

## **Memorandum**

Date: May 11, 2004

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: Implementation Fee for 2003 NRP Affordable Housing Reserve Fund and Downtown Affordable Housing Fund Projects

The Community Planning and Economic Development (CPED) department of the City has adopted a new Policy on Fees for NRP Implementation Activities that replaces MCDA Administrative Bulletin #41 dated September 12, 1995. The policy, which is effective May 1, 2004, provides a charging structure for assessing implementation fees to NRP funded projects, programs, services and activities administered by CPED.

The new policy will help CPED and the City recover costs that it incurs for services in support of the NRP and is consistent with the Contract Management Policy adopted by the Policy Board on January 27, 1997. A copy of this policy is attached for your information.

The Memorandum of Understanding between NRP and the City allows implementation fees to be assessed to projects that have already been initiated only for the work conducted on the project after December 31, 2004. CPED staff has calculated the effort required after that date and adjusted the fee that would have otherwise been assessed accordingly.

Budgets and project costs have already been projected for thirteen of the projects that were initiated prior to the date of the MOU. These Affordable Housing Reserve Fund and Downtown Affordable Housing Fund projects have already secured their funding and adding a new fee could result in startup delays and funding shortfalls. To avoid these problems and help ensure the timely initiation and completion of these projects, I am recommending that the Board use some of the unallocated AHRF funds to fund this expense item. In the future, the implementation fee will be part of the project budget.

I recommend the following resolution to the Board for approval:

**RESOLVED:** That the Minneapolis Neighborhood Revitalization Policy Board (Board) approves the use of \$42,141 from the NRP Affordable Housing Reserve Fund to pay for CPED implementation fees in accordance with the attached schedule; and

**RESOLVED FURTHER:** That the available funds for the 2004 AHRF RFP be reduced by this amount.

**Community Planning & Economic Development**

Crown Roller Mill, 105 Fifth Ave. S.  
Suite 200  
Minneapolis, MN 55401



**MEMORANDUM**

Date: May 11, 2004

TO: Robert D. Miller, Director, Neighborhood Revitalization Program

FROM: Bob Cooper, NRP/Citizen Participation Specialist, Development Finance Division

SUBJECT: **Implementation Fee for NRP Affordable Housing Reserve Fund and Downtown Affordable Housing Fund Projects**

Attached to this memorandum is the information that you requested at our last meeting regarding the CPED implementation fee for current projects funded through the NRP Affordable Housing Reserve Fund and the Downtown Affordable Housing Fund.

As you requested, Cynthia Lee has estimated the percent of staff time to be spent on each of these projects after December 31, 2004. This percentage is applied to the originally calculated implementation fee to arrive at an implementation fee consistent with the MOU.

As we agreed, this new figure (\$42,141) will be covered by NRP, rather than assessed to project budgets. Please let me know if there is any additional information that you would like in bringing this forward to the Policy Board.

Attachment

cc: Cynthia Lee  
Jeff Schneider  
Bob Cooper

Project ID#	NRP Amount	Total Project Cost	Other CPED Sources	Amount	Other city administered	Fee?	Impl. Fee	Fee Amount	Est.>12/31/04	Amount
The Homewoods	\$169,000	\$2,088,000	tax credits	n/a	none		4%	\$6,760	40%	\$2,704
Little Earth	\$500,000	\$5,859,421	unknown	unknown	unknown		4%	\$20,000	80%	\$16,000
Heritage Park (Phase III)	\$189,400	\$19,127,300	AHTF	\$750,000	Met Council LHIA	no	2%	\$3,788	30%	\$1,136
Saint Annes Senior Housing	\$350,000	\$12,604,676	AHTF	\$498,000	none		2%	\$7,000	30%	\$2,100
Agape Child Development Center	\$500,000	\$8,240,000	AHTF	\$500,000	none		2%	\$10,000	40%	\$4,000
Habitat Homes at Heritage Park	\$539,500	\$9,625,000	none	n/a	none		4%	\$21,580	30%	\$6,474
Hiawatha Commons	\$500,000	\$11,201,012	AHTF	\$760,000	none		2%	\$10,000	30%	\$3,000
Lamoreaux	\$95,000	\$6,624,792	UST bridge loan	\$1,960,000	none		4%	\$3,800	20%	\$760
New Village Coop	\$297,058	\$1,204,058	AHTF	\$277,000	none		2%	\$5,941	30%	\$1,782
Phillips Park Initiative Supportive Housing	\$100,000	\$1,509,150	AHTF	\$500,000	EZ	no	2%	\$2,000	30%	\$600
Cecil Newman	\$188,000	\$10,434,366	AHTF	\$788,000	none		2%	\$3,760	40%	\$1,504
St. Anthony Mills	\$250,000	\$70,045,557	AHTF	\$500,000	none		2%	\$5,000	40%	\$2,000
King Field PHA Duplex	\$10,000	\$350,000	none	n/a	none		4%	\$400	20%	\$80
								\$100,029		\$42,141
								2.71%		1.14%

