Final Report

Analysis of Rehabilitation/ Redevelopment Options

Glendale Townhomes

Prepared by:
Sherman Associates

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Introduction to Glendale Townhomes

Glendale Family Townhomes is a housing community originally built in 1952 on a 12.5 acre site in the Prospect Park neighborhood of Southeast Minneapolis. The community consists of 184 residential units in 28 townhome style buildings, all currently owned and managed by the Minneapolis Public Housing Authority (MPHA). The development contains the following unit types: 26 one-bedroom, 70 two-bedrooms, 70 three-bedrooms, and 18 four-bedroom apartments.

Although the grounds are well-maintained, some of the building components and systems have reached or exceeded their life expectancy and are in need of replacement in the near future. In an effort to assess the buildings' current needs and longevity, the MPHA conducted a Physical Needs Assessment (PNA) in 2015 which indicated $15 million in current physical needs for Glendale, with the figure increasing to $27 million over the next 20 years. In addition to deficient buildings systems and materials, none of the units meet the American with Disabilities Act of 1990 (ADA) accessibility requirements.

While the townhomes have filled community and affordable housing needs for generations of Minnesotans, the current conditions at Glendale challenge MPHA's strategic goals of creating sustainable and energy efficient buildings and neighborhoods while at the same time maintaining safe and affordable public housing for its residents for years to come.

The Glendale Townhomes Recommendation Study will provide context for Sherman Associates' engagement with the MPHA and provide an analysis of the potential rehabilitation and redevelopment Recommendations for Glendale Family Townhomes. The study is intended to provide reasonable, but hypothetical, Recommendations based on preliminary information. All Recommendations will require additional evaluation, underwriting, and a more in-depth feasibility analysis before a recommendation can be provided. Sherman Associates recommends that MPHA test the assumptions laid out in the report. It further recommends that MPHA and a development team meet with contemplated financial institutions listed in the report, review underwriting requirements, financial assumptions, and overall project feasibility. Feedback gained from these meetings will provide information to update the financial models. It should be expected that additional research by MPHA and a development team would take approximately six months. This research may prove that one option stands out, that one or more of the options do not work, or that viable new options develop.

Executive Summary

Sherman Associates understands that public housing operating funds do not currently cover the costs of operating public housing at Glendale. This circumstance is unfortunately common across MPHA's entire public housing portfolio where existing sources of funds have been inadequate to meet operating and rehabilitation needs. Given the financial realities that public housing units will not generate any reliable cash flow to cover operations nor any debt service coverage, substantial rehabilitation or redevelopment cannot occur with the current resources currently available to MPHA. Because the public housing units cannot be expected to generate cash flow to cover operations or debt service coverage, any redevelopment Recommendation would require significant outside investment. This outside investment can be achieved in part by use of Low-Income Housing Tax Credits (LIHTC) and associated equity contributions, along with the addition of market rate units which will provide opportunity to increase operating income.

In addition to incorporating LIHTC and market rate units into the development, the four Rec-ommendations presented contemplate the conversion of the public housing units to Project Base Section 8 rental assistance units in effort to provide reliable ongoing operating funds and further increase the operating income. The Recommendations assume that the Project Base Section 8 units would serve tenants at 50% to 60% of the area median income. Tenants would pay rents that would not exceed 30% of their income, and the remaining rent would be subsidized by the Project Base Section 8 program. It is Sherman Associates' understanding that MPHA would need

to seek HUD approval for this conversion or find other ways to provide additional on-going operating funds to the development. Additional challenges to securing operating and rehabilitation sources of funds include, but are not limited to, the competitive nature and maximum awards of the tax credit program, limitations of access and use of redevelopment grant opportunities, limitations and challenges related to ownership requirements, underwriting requirements, among many other challenges.

The MPHA engaged Sherman Associates to research and analyze four rehabilitation/redevelopment Recommendations for the Glendale Family Townhomes, including:

Recommendation 1: Significant Rehab of Existing Townhomes
Recommendation 2: Phased Hybrid Development – Significant Rehab and New Construction
Recommendation 3: Phased New Development - All New Construction
Recommendation 4: Full Redevelopment – All New Construction

Upon engagement, Sherman Associates and the MPHA outlined many considerations for the rehabilitation/redevelopment Recommendations, but of utmost importance to the MPHA was to guarantee the retention of all 184 very low-income, subsidized MPHA units, at a minimum. In order to ensure the long-term viability of these units, Recommendations 1-4 all contemplate the conversion of 184 MPHA units to Project Base Section 8 for the reasons previously stated.

Based on research and analysis, the rehabilitation/redevelopment Recommendations could range in total development costs from $23 million to $108 million. The subsequent statements characterize each Recommendation:

Recommendation 1: Significant Rehab of Existing Townhomes

Recommendation 1 includes the full renovation of 184 existing townhome units. All 184 MPHA units will be retained and converted to Project Base Section 8. While it is the goal to maintain the same unit mix and bedroom configuration for the rehabilitation Recommendation, the MPHA may need to be flexible to meet federally mandated ADA requirements associated with large-scale rehabilitation and redevelopment. Because many units are two-story in nature, the unit mix and bedroom configuration may need to change from its current conditions to accommodate ADA requirements.

Recommendation 1 showcases the lowest total development cost but the shortest estimated useful life (EUL). Recommendation 1 is financially viable but overall a short term solution that provides no additional affordable housing units nor senior units, a key strategic objective of the MPHA. The green space onsite is maintained, but Recommendation 1 townhome units are functionally obsolete and not designed for larger family style living accommodations.

