximately 10%. Simply put, for every \$1 of AHTF, the city attracts \$9 of additional funding through debt, equity and other funders.

The City's Affordable Housing Policy requires that AHTF assisted housing projects of 10 units or more at least 20% of the units will be affordable to households at 50% or below of Area Median Income (AMI). Annually City establishes goals for the number of units to produce which are affordable to households at 50% of AMI.

The AHTF Advisory Committee (members chosen by the Mayor and City Council) formulated the selection criteria used to score and rank proposals. There are two sets of selection criteria – one for areas impacted by poverty concentration and the other non-impacted by poverty concentration. The emphasis in impacted areas is the preservation, rehabilitation and stabilization of existing affordable housing. In the non-impacted areas the emphasis is towards the construction and positive conversion of new affordable housing.

City of Minneapolis Affordable Housing Trust Fund 2002-2012

Selection criteria include economic integration, project financial soundness, project leverage, whether the housing provides units for people who have special needs etc... *(Please see Exhibit A- Selection Criteria)*

Fund sources for the AHTF are primarily federal HOME and CDBG dollars combined with local funds.

Staff issues an annual Request for Proposals (RFP) in May/June to coincide with the MHFA RFP timeline. The AHTF has a goal of \$10 million annually however the annual AHTF allocation is usually around \$8 million. Staff score and rank each proposal, perform in depth financial underwriting, talk with other lenders, conduct physical inspections and perform other due diligence in order to determine the appropriate amount of funding. Staff recommends projects for funding to the City Council. The City enters a loan agreement with the borrowers and the project closing occurs when all of the development funds are in place and all of the local requirements have been met.

Types of AHTF Projects:

- Families/Persons that have experienced long term homelessness
- Permanent supportive housing for persons with special needs
- Workforce housing
- Senior housing
- Family Housing



