



May 23, 2018

Agenda Item 4

REPORT TO THE COMMISSIONERS

FROM: Gregory Russ, Executive Director / CEO

SUBJECT: Authorization to Execute Documents for Minnehaha Townhomes Development

Previous Directives: The Board previously approved the use of development proceeds for this project at its May 25, 2016 Board meeting. This project has also been included in the Agency's 2016-2018 Moving to Work (MTW) Annual Plans. Additionally, the Board previously approved the execution of a General Contractor/Consultant (GC/C) Agreement with Frerichs Construction for construction of the project at its July 26, 2017 Board meeting.

Resident Council Review/Recommendation: This matter will be discussed with the Resident Advisory Board (RAB) immediately prior to the Board's May 23, 2018 meeting.

Budget Impact: MPHA's share of the development budget will be charged to the Development Proceeds set aside for this project. MPHA will utilize Working Capital funds to bridge the sales tax rebate at closing and reimburse that fund once the rebate is received.

Affirmative Action Compliance: Not Applicable.

RECOMMENDATION: It is recommended that the Board of Commissioners approve the attached Resolution authorizing the Executive Director or his designee to execute all Minnesota Housing Finance Agency (MHFA), Hennepin County Housing and Redevelopment Authority (HCHRA), City of Minneapolis, Metropolitan Council, Federal Home Loan Bank (FHLB), and United States Department of Housing and Urban Development (HUD) loan, grant, and other documents related to the Minnehaha Townhomes Development.

Minnehaha Townhomes is a 16-unit, new construction project consisting of four nearly identical buildings for families experiencing homelessness. Families will come from homeless shelters and receive services from Hennepin County and a Rapid Rehousing Provider. The supportive services for this project are being designed to replicate Hennepin County's Stable Families Initiative Pilot Program (SFI), primarily their highly successful Young Parents Program (YPP) and Integrated County Service components (ICS).



The property consists of two separate vacant lots currently owned by the City of Minneapolis, which MPHA will acquire for \$1.00. The project includes four structures, each with four townhomes. Fourteen of the sixteen townhomes will be two stories. Two of the townhomes are stacked on each other to provide a handicapped accessible unit where all living space is on a single story. Each structure will consist of one, 2-bedroom unit and three, 3-bedroom units.

The total project cost is \$5,013,731 with construction costs (including construction contingency) at approximately \$4.6 million. The project is primarily funded through public agencies including the MHFA, HCHRA, City of Minneapolis, Metropolitan Council, Minneapolis Public Housing Authority (MPHA), and FHLB. See below for project sources and uses.

Sources		Uses	
Minnesota Housing	\$1,170,475	Construction	\$4,578,094
City of Minneapolis	\$1,040,000	Soft Costs	\$435,637
Hennepin County	\$600,000		
Metropolitan Council	\$400,000		
Federal Home Loan Bank	\$300,000		
MPHA	\$1,438,256		
Sales Tax Rebate	\$65,000		
Total	\$5,013,731	Total	\$5,013,731

Funding from MHFA and HCHRA are in the form of soft loans that will bear a 0% interest rate and carry a 30-year term. Grants are being provided by the City of Minneapolis Affordable Housing Trust Fund, Metropolitan Council Local Housing Incentive Account, and Federal Home Loan Bank.

The development will be subject to income limits not exceeding 30% of the Multifamily Subsidy Income Limits (MTSP) and rent limits not exceeding 30% of MTSP for the term of the loans. Since the units are being developed as traditional public housing and will be subject to longer-term use restrictions under the HUD Declaration of Trust, this housing will remain permanently affordable for extremely low-income households that have experienced homelessness in our community.

This Report was prepared by Laura Dykema, Director of Planning & Development. For further information, please contact Ms. Dykema at (612) 342-1428 or ldykema@mplspha.org.

RESOLUTION NO. 18- 179

WHEREAS, the Minneapolis Public Housing Authority (“MPHA”) proposes to construct Minnehaha Townhomes, a 16-unit affordable townhome project located in Minneapolis, Hennepin County, Minnesota on property legally described on Exhibit A (the “Development”).

WHEREAS, the Development will be subject to income limits not exceeding 30% of the Multifamily Tax Subsidy Income Limits (“MTSP”) and rent limits not exceeding 30% of MTSP for the term of the Loans. Further, four units will be designated for permanent supportive housing for long-term homeless families and 12 units for homeless households for the term of the Loans.