Recommendation 2: Phased Hybrid Development – Significant Rehab and New Construction

Recommendation 2 includes the full renovation of 104 existing townhome units and the construction of 170 new multifamily and 95 new senior units. All 184 MPHA units will be retained, converted to Project Base Section 8 and split between townhome and multifamily units. Similar to Recommendation 1, while it is the goal to maintain the same unit mix and bedroom configuration for all MPHA units, the MPHA may need to be flexible to meet federally mandated ADA requirements associated with large-scale rehabilitation and redevelopment. Because many units are two-story in nature, the unit mix and bedroom configuration may need to change from its current conditions to accommodate ADA requirements.

Recommendation 2 blends the rehabilitation of existing townhome units bordering Prospect Park with the new construction of multifamily, senior, and associated community buildings that border the higher density 27th Avenue SE. Recommendation 2 provides equivalent green space on the rehabilitated townhome sites, but slightly consolidated yet improved green space design on the new construction parcels of development. Recommen-dation 2 addresses density concerns by maintaining lower density townhomes onsite, but the EUL of this option is not optimized due to the retention of the existing townhome units. Additionally, the Recommendation 2 townhome units are functionally obsolete and not designed for larger family style living accommodations.

Recommendation 3: Phased New Development - All New Construction

Recommendation 3 includes the construction of 78 new construction townhome units and 170 new multifamily and 95 new senior units. All 184 MPHA units will be retained, converted to Project Base Section 8, and split between new townhome and multifamily units. Please note: the same unit mix and bedroom configuration for MPHA units has been contemplated in this redevelopment option. The MPHA will need to meet federally mandated ADA requirements associated with new construction.

Recommendation 3 includes the construction of new townhome units bordering Prospect Park with the new construction of multifamily, senior, and associated community buildings bordering the higher density 27th Avenue SE. Recommendation 3 provides additional affordable and senior housing units, a key strategic objective of the MPHA. Recommendation 3 provides slightly consolidated yet improved green space design throughout the development. Recommendation 3 also addresses density concerns by maintaining lower density townhomes onsite adjacent Prospect Park. These new construction townhomes provide increased functionality and are designed for larger family style living accommodations, but the larger unit size reduces overall townhome unit counts. The overall EUL is significantly improved from Recommendations 1 and 2.

Recommendation 4: Full Redevelopment – All New Construction

Recommendation 4 includes the construction of 72 new construction townhome units and 254 new multifamily and 95 new senior units. All 184 MPHA units will be retained, converted to Project Base Section 8, and split between new townhome and multifamily units. Please note: the same unit mix and bedroom configuration for MPHA units has been contemplated in this redevelopment option. The MPHA will need to meet federally mandated ADA requirements associated with new construction.

Recommendation 4 showcases the highest total development cost but the longest EUL. Recommendation 4 incorporates complete site redevelopment with new internal street layouts and infrastructure. Recommendation 4 includes the construction of new townhome and great house units bordering Prospect Park, new construction of multifamily, senior, and associated community buildings bordering the higher density 27th Avenue SE, and new multifamily buildings at the intersection of Delaware Street SE and St. Mary's Avenue SE. Recommendation 4 provides additional affordable and senior housing units, a key strategic objective of the MPHA. Recommendation 4 provides the most consolidated green space, yet the design provides for maximized use of green and community spaces. Recommendation 4 also addresses density concerns by maintaining lower density townhome and great house units onsite, but overall Recommendation 4 provides for the highest density. The new construction townhome and great house units provide increased functionality and are designed for larger family style living accommodations.

Please refer to the following table for quick comparison of Recommendations 1-4. For detailed descriptions of Recommendations 1-4, please see the Rehabilitation/ Redevelopment.