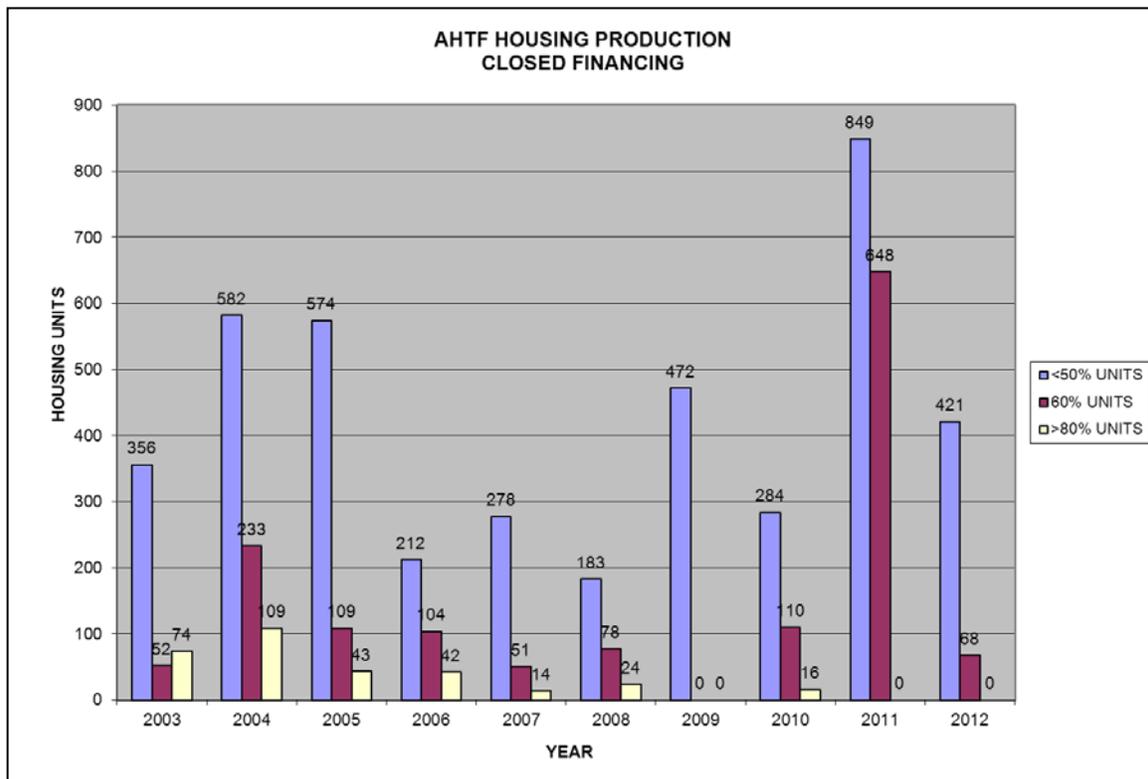
Clare Midtown-Clare Housing



Creekside Commons-Portico Development

Production

The following chart demonstrates the number of units closed by years 2003-2012. The numbers for 2003 include a some projects that closed in 2002. These projects were added to 2003 totals because 2003 represents the first full year of the trust fund's impact.





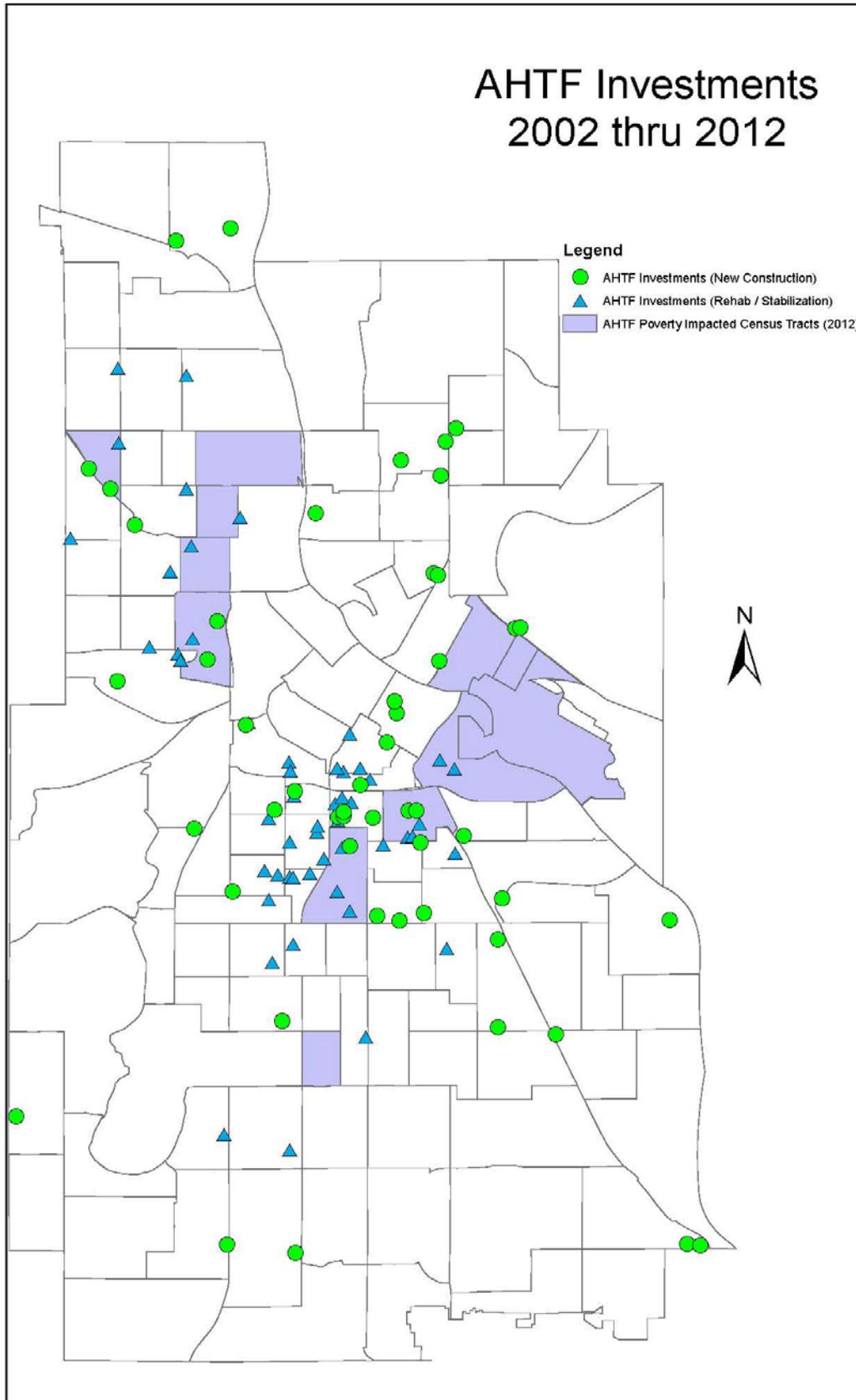
Abbott Apartments- Palanisami & Associates

Location

Projects using the AHTF have been located across the City of Minneapolis. The map on the following page demonstrates where project are located and if they are in impacted areas or non-impacted areas.