NRP Processing required: MF PC, legal, construction management

Final underwriting

Construction plan review, bidding review

Preparation and execution of loan documents - usually separate from AHTF documents

Loan closing - due diligence (review title insurance, environmental, insurance, zoning, etc.), coordination with other lenders.

Construction monitoring and disbursement

Ongoing compliance monitoring - rents and incomes

**Community Planning & Economic Development**

Crown Roller Mill, 105 Fifth Ave. S.  
Suite 200  
Minneapolis, MN 55401



**MEMORANDUM**

March 22, 2004

MEMO TO: All Staff

FROM: Lee Sheehy, Director

SUBJECT: Policy on Fees for NRP Implementation Activities  
(Replaces MCDA Administrative Bulletin #41, dated September 12, 1995)

From the start of the Neighborhood Revitalization Program (NRP), the various components of CPED have performed services in support of the NRP. This work did not generate sufficient offsetting revenues to cover our costs. The MCDA adopted an NRP Implementation Fee policy in 1995 to address this issue. The NRP Policy Board followed with a similar, but broader, Contract Management Policy in 1997 (attached). Last year's amendments to the NRP ordinance, which allocated Common Project discretionary revenues to the NRP, eliminated the revenue source that had been used in past years to cover MCDA's administrative and project management costs. This memo updates the 1995 MCDA policy to reflect this and other recent events, such as the creation of CPED. This policy will apply to all of CPED and is intended to make the CPED policy consistent with NRP's Contract Management Policy.

The following list details the applicability of an implementation fee for CPED-administered NRP-funded projects, programs, services and activities:

1. An implementation fee **will be assessed** to NRP-funded projects, programs, services and activities for which CPED has the major responsibility for the implementation of the activity (such as real estate acquisition, relocation, conducting planning studies, etc.). An implementation fee also **will be assessed** in instances where CPED provides special services for the administration of approved NRP activities, such as site selection, redeveloper or vendor selection, site planning, proposal evaluation and analysis, neighborhood inventories, commercial district plans, etc.
2. An implementation fee **will be assessed** to NRP-funded projects, programs, services and activities that are delivered by a third-party, but for which CPED provides professional-level assistance (developing program/project guidelines, preparing requests for proposals, structuring financial assistance, providing ongoing monitoring, evaluating outcomes, etc.).

3. If the NRP funds are being used as gap financing for an existing CPED project, program, service or activity, an implementation fee **will be assessed** if the NRP funds must be treated differently than other funding sources and require additional legal and staff work (e.g., if the neighborhood adds project, process or reporting requirements that are not required by any other funding source). An implementation fee **will not be assessed** when the NRP funds are just an additional funding source.
4. An implementation fee **will not be assessed** when CPED's role is solely to pass through the NRP funds for a project or activity that is administered by other governmental departments or jurisdictions (such as the Police Department, Public Works, Park Board, and School Board).
5. An implementation fee **will not be assessed** when CPED assists with the preparation of NRP Neighborhood Action Plans or the plan approval process, or for routine assistance in implementing activities carried out by the other entities in #4 above.