Executive Summary

	Recommendation 1: *Significant Rehab of Existing Townhomes*	**Recommendation 2:** *Phased Hybrid Development – Significant Rehab and New Construction*	**Recommendation 3:** *Phased New Development - All New Construction*	**Recommendation 4:** *Full Redevelopment – All New Construction and Infrastructure*
Total Units	184 units	369 units	343 units	423 units
Expected Useful Life	Rehab:25-30 years	Rehab: 25-30 years New construction: 50 years	New construction: 50 years	New construction and infrastructure: 50+ years
Estimated Total Development Cost	A. $24,358,966 Total $132,386/Unit (Rehab TH) $9,100/Unit/Year (Rehab TH) B. $23,722,787 Total $128,928/Unit (Rehab TH) $9,172/Unit/Year (Rehab TH)	$77,793,160 Total $139,044/Unit (Rehab TH) $9,727/Unit/Year (Rehab TH) $230,677/Unit (Senior - 1) $7,432/Unit/Year (Senior - 1) $243,637/Unit (MF - 2) $7,757/Unit/Year (MF - 2)	$85,676,424 Total $286,460/Unit (New TH) $7,835/Unit/Year (New TH) $230,677/Unit (Senior - 1) $7,432/Unit/Year (Senior - 1) $243,637/Unit (MF - 2) $7,757/Unit/Year (MF - 2)	$14,741,328,221 Total $290,876/Unit (New TH) $7,506/Unit/Year (New TH) $230,677/Unit (Senior - 1) $7,432/Unit/Year (Senior - 1) $243,637/Unit (MF - 2) $7,757/Unit/Year (MF - 2) $140,472/Unit (MF -3) $6,892/Unit/Year (MF -3)
Unit Breakdown and Affordability	184 MPHA units retained and converted to Project Base Section 8. Flexibility of unit mix and bedroom configuration required based on federal ADA requirements. Underwriting assumes MPHA will provide Project Base Section 8 vouchers to achieve 184 units at deeply subsidized rents. 184 Units – 50% AMI 0 Units – 60% AMI 0 Units – MKT 0 Units – Senior (50/60% AMI)	184 MPHA units retained and converted to Project Base Section 8. Flexibility of unit mix and bedroom configuration required based on federal ADA requirements. Underwriting assumes MPHA will provide Project Base Section 8 vouchers to achieve 184 units at deeply subsidized rents. 104 Units – 50% AMI 136 Units – 60% AMI 34 Units – MKT 95 Units – Senior (60%/MKT)	184 MPHA units retained and converted to Project Base Section 8. Current unit mix and bedroom configuration has been contemplated. Underwriting assumes MPHA will provide Project Base Section 8 vouchers to achieve 184 units at deeply subsidized rents. 78 Units – 50% AMI 136 Units – 60% AMI 34 Units – MKT 95 Units – Senior (50/60%/MKT)	184 MPHA units retained and converted to Project Base Section 8. Current unit mix and bedroom configuration has been contemplated. Underwriting assumes MPHA will provide Project Base Section 8 vouchers to achieve 184 units at deeply subsidized rents. 98 Units – 50% AMI 178 Units – 60% AMI 52 Units – MKT 95 Units – Senior (50/60%/MKT)
Unit Mix	Multifamily: 0 Senior: 0 Townhomes: 184 Great Houses: 0 ** Flexibility required for ADA configuration	Multifamily: 170 Senior: 95 Townhomes: 104 Great Houses: 0 ** Flexibility required for ADA configuration	Multifamily: 170 Senior: 95 Townhomes: 78 Great Houses: 0	Multifamily: 256 Senior: 95 Townhomes: 47 Great Houses: 25
Total Parking	124	388	396	396
Green Space	Same as existing	11% less than existing	15% less than existing	16% less than existing
Accessibility	Goal is to convert 8 existing units to ADA. Flexibility of unit mix and bedroom configuration required based on federal ADA requirements.	Goal is to convert 6 existing units converted to ADA + 5% of new construction. Flexibility of unit mix and bedroom configuration required based on federal ADA requirements.	5% of new construction.	5% of new construction.
Development and Tenant Retention Plan Timeframe	24 months 3 phases at 8 months per phase	30-36 months 12 month rehab 12 month multifamily 12 month senior	30-36 months 12 month new townhomes 12 month multifamily 12 month senior	30-36 months 12 month new townhomes/great houses 12 month multifamily 12 month senior
Potential Financing Sources	HUD Mortgage MPHA Project Base Section 8 4% LIHTC MHFA – Challenge Funds Met Council – LCDA Hennepin County – AHIF City of Minneapolis - AHTF City of Minneapolis – TIF	HUD Mortgage MPHA Project Base Section 8 4% LIHTC MHFA – Challenge Funds Met Council - LCDA Hennepin County – AHIF City of Minneapolis – AHTF City of Minneapolis – TIF	HUD Mortgage MPHA Project Base Section 8 4% LIHTC MHFA – Challenge Funds Met Council - LCDA Hennepin County – AHIF City of Minneapolis – AHTF City of Minneapolis – TIF	HUD Mortgage MPHA Project Base Section 8 4% LIHTC MHFA – Challenge Funds Met Council - LCDA Hennepin County – AHIF City of Minneapolis – AHTF City of Minneapolis – TIF

Development Services Agreement Between MPHA and Sherman Associates Development LLC

The MPHA released a Request for Quote (RFQ), due August 3, 2015, with the goal of securing a development contractor to work with the MPHA on preservation and/or predevelopment needs related to MPHA's Glendale Family Development.

After review of Sherman Associates' initial response to the RFQ, the MPHA and Sherman Associates refined the Scope of Services to include the following limited Scope of Services in connection with the project, as outlined in the Development Services Agreement dated September 30, 2015:

- Develop financial models for Glendale that would include at least four different scenarios (one of which would be rehab of existing units). Each scenario should describe:
    - Number of units
    - Project density and unit mixes (models to show a variety of densities)
    - Breakdown of market-rate and other affordable units (all models to include 184 very low income subsidized units)
    - Phasing and its associated impact on costs
    - Any other financial information deemed important
    - Brief analysis of MPHA's and/or Developer's likely success in obtaining each of the identified funding sources

- Agreement assumes two meetings with MPHA staff to discuss findings

Development Team Experience

Sherman Associates is an award-winning development firm specializing in the design, construction and financing of quality commercial and housing properties in Minnesota, Wisconsin, Iowa, Missouri and Colorado. Having earned a strong reputation for quality and follow-through, cities around the country have turned to Sherman Associates to pioneer redevelopment in their highest priority urban neighborhoods. Over the past 35 years, Sherman Associates has become an industry leader in tax credit, affordable housing, and tax increment financing projects. Such developments have been successful for the participating cities, investors, residents and businesses.