Emmanuel Housing-RS Eden



City of Minneapolis Affordable Housing Trust Fund 2002-2012



The Jourdain-AEON Development

Leverage

The AHTF traditionally makes up approximately 10% of most projects. The remaining funds come from other sources such as private financing, equity, state funding, other local funds, foundations and Tax Increment Financing (TIF).

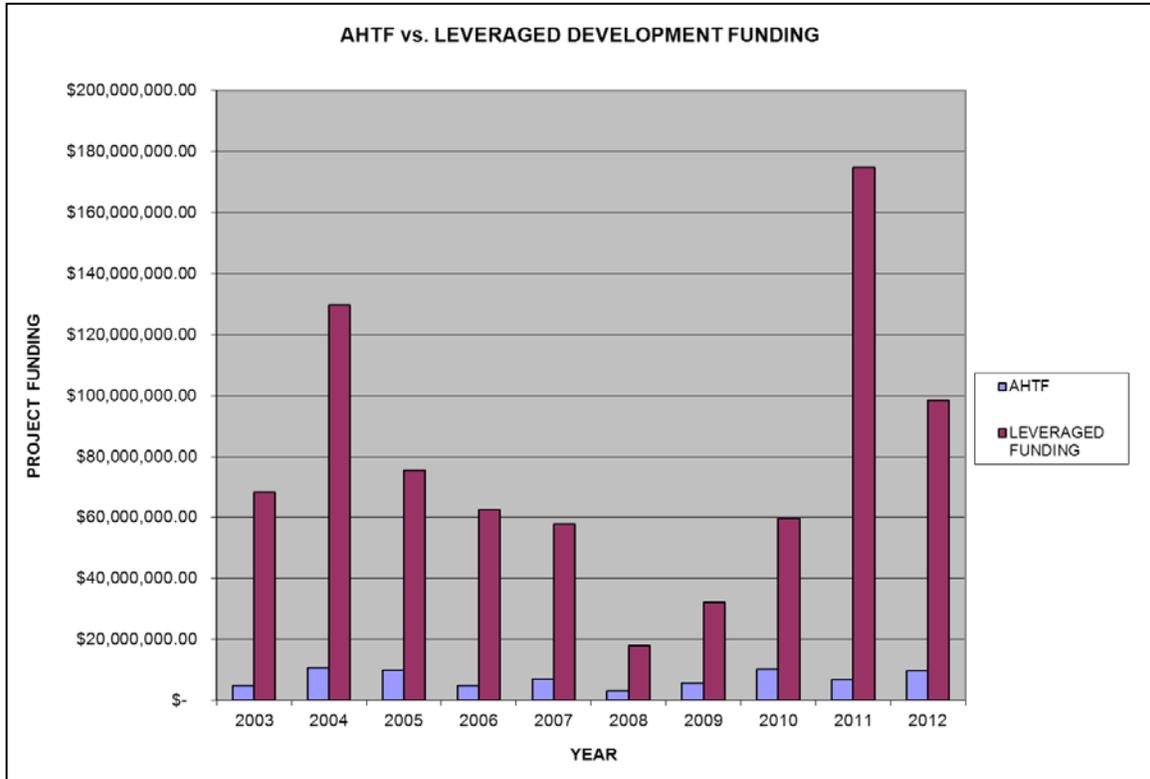
<u>YEAR CLOSED</u>	<u>TOTAL UNITS</u>	<u><50% UNITS</u>	<u>60% UNITS</u>	<u>>80% UNITS</u>	<u>AHTF</u>	<u>LEVERAGED FUNDING</u>	<u>TDC</u>	<u>AHTF PER AFFORDABLE UNIT (<50% AMI)</u>
2003	482	356	52	74	\$ 4,928,850.00	\$ 68,325,099.00	\$ 73,253,949.00	\$ 13,845.08
2004	924	582	233	109	\$10,719,265.00	\$129,765,685.93	\$140,484,950.93	\$ 18,417.98
2005	726	574	109	43	\$ 9,958,695.00	\$ 75,390,760.00	\$ 85,349,455.00	\$ 17,349.64
2006	358	212	104	42	\$ 4,990,921.00	\$ 62,723,817.00	\$ 67,714,738.00	\$ 23,542.08
2007	343	278	51	14	\$ 7,189,519.00	\$ 57,796,659.00	\$ 64,986,178.00	\$ 25,861.58
2008	285	183	78	24	\$ 3,075,088.00	\$ 17,948,069.00	\$ 21,023,157.00	\$ 16,803.76
2009	472	472	0	0	\$ 5,668,859.00	\$ 32,230,329.00	\$ 37,899,188.00	\$ 12,010.29
2010	476	284	110	16	\$10,350,816.00	\$ 59,735,302.00	\$ 70,086,118.00	\$ 36,446.54
2011	1663	849	648	0	\$ 6,809,882.00	\$174,849,869.00	\$181,659,751.00	\$ 8,021.06
2012	599	421	68	0	\$ 9,697,110.00	\$ 98,546,769.00	\$108,243,879.00	\$ 23,033.52
	6,328	4,211	1,453	322	\$73,389,005.00	\$777,312,358.93	\$850,701,363.93	\$ 17,427.93