Activity	Fee Applies?	
	Yes	No
Direct CPED implementation of an activity	x	
Provide professional-level assistance	x	
Gap financing with additional requirements	x	
Gap financing with no additional requirements		x
Provide general information		x
Pass-through funds to another department/jurisdiction		x

The implementation fee assessed by CPED will be determined as follows:

1. The fee assessed to an NRP-funded project, program, service or activity will be **two percent (2%)** of the NRP funded portion of the budget if the CPED staff work only includes review of (or slight modification to) a simple or off-the-shelf scope of service/budget; executing an NRP Funding Agreement for the project, program, service or activity; and processing payments with little oversight or monitoring. **The minimum fee charged for this type of work will be \$250.**
2. The fee assessed to an NRP-funded project, program, service or activity will be **five percent (5%)** of the NRP funded portion of the budget if the CPED staff work includes preparation of a new scope of service/budget; executing an NRP Funding Agreement for the project, program, service or activity; and processing payments that require detailed oversight and monitoring. **The minimum fee charged for this type of work will be \$500.**

The percentage assessed above should be **increased by two percent (2%)** if the NRP-funded project, program, service or activity requires continued monitoring after all contract disbursements have been made. This may include continued processing of loan repayments or continued monitoring of activity (annual monitoring of rent levels, etc.). This does not include those projects or programs for which the only future activity will be a satisfaction of a lien.

Activity	without ongoing responsibilities	with ongoing responsibilities	minimum fee
simple, off-the-shelf scope of service; little oversight or monitoring	2%	4%	\$250
new scope of service; detailed oversight or monitoring	5%	7%	\$500

The implementation fee to be included in the NRP project or program budget should be based upon the total amount of NRP funding. Do not include in the calculation of the fee any funding from other sources. This fee is in addition to the project costs. **Please note: the implementation fee cannot be collected if it is not part of the contracted project or program budget.** Staff will be responsible for monitoring their program/project budget to ensure that expenditures are properly recorded.

On an annual basis, staff in the City Finance Department's Development Finance Division will be responsible for collecting the agreed upon fee based on recorded expenditures, rather than an up-front flat fee. The minimum fee, however, will be collected on a one-time basis, upon execution of the contract or agreement, even if there are no recorded expenditures for the project, program, service or activity.

It is the responsibility of CPED staff, when working with neighborhood organizations and other entities, to explain this policy, and to make certain that the implementation fee is anticipated and incorporated into the applicable project, program, service or activity budgets at the earliest possible stage in the planning process. A chart summarizing this policy is attached.

This policy is effective as of **May 1, 2004**. All agreements executed after that date will need to include in the budget the appropriate implementation fee unless it is exempted by this policy. Any agreements that do not include the appropriate implementation fee will not be signed for execution.

Current agreements for NRP-funded projects, programs, services or activities that do not include an implementation fee should be closed-out by **December 31, 2004**. It is expected that staff will work with the appropriate contract vendors to conclude all work on outstanding NRP-funded agreements (that do not include an implementation fee) prior to this date. Current NRP-funded contracts that will require ongoing staff work after December 31, 2004, that would otherwise require an implementation fee under this policy, will need to be amended to include an appropriate implementation fee. The fee would be based on the outstanding NRP contract balance as of December 31. It will be the CPED contractor administrator's responsibility to negotiate this fee with the appropriate contract vendor. Agreements that are not so amended

will be terminated. CPED, Finance Department and NRP staff will continue to investigate alternative funding mechanisms to support staff costs related to this work.

### Additional Procedures

In order to ensure that the implementation fee collected is sufficient to cover CPED's costs of providing services to NRP, staff is directed to record on their timesheet all time worked on NRP projects, programs, services and activities. The following timesheet job codes should be used **starting with the pay period which begins on May 2, 2004:**