Sherman Associates specializes in new construction, the rehabilitation of existing buildings, and historic adaptive reuse and the team is able to offer the following diverse range of services in the commercial, single-family and multifamily markets:

- Development Services
- Design-Build Services
- Financial Analysis/Feasibility
- Knowledge of Federal, State and Local Housing Programs
- Property Management
- Construction
- Site Analysis
- Marketing Plans and Feasibility
- Equity and Debt Funding
- Architectural Design and Input
- Sustainability Design
- Feasibility Analysis
- Resident Services

Sherman Associates has developed approximately 8,500 multifamily, townhouse and single family homes, 1,000,000 square feet of commercial, retail, office and warehouse space and several hotels. The company has established an impressive and prolific track record, completing over $2 billion in real estate development. On a yearly basis, its pipeline consists of $200 million to $250 million in development of residential and commercial hous-ing projects and mixed-use developments.

Blumenthals Architecture Inc. is an architectural design firm with a varied practice established in 1976. Since that time, the firm has evolved into an innovative group of well-experienced and diversified professionals. Typical scopes of projects range from a few thousand dollars to the millions. The firm has the skills and experience to manage any project, from its initial definition of scope (including site evaluation and programming) through the various subsequent phases producing its design, construction documentation, bidding/negotiation and construction administration/observation to completion and post-occupancy evaluation.

Shaw-Lundquist Associates Inc. is a general contractor founded in 1974 on the foundation of integrity and pride. For 41 years the company has demonstrated a history of excellence, innovation and impact on how people live, work, and play in our community. Shaw-Lundquist is the third-largest minority owned company in the state and one of the largest Asian American contractors in the Nation.

Current Site Plan

The Glendale Family Townhome site plan consists of 184 townhome units within 28 buildings, all of which are over 60 years old and none of which provide ADA accessibility.

Area of Study =

Considerations for MPHA Board

In an effort to provide a broad analysis of potential rehabilitation/redevelopment Recommendations, the MPHA and the Development Team developed the following considerations while selecting Recommendations for analysis:

- Resident and community stakeholder needs and requests
- Public Housing financing challenges
- Long-term affordable housing for a minimum of 184 units at very low income subsidized rents
- Tenant retention
- Affordable rents are maintained
- MPHA retains some form of ownership and management
- Increase accessibility
- Eliminate risk of gentrification
- Costs, sources and uses
- Feasibility
- Density and traffic studies
- Maintain and maximize green space where appropriate
- Timing
- Improved and increased resident services and amenities, including education, jobs, health & family, and sustainability
- Increase affordable housing units

Based on these considerations and in collaboration with MPHA, the Development Team laid out four Recommendations for detailed analysis which are described in the following sections.

Rehabilitation/Redevelopment Recommendations & Results

Recommendation 1: Significant Rehab of Existing Townhomes
184 total units

Multifamily: None
Senior: None
Townhomes: 184 renovated existing townhome units
ADA Units: Goal is to convert 8 existing units to ADA. Flexibility of unit mix and bedroom configuration required based on federal ADA requirements.

All 184 MPHA units will be retained and converted to Project Base Section 8

Recommendation 2: Phased Hybrid Redevelopment - Significant Rehab and New Construction
369 total units

Multifamily: 170 newly constructed apartments
Senior: 95 newly constructed senior units
Townhomes: 104 renovated existing townhome units
ADA Units: Goal is to convert 6 existing units to ADA + 5% of new construction. Flexibility of unit mix and bedroom configuration required based on federal ADA requirements.

All 184 MPHA units will be retained, converted to Project Base Section 8, and split between townhome and multifamily units.

Rehabilitation/Redevelopment Recommendations & Results
Continued

Recommendation 3: Phased New Development - All New Construction

343 total units

Multifamily:	170 newly constructed apartment units
Senior:	95 newly constructed senior units
Townhomes:	78 newly constructed townhome units
ADA Units:	5% of new construction

All 184 MPHA units will be retained, converted to Project Base Section 8, and split between new townhome and multifamily units.

Recommendation 4: Full Redevelopment - All New Construction

423 total units

Multifamily:	256 newly constructed apartments
Senior:	95 newly constructed senior units
Townhomes:	47 newly constructed townhome units
Great Houses:	25 newly constructed great house units
ADA Units:	5% of new construction

All 184 MPHA units will be retained, converted to Project Base Section 8, and split between new townhome and multifamily units.

Common Aspects Recommendations 1 - 4

Please refer to the following pages for a detailed analysis of Recommendations 1-4. While each Recommendation is unique, Recommendations 1-4 all have the following aspects in common:

- MPHA can maintain ownership of MPHA Project Base Section 8 units
- Change to City Ordinances would be required in order for MPHA to manage market rate units
- A minimum of 184 units remain as deeply subsidized housing
- MPHA can retain Property Management responsibilities for the rehabilitation Recommendation or the other Recommendations with a change in City ordinance. Further legal guidance may be necessary for all Recommendations.
- Dependent on unit vacancies, residents may or may not remain on-site during construction. Off-site displacement may be necessary if sufficient vacancies are not fulfilled prior to construction commencement. Residents may desire to temporarily relocate, or move off-site to other MPHA or Section 8 properties due to the impact of construction on daily living.
- Lower density townhome style housing Recommendations remain adjacent to Prospect Park single-family homes
- Street layout and access remain the same or similar
- Maintain green space

Recommendation 1 A & B

Significant Rehab of Existing Townhomes

184 Total Units

Estimated Useful Life= 25-30 Years

A. Summary: Recommendation 1 A contemplates not converting the 184 units to Project Base Section 8. Although Recommendation 1A does showcase the lowest development costs, Recommendation 1A is not viable. Recommendation 1A has a higher cost to the revenue produced, with the majority of the income being generated through an uncertain subsidy that does not increase over time to keep pace with projected revenue increases. Additionally, it is unlikely funding is able to be secured due to the majority of the income being sourced by the uncertain income subsidy.