WHEREAS, on this 23rd day of May 2018, there has been presented to the MPHA Board of Commissioners, a proposal to acquire the property legally described on Exhibit A and borrow funds in an amount not to exceed \$1,170,475 from the Minnesota Housing Finance Agency (“MHFA”) and \$600,000 from the Hennepin County Housing and Redevelopment Authority (“HCHRA”) to construct the Development (collective, the “Loans”). Further, the Loans shall bear a 0% interest rate and a 30-year term.

WHEREAS, the MPHA will execute grant commitments in the amount of \$1,040,000 from the City of Minneapolis Affordable Housing Trust Fund (“AHTF”), \$400,000 from the City of Minneapolis for the Metropolitan Council Local Housing Incentives Account (“LHIA”), and \$300,000 from the Federal Home Loan Bank (“FHLB”) to construct the Development (collectively, the “Grants”). Further, the MPHA has agreed to provide a capital contribution to construct the Development (“Capital Contribution”); and

WHEREAS, the MPHA will develop and operate the Development as federally-assisted public housing under its Annual Contributions Contract with the United States Department of Housing and Urban Development (“HUD”), which will require MPHA to enter into certain documents with HUD regarding funding and long-term use restrictions.

NOW THEREFORE BE IT RESOLVED, that the Executive Director / CEO of the Minneapolis Public Housing Authority or his designee is authorized at any time hereafter and without further action by or authority or direction from the MPHA Board of Commissioners, to execute and deliver to the MHFA, City of Minneapolis, HCHRA, FHLB, and HUD all Loan, Restrictive Covenant, Grant and HUD Documents and other documents contemplated herein.

BE IT FURTHER RESOLVED, that the Executive Director / CEO of the Minneapolis Public Housing Authority or his designee is authorized at any time hereafter and without further action by or authority or direction from the Board of Commissioners, to execute and deliver or cause to be executed and delivered, all such other further mortgages, notes, regulatory agreements, restrictive covenants, loan agreements, assignments, statements, instruments, certificates, all documents related to the documents listed on Exhibit B, and all other documents and to do or cause to be done all such other and further acts and things as they

may determine to be necessary or advisable under or in connection with such purchase and borrowing, and that their execution of any such mortgages, notes, regulatory agreements, loan agreements, assignments, statements, instruments, certificates, and other documents, or the doing of any such act or thing, shall be conclusive evidence of their determination in that respect.

BE IT FURTHER RESOLVED, that the Executive Director / CEO of the Minneapolis Public Housing Authority or his designee is authorized to enter into, execute, and deliver the following financing:

- (i) From Minnesota Housing Finance Agency (the “MHFA”) a loan in an amount not to exceed \$1,170,475, which loan shall be evidenced by a note and secured by a mortgage on the Development and/or such other collateral as may be required by MHFA, including, but not limited to those documents listed on Exhibit B (the “MHFA Loan Documents”);
- (ii) From the Hennepin County Housing and Redevelopment Authority (the “HCHRA”) a loan in an amount not to exceed \$600,000, which loan shall be evidenced by a note and secured by a mortgage on the Development and/or such other collateral as may be required by HCHRA, including, but not limited to those documents listed on Exhibit B (the “HCHRA Loan Documents”);
- (iii) Such grants or other sources as determined to be necessary by the Executive Director / CEO including, but not limited to all documentation related to the City of Minneapolis Affordable Housing Trust Fund; City of Minneapolis Metropolitan Council Local Housing Incentive Fund Agreement; and, Federal Home Loan Bank listed on Exhibit B (the “Grant Documents”); and
- (iv) Capital Contribution from the MPHA.

BE IT FURTHER RESOLVED, that the Executive Director / CEO of the Minneapolis Public Housing Authority or his designee is authorized to acquire land from the City of Minneapolis legally described on Exhibit A to construct the Development.

BE IT FURTHER RESOLVED, that the Executive Director / CEO of the Minneapolis Public Housing Authority or his designee is authorized to enter into, execute, and deliver the following additional documents:

- (i) HUD Declaration of Trust;
- (ii) HUD Section 30 Rider to the Declaration of Trust; and
- (iii) Public Housing Mortgage Program Amendment to the Consolidated Annual Contributions Contract.

