

## Memorandum

Date: July 22, 2008

To: Policy Board Members and Alternates

From: Robert D. Miller, Director

Subject: Status of Affordable Housing Reserve Fund Projects

During the recent discussion of potential funds for reallocation to neighborhoods, the possibility of terminating and reallocating funds from the unexpended balance in the Affordable Housing Reserve Fund was raised. At that time, the Board requested more details on AHRF Projects that might be candidates for reallocation.

Attached is a summary of the status for three AHRF projects for which there are no current contracts and for which there have been no draws.

The Agape Child Development Center project was awarded \$ 100,000 for construction of a multi-story mixed-use facility at 3014-24 Emerson Ave N. in the Hawthorne neighborhood. Twelve units of housing were to be constructed and half of the constructed units were to be affordable to households with incomes of 50% of AMI or less. A 24-hour childcare center was to occupy the first floor.

This project has changed scope, content and site. It has become a high-density rental unit development with a much smaller percentage of its units reserved for low-income households. It is scheduled for construction on contiguous vacant lots at West Broadway and Logan Ave. in the Jordan neighborhood.

Karamu West was a new construction mixed-income ownership project in Near North that was planned as part of the vision for reconstructing Plymouth Avenue from Penn to Russell. The project was to be developed by NRRC and was allocated \$ 125,000. No action has occurred on this development and NRRC's financial condition has deteriorated. NRRC has been divesting itself of its physical holdings and has not completed a significant development project in more than a year.

Village in Phillips is the second phase of a highly successful planned redevelopment of Bloomington Avenue from 24<sup>th</sup> Street to Lake Street. In the first phase 28 town homes were constructed and sold to low-income households. In the second phase, another 36

units of housing were to be constructed at 24<sup>th</sup> St. and Bloomington. These were to be owned condominiums and were to be sold to households with incomes below 115% AMI.

The developer (PRG) has its financing in place for initiating construction but has not yet pre-sold enough units to begin building. The developer is now considering converting the project to rental units. Market conditions have made this a difficult project to accomplish.

The funds to Agape were awarded in December 2003 as part of the Year 2 AHRF program and the awards to Karamu and Village in Phillips Phase II were awarded in the third round of the AHRF (February 2005).

Based on the results achieved to date, the current status of the projects and their prospects for completion in a manner consistent with the original project vision for which their award was made, I am recommending that the Board consider the following action:

**RESOLVED, that the Minneapolis Neighborhood Revitalization Program (NRP ) Policy Board (“Board”) terminates the Affordable Housing Reserve Fund (AHRF) awards for the Agape Child Development Center (2003 and \$100,000) and Karamu West (2005 and \$125,000) projects;**

**RESOLVED FURTHER, that the Director send a letter to each of the sponsoring organizations informing them of this decision;**

**RESOLVED FURTHER, that the Board continues to reserve \$305,000 from the Year 3 AHRF for the Village in Phillips-Phase 2 project but directs that a status report and update be provided to the Board by November 30;**

**RESOLVED FURTHER, that the funds reallocated from the AHRF be reserved for the NRP Administrative Contingency Fund.**

**NRP Affordable Housing Reserve Fund  
Status of Selected Projects: July 2008**

Project Name/ Applicant	Neighborhood	Type of Housing	Description	AHRF	Status
Agape Child Development Center / Agape Development Partners, LLC	Hawthorne	Rental	Agape Child Development Center: Oasis of Love, Inc. and Welsh Construction/Management Co. are collaborating together to construct a multi-story, mixed use facility at 3014-24 Emerson Ave N. This new facility will contain 6 two-bedroom and 6-three bedroom apartment units on the uppermost level. Six units will be affordable to households under 30% AMI and 6 units will be affordable to households under 50% AMI. The 24 hour child care program will be on the main level with office, program, counseling and training space between the housing and childcare component. Welsh Companies will provide the property management/asset management responsibilities and will provide training to Agape to transition these responsibilities over to the organization.	100,000	The Agape Child Development Center project is now the Agape Apartments to be constructed on contiguous vacant lots at West Broadway and Logan Ave. The general partners are Oasis of Love, Inc. and Legacy Management and Development Corp. The 50 unit development will include 17 one-bedroom, 25 two-bedroom, and 8 three-bedrooms. 5 units will be available to households at 30% AMI, 5 units for households at 50% AMI and 36 units at 60% AMI.
Village In Phillips- Phase 2 / Powderhorn Residents Group	Midtown & East Phillips	Homeownership	Village In Phillips (VIP) is a three and one-half block area located in the Midtown and East Phillips neighborhoods. A unique collaborative planning process among several Minneapolis non-profit community developers and residents produced a design by and for neighborhood residents. The vision is to create a safe, diverse, sustainable, child-friendly and physically identifiable "village" by providing a mix of housing types, commercial space and greenspace. Phase I of VIP is underway with the construction of 28 townhomes. To-date, 25 of these 28 homes have been pre-sold. VIP Phase II proposes the construction of 36 condominiums to be located at the southwest and southeast corners of East 24th Street and Bloomington Avenue. Eight units will be sold to households under 50% AMI, another 8 units will be sold to households under 80% AMI and the remaining twenty units will be sold to households under 115% AMI. Partnerships with both City of Lakes Land Trust and Twin Cities Habitat for Humanity will ensure that the units remain affordable.	305,000	All financing has been in place to start construction. The developer has not been successful in meeting the pre-sale agreement of 12 units that would allow construction to begin. Due to the current condition of the for-sale housing market and accumulating holding costs, the developer is in the early stages of exploring the possibilities of converting the project to rental.
Karamu West / Northside Residents Redevelopment Council	Willard Hay	Homeownership	Karamu West is a new construction mixed-income ownership project. Karamu is a Swahili word meaning "Joyous Place to Gather". Karamu West is a major component of the Plymouth Avenue Visioning process initiated by NRRC. Karamu on Plymouth is a four block mixed use transit oriented development between the blocks of Newton and Russell. The Karamu West project between Penn Ave and Russell Ave consists of 54 for-sale condominium and/or walk-up brownstone units with 8,400 square feet of retail space at the southwest corner of Penn and Plymouth Avenue. Eleven of the 54 units will house persons below 50% of Area Median Income. The condominium units will include a mix of one bedroom, one plus, and two bedroom flats. Along Plymouth Ave and wrapping around the corner onto Russell Ave there will be 10 two bedroom townhome style units. The site is a brownfield in which 70% of the contaminants are petroleum based.	125,000	