B. Summary: Recommendation 1 B showcases the lowest total development cost but the shortest es-timated useful life (EUL). Recommendation 1 B is financially viable but overall a short term solution that provides no additional affordable housing units nor senior units, a key strategic objective of the MPHA. The green space onsite is maintained, but Recommendation 1 B townhome units are function-ally obsolete and not designed for larger family style living accommodations.

Scope of Work:
New roofs and siding, new aluminum facia and soffits, new exterior and interior doors, new windows, new vinyl flooring, new paint, new toilet and bath fixtures (accessories, bath and tub surround, pedestal sink, exhaust fan), new closet shelving, new appliances (sink, refrigerator, range, range hood, washer & dryer, gas furnace/hot water heater), new kitchen cabinets, new electrical receptacles/switches/devices, new interior and exterior light fixtures, new site lighting, replace exterior sidewalks, finish site grade, remove exterior fencing at each unit, mill and overlay parking lots, re-sod disturbed areas.

Challenges: Unique challenges are present for the rehabilitation outlined in Recommendation 1 B. For example, the buildings themselves are old, in need of significant renovation, and the unit layouts are less than functional for large family units. Additionally, the infrastructure systems are past their EUL and the cost of updating the system is significant. Without the addition of increased tax credit and market rate units, financing options for Recommendation 1 B are limited. Recommendation 1 B does not address the goals of MPHA to increase affordable housing opportunities in effort to serve an increased number of individuals within the community, and Recommendation 1 B does not sufficiently improve ADA accessibility. Complex ownership requirements will pose a challenge to each Recommendation and will need to be vetted legally.

Recommendation 1

Significant Rehab of Existing Townhomes with conversion to Project Base Section 8

Recommendation 1

Significant Rehab of Existing Townhomes with conversion to Project Base Section 8

Unit Mix & Parking

Apartment	0	
Senior	0	
Townhome	184	
ADA Units	8	Existing Units Converted to ADA is the goal. Flexibility of unit mix and bedroom configuration is required based on federal ADA requirements.

Parking Count Total	124
Off Street Parking	124
Underground Parking	0

Design Considerations

- Renovate 184 existing townhome units
- Federal ADA requirements
- Renovate Management and Maintenance Office

Key Benefits

- Overall lowest redevelopment costs
- Savings from reusing existing infrastructure
- Maintain original plan intent

Drawbacks

- Functional obsolescence of existing townhomes
- Small unit layouts of existing townhomes
- Shorter EUL
- Challenges meeting current accessibility requirements
- Lack of adequate family space in townhome units
- Lack of site infrastructure improvement
- Does not increase affordable housing
- Temporary relocations and construction impact on daily living

MPHA Option 1A - Rehab -184 units

Sources & Uses Summary - 4% Family Project

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	18,469,154	18,469,154	*100,376*
Interim Costs	724,628	724,628	*3,938*
Soft Costs	2,149,187	2,149,187	*11,680*
Development Fee	200,000.00	1,000,000	*5,435*
Financing Costs	850,053	850,053	*4,620*
Project Reserves	-	1,165,943	*6,337*
Total Uses:	$ 22,393,022	$ 24,358,966	*$ 132,386*
Sources:			
*First Mortgage	$ 2,226,650	$ 2,226,650	*$ 12,101*
Met Council LCDA	800,000	$ 800,000	*$ 4,348*
MN Housing	800,000	$ 800,000	*$ 4,348*
AHIF	470,304	$ 470,304	*$ 2,556*
AHTF	1,000,000	$ 1,000,000	*$ 5,435*
MHFA Challenge Funds	977,493	$ 977,493	*$ 5,312*
LIHTC Equity	1,688,892	$ 8,444,461	*$ 45,894*
**Equity Bridge Loan	14,429,683	-	
DDF	-		
	-	-	
Total Sources:	$ 22,393,022	$ 14,718,908	*$ 79,994*
Calculated Gap:	-	(9,640,057.71)	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

MPHA Option 1 - Rehab -184 units

Sources & Uses Summary - 4% Family Project

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	18,469,154	18,469,154	*100,376*
Interim Costs	545,851	545,851	*2,967*
Soft Costs	2,255,799	2,255,799	*12,260*
Development Fee	200,000.00	1,000,000	*5,435*
Financing Costs	608,188	608,188	*3,305*
Project Reserves	965,712	965,712	*5,248*
Total Uses:	$ 23,044,705	$ 23,844,705	*$ 129,591*
Sources:			
*First Mortgage	$ 5,763,420	$ 5,763,420	*$ 31,323*
TIF Mortgage	$ 2,105,564	$ 2,105,564	*$ 11,443*
Met Council LCDA	1,270,091	$ 1,270,091	*$ 6,903*
MN Housing	1,250,000	$ 1,250,000	*$ 6,793*
AHIF	470,304	$ 470,304	*$ 2,556*
AHTF	3,576,706	$ 3,576,706	*$ 19,439*
MHFA Challenge Funds	1,000,000	$ 1,000,000	*$ 5,435*
LIHTC Equity	1,681,724	$ 8,408,620	*$ 45,699*
*Equity Bridge Loan	5,926,896	-	
	-	-	
Total Sources:	$ 23,044,705	$ 23,844,705	*$ 129,591*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC/Conversion of PH Units