Since inception, the AHTF has expended \$73 million. This investment has attracted an attritional \$777 million in capital to fund housing projects throughout the city. The total development costs of these projects are approximately \$850 million.

City of Minneapolis Affordable Housing Trust Fund 2002-2012

This leveraging of the funds allows the City of Minneapolis to control and formulate the project to meet the community's needs, while at the same time ensuring other funding sources and investment occurs in Minneapolis. Additionally, these units add to the tax base, increase the city's population and redevelop substandard and outdate land uses.

The following graph indicates the amount of leverage provided by the AHTF for years 2003-2012.



Note: In 2004, the amount of leverage was very high, this is primarily due to one project where by an AHTF loan was provided in the amount of approximately \$500,000 and the total development cost was \$17,000,000. In 2008, the leverage was very low; this is primarily due to the effects of the 2008 recession and the inability to close projects, and in 2011 the leverage was again high due to the 1,306 unit Riverside Plaza renovation project. This project used \$1.9 million of trust funds and leveraged over \$125 million of other capital.

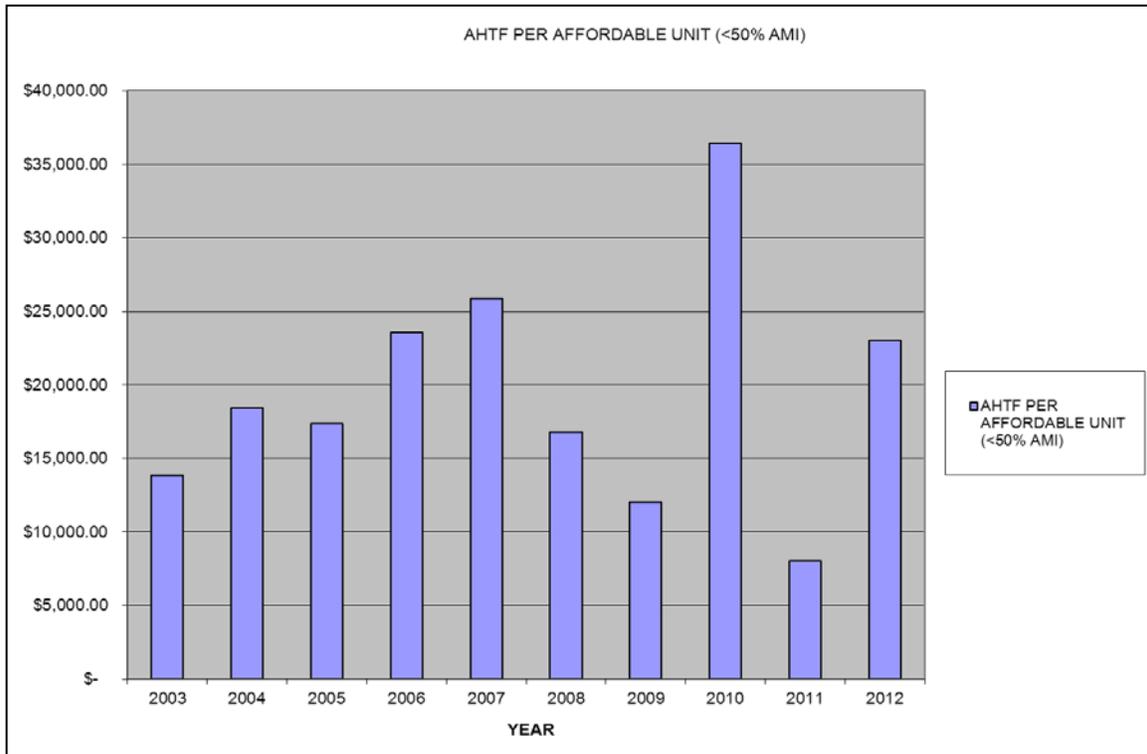
City of Minneapolis Affordable Housing Trust Fund 2002-2012