- Time spent on **existing NRP-funded home improvement/homebuyer programs** for which no implementation fee is collected (this is primarily Don Snyder) should be coded to **Fund SAD0, 890NR001**.
- Time spent on **existing NRP-funded business improvement programs** for which no implementation fee is collected should be coded to **Fund SAD0, 890NR003**.
- Time spent on all other **existing NRP-funded projects, programs, services and activities** for which no implementation fee is collected should be coded to **Fund SAD0, 890NR005**.
- Time spent on **non-project-specific NRP Affordable Housing Reserve Fund activities** should be coded to **Fund SAD0, 890NR006**.
- Time spent on **non-project-specific CPED/NRP Site Redevelopment Program activities** should be coded to **Fund SAD0, 890NR007**.
- Time spent on **new NRP-funded home improvement/homebuyer programs** for which an implementation fee will be assessed should be coded to **Fund SAD0, 890NR002**.
- Time spent on **new NRP-funded business improvement programs** for which an implementation fee will be assessed should be coded to **Fund SAD0, 890NR004**.
- Time spent on **all other new NRP-funded projects, programs, services and activities** for which an implementation fee will be assessed, or **existing NRP-funded activities for which a fee is currently collected**, will require a new, unique job code to be set up within the payroll system. At the time an NRP assignment is made, or for existing fee-generating activities, the appropriate manager should contact Lucy McAlpine at 673-5080 ([lucy.mcalpine@ci.minneapolis.mn.us](mailto:lucy.mcalpine@ci.minneapolis.mn.us)) for the creation of the new job code. This job code should be provided to all other CPED staff that work on this activity.
- Time spent on **providing non-project specific general information and assistance** to neighborhood groups and NRP staff for which no implementation fee is collected should be coded to **Fund SAD0, 890NR008**.



- Time spent on **providing administrative implementation support to NRP** (this is primarily Ruben Acosta, Bob Cooper and Debbie Phillips) should be coded to **Fund SAD0, 890NR009**.

Activity	Job Coding
existing home improvement programs	890NR001
new home improvement programs	890NR002
existing business improvement programs	890NR003
new business improvement programs	890NR004
existing, non-fee projects/programs	890NR005
existing, fee-generating projects/programs	to be assigned

Activity	Job Coding
new projects/ programs	to be assigned
non-project-specific NRP Affordable Housing Reserve Fund	890NR006
non-project-specific CPED/NRP Site Redevelopment Program	890NR007
general information and assistance	890NR008
administrative implementation support	890NR009

Please note that the current timesheet job code, SAD01004, will no longer be available after May 1, 2004. Also note that, in general, no time should be coded to SAD0 for vacation time, sick leave or holidays.

If further clarification is needed, please contact Jeff Schneider, CPED Senior Project Manager, at 673-5124 ([jeff.schneider@ci.minneapolis.mn.us](mailto:jeff.schneider@ci.minneapolis.mn.us)), or Bob Cooper, Senior NRP/Citizen Participation Specialist, at 673-5239 ([bob.cooper@ci.minneapolis.mn.us](mailto:bob.cooper@ci.minneapolis.mn.us)). Thank you all for your cooperation and assistance in this matter.

Attachments: Summary Fee Matrix  
NRP Contract Management Policy

cc: Mayor R.T. Rybak  
Council President Paul Ostrow  
Council Member Barret Lane  
John Moir, Chair, NRP Management Review Team  
Bob Miller, Director, NRP  
Patrick Born, Director, Finance Department  
Jack Kryst, Director, Development Finance Division (for distribution to division staff)

### CPED Policy on Fees for NRP Implementation

Activity	Description	Fee?		Amount		
		Yes	No	without ongoing responsibilities	with ongoing responsibilities	minimum fee
Direct CPED implementation	a. simple scope; little oversight/monitoring	x		2%	4%	\$250
	b. custom scope; detailed oversight/monitoring	x		5%	7%	\$500
Provide professional assistance	a. simple scope; little oversight/ monitoring	x		2%	4%	\$250
	b. custom scope; detailed oversight/monitoring	x		5%	7%	\$500
Gap financing with additional requirements	a. simple scope; little oversight/monitoring	x		2%	4%	\$250
	b. custom scope; detailed oversight/monitoring	x		5%	7%	\$500
Gap financing with no additional requirements			x			
Provide general information			x			
Pass-through funds to another department/ jurisdiction with no additional requirements			x			