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

Recommendation 2

Phased Hybrid Development- Significant Rehab of Townhomes and New Construction of Multifamily and Senior Building

369 Total Units

Estimated Useful Life= 25-30 Years (rehab), 50 Years (new construction)

Summary: Recommendation 2 blends the rehabilitation of existing townhome units bordering Prospect Park with the new construction of multifamily, senior, and associated community buildings that border the higher density 27th Avenue SE. Recommendation 2 is financially viable and provides additional affordable and senior housing units, a key strategic objective of the MPHA. Recommendation 2 provides equivalent green space on the rehabilitated townhome sites, but slightly consolidated yet improved green space design on the new construction parcels of development. Recommendation 4 addresses density concerns by maintaining lower density townhomes onsite, but the EUL of this Recommendation is not optimized due to the retention of the existing townhome units. Additionally, the Recommendation 2 townhome units are functionally obsolete and not designed for larger family style living accommodations.

Scope of Work:

Full Rehabilitation Includes:

New roofs and siding, new aluminum facia and soffits, new exterior and interior doors, new windows, new vinyl flooring, new paint, new toilet and bath fixtures (accessories, bath and tub surround, pedestal sink, exhaust fan), new closet shelving, new appliances (sink, refrigerator, range, range hood, washer & dryer, gas furnace/hot water heater), new kitchen cabinets, new electrical receptacles/switches/devices, new interior and exterior light fixtures, new site lighting, replace exterior sidewalks, finish site grade, remove exterior fencing at each unit, mill and overlay parking lots, re-sod disturbed areas.

New multifamily and senior construction includes:

Precast garage and level 1, concrete footings and foundation wall, sidewalks/curb and gutter, block stairwell and elevator shaft, wood framed walls/floors/trusses, rated unit entry doors, siding and window wrap, sheet waterproofing on below grade walls, blown insulation, gutters and downspouts, shingle roof, vinyl windows, paint interior and exterior, internal signage, toilet and bath accessories, wire closet shelving, postal specialties, appliances, trash chute, kitchen and bath cabinets, cultured marble vanity tops, elevators, magic pac mechanical units, plumbing, fire sprinkler system, new electrical, earthwork, demo and backfill existing buildings, sod, irrigation and planting allowance, retaining walls, roof patio, exterior equipment allowance, new sidewalks, new bituminous entry drives, common laundry washers/dryers.

Challenges: Unique challenges are present for the redevelopment outlined in Recommendation 2. For example, the same concerns surrounding the existing buildings conditions exist for Recommendation 2 and Recommendation 1, where the buildings are old, in need of significant renovation, and the unit layouts are less than functional for large family units. Additionally, the infrastructure systems are past their EUL and the cost of updating the system is significant. Additionally, Recommendation 2 only provides limited increase in density by adding tax credit and market rate units. The additional units slightly increase financing opportunities for Recommendation 2, but they remain limited. Because of the slight increase in density, Recommendation 2 slightly addresses the goals of MPHA to increase affordable housing opportunities in effort to serve an increased number of individuals within the community, and Recommendation 2 slightly improves the ADA accessibility of the housing community by adding a small number of ADA units in the new construction units. Complex ownership requirements will pose a challenge to each Recommendation and will need to be vetted legally.

Recommendation 2

Phased Hybrid Development- Significant Rehab of Townhomes and New Construction of Multifamily and Senior Building

January 27, 2016

Recommendation 2

Phased Hybrid Development- Significant Rehab of Townhomes and New Construction of Multifamily and Senior Building

Unit Mix & Parking

Apartment	170
Senior	95
Townhome	104
ADA Units	6 Existing Units Converted to ADA (+5% of new construction) is the goal. Flexibility of unit mix and bedroom configuration is required based on federal ADA requirements.

Parking Count Total	388
Off Street Parking	58
Underground Parking	330

Design Considerations

- Retain and renovate existing townhome
- Federal ADA requirements
- New multi-story building
- Community/Commercial spaces on street level of 27th Avenue building

Key Benefits

- Savings from reusing existing infrastructure
- Maintain significant amount of original plan intent
- Increased housing Recommendations
- Includes dedicated senior housing
- Significant improvement of ADA compliance throughout development
- Construction of common space for education and resident use
- Increased parking
- Increased supply of affordable housing and density

Drawbacks

- Function obsolescence of existing townhomes
- Small unit layouts of existing townhomes
- Shorter EUL
- Challenges meeting current accessibility requirements
- Lack of adequate family space in townhome units
- High cost of renovation
- Increased supply of affordable housing and density
- Temporary relocations and construction impact on daily living