Near North-PPL

Amount of AHTF per affordable unit

The following chart demonstrates the average amount of AHTF funds put into projects per year. Though the average number does not exceed \$30,000 in any given year, it should be noted there have been occasions where project have exceeded \$35,000 per unit. These projects are rare and usually finance only a few units. The AHTF now uses a cap of \$25,000 per affordable unit.





Whittier CO-OP-Commonbond

Benefits of the AHTF

Beyond providing decent, safe and affordable housing opportunities to every demographic and income segment of City of Minneapolis citizens, the AHTF provides the following additional benefits:

Community revitalization The AHTF helps the city meet its community revitalization goals. These goals are significantly achieved with the use of the AHTF. Many of the projects funded with the AHTF have provided the catalyst for change in some of the most blighted and deteriorated areas of the city. For example, Franklin Avenue in 2000 was a significantly blighted major corridor in the city. The disinvestment had left the avenue with few viable businesses, poor housing stock and was a magnet for undesirable behavior. With the use of the AHTF and other CPED programs, change has occurred along the avenue. It began with Many Rivers East in 2002, followed by Many Rivers West, the Franklin Street Bakery, Market Place and the Franklin Portland Gateway. Now the avenue is a shining example of municipal action taking control away from the forces of decay and remaking the city. In 2014, the city will complete the 4th phase of the Franklin/ Portland Gateway project. The project, known as the South Quarter, will be a state-of-the-art example of green technology weaved into 120 housing units at this of mixed income housing project.

Removal of blight and blighting influence The AHTF has been used often to take otherwise blighted structures, raze them or convert them into good quality housing. Van Cleve is an example of one such project, Van Cleve, built by PPL in conjunction with Habitat for Humanity, took a former

City of Minneapolis Affordable Housing Trust Fund 2002-2012

grain elevator site which had become an attractive nuisance in the neighborhood and turned in into affordable rental and home ownership opportunities.

Tax-Base enhancement Projects funded with the AHTF, increase the city's tax base by putting underutilized properties back on to the tax roles. The following is an analysis of the amount of taxes paid by all of the completed AHTF projects in 2009. The amount shown is the amount of approximate taxes collected that goes directly into the City of Minneapolis general fund. The amount does not include Tax Increment or other diversions of property tax paid.

Increases Density along Commercial and Community Corridors Typically, projects funded with the AHTF remove underutilized commercial properties which have outlived their useful life as a commercial property. These properties are transformed from vacant, low density commercial and industrial uses to higher density housing and mixed use projects. Bystrom Brothers is an example of an underutilized commercial/industrial property that will be transformed into a 300 unit plus mixed use project. The AHTF is an important ingredient in this transformation.

Job Creation Projects funded with the AHTF create a wide variety of jobs, particularly construction jobs. MN Housing estimates that there are 16 jobs produced for every \$1,000,000 in total development costs in a project.
(2008 MN Housing estimated jobs creation)

Provides Decent, Safe and Affordable Housing Projects funded with the AHTF must comply with providing that least 20% of the units produced are affordable and rented to households at or below 50% of the area median income. Additionally, CPED staff strives to ensure projects will be of high quality and sustainable so that the housing opportunity does not disappear through neglect, mismanagement, or lack of proper financing.