BE IT FURTHER RESOLVED, that the MHFA, City of Minneapolis, HCHRA, FHLB, and United States Department of Housing and Urban Development is authorized to rely on continuing force and effect of this Resolution until receipt by the Commissioner of the MHFA, City of Minneapolis, HCHRA, FHLB, and United States Department of Housing and Urban Development, at its principal offices, of notice in writing from the MPHA of any amendments or alterations thereof.

Exhibit A

Legal Description

Parcel 1:

Lots 10 and 16, Block 2, Thorpe Bros. Minnehaha Grove Addition to Minneapolis;

and

That part of Lots 11, 12, 13, and 4, Block 2, Thorpe Bros. Minnehaha Grove Addition to Minneapolis, which lies Westerly of Line 1 described below:

Beginning at Right of Way Boundary Corner B1 as shown on Minnesota Department of Transportation Right of Way Plat No. 27-100 as the same is on file and of record in the office of said County Recorder; thence Northerly on an azimuth of 359 degrees 46 minutes 34 seconds along the boundary of said plat for 30.00 feet to Right of Way Boundary Corner B28; thence on an azimuth of 89 degrees 46 minutes 34 seconds for 6.28; thence Northerly for 10.97 feet on a non-tangential curve, concave to the West, having a radius of 14.93 feet, a delta angle of 42 degrees 05 minutes 56 seconds, and a chord azimuth of 20 degrees 49 minutes 55 seconds; thence on an azimuth of 359 degrees 46 minutes 58 seconds for 153.42 feet; thence deflect to the left on a tangential curve, having a radius of 85.58 feet and a delta angle of 25 degrees 41 minutes 28 seconds, for 38.38 feet; thence Northwesterly for 19.96 feet on a non-tangential curve, concave to the Southwest, having a radius of 1639.90 feet, a delta angle of 00 degrees 41 minutes 51 seconds and a chord azimuth of 311 degrees 44 minutes 11 seconds to Right of Way Boundary Corner B31 as shown on said Plat No. 27-100 and there terminating.

Together with that part of the alley in said Block 2, vacated by Resolution 2011R-243 adopted May 13, 2011, filed August 17, 2011, as Document Nos. A9683718 (Abstract) and T4879113 (Torrens), and by Resolution No. 2017R-380 adopted August 31, 2017, filed September 27, 2017, as Document No. A10483787 (Abstract), that accrued to said lands by reason of said vacation.

Hennepin County, Minnesota
Abstract Property

Parcel 2:

Lot 1, Block 1, Rasa Addition.

Hennepin County, Minnesota
Abstract Property
Torrens Property

Parcel 3:

Nonexclusive easement for vehicular ingress, egress and access, for the benefit of Parcel 2, as created by Phase II Access Easement Agreement dated December 29, 2011, filed December 30, 2011 as Document No. A9732402

Exhibit B

List of Loan, Grant and Related Documents

MHFA Loan Documents

- Mortgage Note
- Combination Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Financing Statement
- Construction Loan Agreement
- Assignment of Architect's Contract
- Assignment of Construction Contract
- Supplement to General Conditions of the Agreement between Owner and Contractor
- Regulatory Agreement
- Declarations of Covenants, Conditions and Restrictions
- Master Subordination Agreement and Estoppel Certificate
- Master Disbursement Agreement

HCHRA Loan Documents

- Promissory Note
- Combination Mortgage, Assignment of Rents, Security Agreement, and Fixture Financing Statement
- Loan Agreement
- Declaration of Covenants and Restrictions
- Request for Notice of Mortgage Foreclosure

Grant Documents

- City of Minneapolis Affordable Housing Trust Fund Written Agreement
- City of Minneapolis Metropolitan Council Local Housing Incentives Account Fund Agreement
- City of Minneapolis Redevelopment Contract
- Federal Home Loan Bank of Des Moines Affordable Housing Program Agreement for Rental Project
- Federal Home Loan Bank of Des Moines Agreement for Covenants and Restrictions

HUD Documents

- Declaration of Trust
- HUD Section 30 Rider to the Declaration of Trust
- Public Housing Mortgage Program Amendment to the Consolidated Annual Contributions Contract.