MPHA Option 2 - Rehab TH 104 Units

Sources & Uses Summary - 4% TH Rehab Project

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	10,362,787	10,362,787	*99,642*
Interim Costs	445,539	445,539	*4,284*
Soft Costs	1,976,013	1,976,013	*19,000*
Development Fee	200,000.00	1,000,000	*9,615*
Financing Costs	484,846	484,846	*4,662*
Project Reserves	623,269	623,269	*5,993*
Total Uses:	$ 14,092,454	$ 14,892,454	*$ 143,197*
Sources:			
*First Mortgage	$ 5,538,070	$ 5,538,070	*$ 53,251*
Met Council LCDA	800,000	$ 800,000	*7,692*
MN Housing	800,000	$ 800,000	
AHIF-HOME	265,824	$ 265,824	*2,556*
AHTF	2,000,000	$ 2,000,000	
MHFA Challenge Funds	281,338	$ 281,338	
LIHTC Equity	1,041,444	$ 5,207,222	*50,069*
**Equity Bridge Loan	3,365,778	-	*-*
DDF			*-*
	-	-	*-*
Total Sources:	$ 14,092,454	$ 14,892,454	*$ 143,197*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC/Conversion of PH Units

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

MPHA Option 2 - Building 1 Senior

Sources & Uses Summary - 4% Family Project

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	18,107,203	18,107,203	*190,602*
Interim Costs	471,407	471,407	*4,962*
Soft Costs	1,277,655	1,277,655	*13,449*
Development Fee	200,000	1,000,000	*10,526*
Financing Costs	512,313	512,313	*5,393*
Project Reserves	218,278	545,695	*5,744*
Total Uses:	$ 20,786,856	$ 21,914,273	*$ 230,677*
Sources:			
*First Mortgage	$ 5,730,570	$ 5,730,570	*$ 60,322*
TIF Mortgage	$ 1,291,486	$ 1,291,486	*$ 13,595*
Met Council LCDA	2,000,000	$ 2,000,000	*21,053*
MN Housing	2,000,000	$ 2,000,000	
AHIF-HOME	400,000	$ 400,000	*4,211*
AHTF	2,375,000	$ 2,375,000	
MHFA Challenge Funds	1,843,150	$ 1,843,150	
LIHTC Equity	1,254,813	$ 6,274,067	*66,043*
**Equity Bridge Loan	3,891,837	-	-
Owner Equity Contribution	-		-
DDF	-		-
Total Sources:	$ 20,786,856	$ 21,914,273	*$ 230,677*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

MPHA Option 2 - Building 2 170 Apartments

Sources & Uses Summary - 4% Mixed Income Multifamily

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	34,961,909	34,961,909	*205,658*
Interim Costs	981,146	981,146	*5,771*
Soft Costs	2,055,396	2,055,396	*12,091*
Development Fee	200,000	1,000,000	*5,882*
Financing Costs	1,094,485	1,094,485	*6,438*
Project Reserves	530,136	1,325,340	*7,796*
Total Uses:	$ 39,823,072	$ 41,418,276	*$ 243,637*
Sources:			
*First Mortgage	$ 17,377,040	$ 17,377,040	*$ 102,218*
TIF Mortgage	$ 2,724,970	$ 2,724,970	*$ 16,029*
Met Council LCDA	2,000,000	$ 2,000,000	*$ 11,765*
MN Housing	2,000,000	$ 2,000,000	*$ 11,765*
AHIF	500,000	$ 500,000	*$ 2,941*
AHTF	4,124,656	$ 4,124,656	*$ 24,263*
MHFA Challenge Funds	2,691,610	$ 2,691,610	*$ 15,833*
LIHTC Equity	2,000,000	$ 10,000,000	*$ 58,824*
**Equity Bridge Loan	6,404,796	-	-
DDF	-		-
	-	-	-
Total Sources:	$ 39,823,072	$ 41,418,276	*$ 243,637*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

Recommendation 3

Phased Hybrid Development- All New Construction

343 Total Units
Estimated Useful Life= 50 Years

Summary: Recommendation 3 includes the construction of new townhome units bordering Prospect Park with the new construction of multifamily, senior, and associated community buildings bordering the higher density 27th Avenue SE. Recommendation 3 provides additional affordable and senior housing units, a key strategic objective of the MPHA. Recommendation 3 provides slightly consolidated yet improved green space design throughout the development. Recommendation 3 also addresses density concerns by maintaining lower density townhomes onsite adjacent Prospect Park. These new construction townhomes provide increased functionality and are designed for larger family style living accommodations, but the larger unit size reduces overall townhome unit counts. The overall EUL is significantly improved from Recommendations 1 and 2.

Scope of Work:
New townhome units include:
Concrete footings and foundation wall, sidewalks/curb and gutter, block foundation walls, wood frame construction, rated unit entry doors, siding and window wrap, blown insulation, gutters and downspouts, shingle roof, paint interior and exterior, toilet and bath accessories, wire closet shelving, appliances, kitchen and bath cabinets, cultured marble vanity tops, furnaces, plumbing, fire sprinkler system, new electrical, earthwork, demolish and backfill existing buildings, sod, irrigation and planting allowance, site lighting allowance.

New multifamily and senior construction includes:
Precast garage and level 1, concrete footings and foundation wall, sidewalks/curb and gutter, block stairwell and elevator shaft, wood framed walls/floors/trusses, rated unit entry doors, siding and window wrap, sheet waterproofing on below grade walls, blown insulation, gutters and downspouts, shingle roof, vinyl windows, paint interior and exterior, internal signage, toilet and bath accessories, wire closet shelving, postal specialties, appliances, trash chute, kitchen and bath cabinets, cultured marble vanity tops, elevators, magic pac mechanical units, plumbing, fire sprinkler system, new electrical, earthwork, demo and backfill existing buildings, sod, irrigation and planting allowance, retaining walls, roof patio, exterior equipment allowance, new sidewalks, new bituminous entry drives, common laundry washers/dryers.