Special Needs Housing The AHTF funds a variety of projects for people who have experience homelessness, are at risk of becoming homeless, persons living with HIV, seniors and other vulnerable groups which find it difficult to find housing in the private market. These projects often provide affordable supportive services that can stabilize the lives of the residents. This diminishes the reliance on other public assistance.



West River Commons-New Construction

This document was produced by the Staff of Residential Policy and Finance, Housing Policy and Development Division, CPED

*Cover photos: Alliance Addition-Alliance Housing (top)
Riverside Plaza-Sherman Associates (bottom)*

Exhibit 1 AHTF Selection Criteria used in the 2009 AHTF RFP

V. SELECTION CRITERIA

Depending upon whether a project is located in an impacted area or a non-impacted area, proposals will be evaluated according to one of the two selection criteria point structures listed below. One point structure pertains to projects in impacted areas and the other point structure pertains to projects in non-impacted areas.

A. Selection Criteria for Projects in Impacted Areas:

The point structure for projects in impacted areas has 17 selection criteria. A proposal needs at least 20 points in two selection criteria (“Financial Soundness and Management” and “Economic Integration”) to meet the minimum point threshold and 80 points in all categories to meet the total point threshold. A proposed project must meet both the minimum and total point thresholds to be considered for funding.

1. Financial Soundness and Management (Maximum # of points - 25)

A project can receive up to 10 points for being underwritten according to the CPED's underwriting standards (Attachment #5); up to 5 points for the percentage amount of other funding sources which have been secured; up to 5 points for the quality of the management plan, and up to 5 points for the developer's experience in developing and operating projects of this type. With respect to the operating fees of the project, the following should be considered: A 5 to 8% vacancy estimate, sufficient operating reserves and reserves for replacement, a 1.2 debt service coverage, and sufficient cash flow to cover any unforeseen expenses. Projects are to be underwritten with these projections: a 4% annual operating cost increase and a 2% annual income increase.

2. Economic Integration (Maximum # of points - 20)

Project meets the mixed-income goals on basis of percentage of low-income units (affordable to 50% of MMI) to the total number of units.

Percentage of Low-Income Units Points

20% of total units 15

40% 20

60% 10

80% 5

100% 5

3. Ratio of Soft Costs to Total Project Costs (Maximum # of points - 8)

Points given to projects on a sliding scale of intermediary (soft) costs based on the % of total project costs. For the purposes of this provision, “Costs of Intermediaries” shall be consistent with MHFA.

Percent of Total Project Cost Points

30.1% - 35% 2

24.1% - 30% 4

15.1% - 24% 6

0% - 15% 8

City of Minneapolis Affordable Housing Trust Fund 2002-2012

4. **Family Housing** (Maximum # of points - 20)

The project provides family housing whereby 25% or more of the rental units project have three or more bedrooms. Points are awarded as follows:
Percentage of Units 3+ BR Points
At least 25% 10
At least 50% 15
At least 75% or more 20
5. **Design Quality and Compatibility** (Maximum # of points - 10)

Projects are evaluated to insure quality construction and aesthetically pleasing design which is compatible with the neighborhood will be awarded up to 5 points. The City Planning Department will be part of this review. Rehabilitation projects incorporating green/sustainable elements consistent with the "Minnesota Overlay to the Green Communities Criteria" and/or National Green Communities Criteria will be awarded up to 5 points.
6. **Provision of Resident Support Services** (Maximum # of points - 10)

Preference is given to projects that provide resident support services or establish a strong, integrated referral system. Examples of support services include information and referral, advocacy, case management, self-reliance training, formation/existence of a resident association, and community building activities.
System in place to provide support services - 10 points
Strong, integrated support referral system - 5 points
7. **Plan Conformance** (Maximum # of points - 10)

Preference is given to projects which conform to the City of Minneapolis Consolidated Plan, Comprehensive Plan, and/or to a city-adopted neighborhood plan document.
8. **Proximity to Transit and Jobs; Density** (Maximum # of points - 15)

Preference to projects that demonstrate transit access and proximity to jobs (oriented to primary commercial and community corridors) and proposed project contributes to the City's goal to "promote future growth" through new higher-density housing development. Points to be awarded for project's contribution to this goal given consideration of unique site characteristics to be determined in consultation with the City's Planning Department staff.
9. **Project-Based Section 8 Program Assistance** (Maximum # of points - 10)

Project owner agrees to apply for 1) Project-based Section 8 units and obtains a letter of support from Minneapolis Public Housing Authority, or 2) For other ongoing project assistance such as the HUD Supportive Housing Program.
10. **Housing for Homeless (at 30% or less of MMI)** (Maximum # of points -10)

Project provides housing units for homeless households; household income must be 30% or less of MMI.
40% of total units at <30% = 10 points
20% of total units at <30% = 5 points

City of Minneapolis Affordable Housing Trust Fund 2002-2012

11. **Long-Term Affordability** (Maximum # of points - 10)

Preference is given to those projects that demonstrate the ability to serve tenants for the longest period of time. The project must either cash flow for the period of proposed affordability or an operating deficit fund must be established at the beginning of the project.

 - 30 years or more 10 points
 - 25 years or more 8 points
 - 20 years or more 5 points
 - 15 years or more 3 points
12. **Preservation, Rehabilitation, Stabilization** (Maximum # of points - 5)

Project provides preservation, rehabilitation, and stabilization in impacted areas.
13. **Senior Housing** (Maximum # of points - 10)

Senior independent rental congregate and/or assisted living meeting development goals and objectives of the Minneapolis Senior Housing Policy.
14. **Neighborhood Support** (Maximum # of points - 5)

Proposed project is supported by the recognized neighborhood organization based on review of design and land use issues.
15. **Expiring Tax Credits** (Maximum # of points - 5)

Proposed project results in preserving long-term affordability of expiring tax credit units.
16. **Leverage** (Maximum # of points - 10)

Project must leverage additional resources. The point structure is:

 - Leverage Ratio Points
 - 5 private dollars for every 1 AHTF dollar, or 10
 - 5 private & other public dollars
 - for every 1 AHTF dollar, or 8
 - 3 private dollars for every 1 AHTF dollar, or 6
 - 3 private & other public dollars for every 1 AHTF dollar, or 4
 - 3 other public dollars for every 1 AHTF dollar 2
17. **Community Housing Development Organization** (Maximum points - 5)

Project is owned, developed or sponsored by a Community Housing Development Corporation (CHDO) as defined by HUD.

B. Selection Criteria for Projects in Non-Impacted Areas:

The point structure for projects in non-impacted areas has 18 selection criteria. A proposal needs at least 20 points in two selection criteria ("Financial Soundness and Management" and "Economic Integration") to meet the minimum point threshold and 85 points in all categories to meet the total point threshold. A proposed project must meet both the minimum and total point thresholds to be considered for funding.

1. **Financial Soundness and Management** (Maximum # of points - 25)

A project can receive up to 10 points for being underwritten according to the CPED'S underwriting standards (Attachment #5); up to 5 points for the

City of Minneapolis Affordable Housing Trust Fund 2002-2012

- percentage amount of other funding sources which have been secured; up to 5 points for the quality of the management plan, and up to 5 points for the developer's experience in developing and operating projects of this type. With respect to the operating fees of the project, the following should be considered: a 5 to 8% vacancy estimate, sufficient operating reserves and replacement reserves, a 1.2 debt service coverage, and sufficient cash flow to cover any unforeseen expenses. Projects are to be underwritten using these projections: a 4% annual operating cost increase and a 2% annual income increase.
- 2. Economic Integration** (Maximum # of points - 20)
Project meets the mixed-income goals on basis of percentage of low-income units (affordable to 50% of MMI) to the total number of units.
Percentage of Low-Income Units Points
20% of total project units 10
40% 15
60% 20
80% 10
100% 10
- 3. Ratio of Soft Costs to Total Project Costs** (Maximum # of points - 8)
Points given to projects on a sliding scale of intermediary (soft) costs based on the % of total project costs. For the purposes of this provision, "Costs of Intermediaries" shall be consistent with MHFA.
% of Total Project Cost Points
30.1% - 35% 2
24.1% - 30% 4
15.1% - 24% 6
0 - 15% 8
- 4. Family Housing** (Maximum # of points - 20)
The project provides family housing whereby 25% or more of the rental units in the project have three or more bedrooms. Points are awarded as follows:
Percent of Units 3+ Bedroom Points
At least 25% or more 10
At least 50% or more 15
At least 75% or more 20
- 5. Design Quality and Compatibility** (Maximum # of points -10)
Projects are evaluated to insure quality construction and aesthetically pleasing design which is compatible with the neighborhood will be awarded up to 5 points. The City Planning Department will be part of this review. Rehabilitation projects incorporating green/sustainable elements consistent with the "Minnesota Overlay to the Green Communities Criteria" and/or National Green Communities Criteria will be awarded up to 5 points.
- 6. Provision of Resident Support Services** (Maximum # of points - 10)
Preference given to projects that either provide resident support services or establish a strong, integrated referral system. Examples of support

City of Minneapolis Affordable Housing Trust Fund 2002-2012

services include information and referral, advocacy, case management, self-reliance training, formation/existence of resident association, and community building activities.

System in place to provide support services - 10 points

Strong, integrated support referral system - 5 points

7. Plan Conformance (Maximum # of points - 10)

Preference given to projects which conform to the City of Minneapolis Consolidated Plan, Comprehensive Plan, and/or a city-adopted neighborhood plan document.

8. Proximity to Jobs and Transit; Density (Maximum # of points - 15)

Preference to projects that demonstrate transit access and proximity to jobs (oriented to primary commercial and community corridors) and proposed project contributes to the City's goal to "promote future growth" through new higher-density housing development. Points to be awarded for project's contribution to this goal given consideration of unique site characteristics to be determined in consultation with the City's Planning Department staff.

9. Project-Based Section 8 Program Assistance (Maximum # of points - 10)

Project owner agrees to apply for 1) Project-based Section 8 units and obtains a letter of support from Minneapolis Public Housing Authority, or 2) For other ongoing project assistance such as the HUD Supportive Housing Program.

10. Housing for Homeless (at 30% or less of MMI) (Maximum # of points - 15)

Project provides housing units for homeless households; household income must be 30% or less of MMI.

60% of total units at <30% = 15 points

40% of total units at <30% = 10 points

20% of total units at <30% = 5 points

11. Long-Term Affordability (Maximum # of points -10)

Preference is given to those projects that demonstrate the ability to serve tenants for the longest period of time. The project must either cash flow for the period of proposed affordability or an operating deficit fund must be established at the beginning of the project.

30 years or more 10 points

25 years or more 8 points

20 years or more 5 points

15 years or more 3 points

12. New Construction or Positive Conversion (Maximum # of points - 5)

Project provides new construction and positive conversion in non-impacted areas. NOTE: Positive conversion means conversion in any manner of units that do not currently have affordable rents to units with affordable rents or conversion of non-residential property to affordable rental housing.

City of Minneapolis Affordable Housing Trust Fund 2002-2012

13. **Incorporates MHOP Units** (Maximum # of points - 12)
Two points for projects that incorporate MHOP units as at least 5% of the total units. An additional two points for each additional percentage up to 10% for a total of 12 points.
Percentage of Units Points
5% 2
6% 4
7% 6
8% 8
9% 10
10% 12
14. **Senior Housing** (Maximum # of points - 10)
Senior independent rental congregate and/or assisted living meeting development goals and objectives of the Minneapolis Senior Housing Policy.
15. **Neighborhood Support** (Maximum # of points - 5)
Proposed project is supported by the recognized neighborhood organization based on review of design and land use issues.
16. **Expiring Tax Credits** (Maximum # of points - 5)
Proposed project results in preserving long-term affordability of expiring tax credit units.
17. **Leverage** (Maximum # of points - 10)
Project must leverage additional resources. The point structure is:
Leverage Ratio Points
5 private dollars for every 1 AHTF dollar, or 10
5 private & other public dollars for every 1 AHTF dollar, or 8
3 private dollars for every 1 AHTF dollar, or 6
3 private & other public dollars for every 1 AHTF dollar, or 4
3 other public dollars for every 1 AHTF dollar 2
18. **Community Housing Development Corporation (CHDO)**
(Maximum # of points - 5)
Project is owned, developed or sponsored by a community housing development corporation.