Challenges: Unique challenges are present for the redevelopment outlined in Recommendation 3. For example, new construction will provide significantly improved unit layout options, increased ADA accessibility, and overall improved site layout which includes amenities for residents. With this new infrastructure comes an increased cost of updating the systems. Complex ownership requirements will pose a challenge to each Recommendation and will need to be vetted legally.

Recommendation 3

Phased Hybrid Development- All New Construction

Recommendation 3

Phased Hybrid Development- All New Construction

Unit Mix & Parking

Apartment	170
Senior	95
Townhome	78
ADA Units	5% of new construction

Parking Count Total	396
Off Street Parking	66
Underground Parking	330

Design Considerations

- New replacement townhome units (78) including ADA units
- New townhome configuration retains original scale and character of streetscapes
- 5 new multi-story buildings
- Community and commercial spaces on 27th Ave

Key Benefits

- Increased functionality and life span of all units
- Increased housing options
- Includes dedicated senior housing
- Significant improvement of ADA throughout development
- Increased functionality and life span of all units
- Large family units in townhomes
- Construction of common space for education and resident use
- Increased parking
- Increased supply of affordable housing and density

Drawbacks

- Street layout constraints
- A few townhome units will be lost, but total multifamily units increase
- Higher overall redevelopment cost
- Increased supply of affordable housing and density
- Temporary relocations and construction impact on daily living

MPHA Option 3 - TH 78

Sources & Uses Summary - 4% Townhomes

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	16,727,702	16,727,702	*214,458*
Interim Costs	619,824	619,824	*7,946*
Soft Costs	2,380,761	2,380,761	*30,523*
Development Fee	200,000.00	1,000,000	*12,821*
Financing Costs	638,705	638,705	*8,189*
Project Reserves	558,219	976,884	*12,524*
Total Uses:	$ 21,125,210	$ 22,343,875	*$ 286,460*
Sources:			
*First Mortgage	$ 8,722,340	$ 8,722,340	*$ 111,825*
TIF Mortgage	$ 210,385	$ 210,385	*$ 2,697*
Met Council LCDA	1,000,000	$ 1,000,000	*$ 12,821*
MN Housing	1,000,000	$ 1,000,000	*$ 12,821*
AHIF	500,000	$ 500,000	*$ 6,410*
AHTF	1,874,398	$ 1,874,398	*$ 24,031*
MHFA Challenge Funds	1,234,974	$ 1,234,974	*$ 15,833*
LIHTC Equity	1,560,356	$ 7,801,778	*$ 100,023*
**Equity Bridge Loan	5,022,758	-	-
DDF	-		-
	-	-	-
Total Sources:	$ 21,125,210	$ 22,343,875	*$ 286,460*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC/Conversion of PH Units

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

MPHA Option 2 - Building 1 Senior

Sources & Uses Summary - 4% Family Project

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	18,107,203	18,107,203	*190,602*
Interim Costs	471,407	471,407	*4,962*
Soft Costs	1,277,655	1,277,655	*13,449*
Development Fee	200,000	1,000,000	*10,526*
Financing Costs	512,313	512,313	*5,393*
Project Reserves	218,278	545,695	*5,744*
Total Uses:	$ 20,786,856	$ 21,914,273	*$ 230,677*
Sources:			
*First Mortgage	$ 5,730,570	$ 5,730,570	*$ 60,322*
TIF Mortgage	$ 1,291,486	$ 1,291,486	*$ 13,595*
Met Council LCDA	2,000,000	$ 2,000,000	*21,053*
MN Housing	2,000,000	$ 2,000,000	
AHIF-HOME	400,000	$ 400,000	*4,211*
AHTF	2,375,000	$ 2,375,000	
MHFA Challenge Funds	1,843,150	$ 1,843,150	
LIHTC Equity	1,254,813	$ 6,274,067	*66,043*
**Equity Bridge Loan	3,891,837	-	-
Owner Equity Contribution	-		-
DDF	-		-
Total Sources:	$ 20,786,856	$ 21,914,273	*$ 230,677*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

MPHA Option 2 - Building 2 170 Apartments

Sources & Uses Summary - 4% Mixed Income Multifamily

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	34,961,909	34,961,909	*205,658*
Interim Costs	981,146	981,146	*5,771*
Soft Costs	2,055,396	2,055,396	*12,091*
Development Fee	200,000	1,000,000	*5,882*
Financing Costs	1,094,485	1,094,485	*6,438*
Project Reserves	530,136	1,325,340	*7,796*
Total Uses:	$ 39,823,072	$ 41,418,276	*$ 243,637*
Sources:			
*First Mortgage	$ 17,377,040	$ 17,377,040	*$ 102,218*
TIF Mortgage	$ 2,724,970	$ 2,724,970	*$ 16,029*
Met Council LCDA	2,000,000	$ 2,000,000	*$ 11,765*
MN Housing	2,000,000	$ 2,000,000	*$ 11,765*
AHIF	500,000	$ 500,000	*$ 2,941*
AHTF	4,124,656	$ 4,124,656	*$ 24,263*
MHFA Challenge Funds	2,691,610	$ 2,691,610	*$ 15,833*
LIHTC Equity	2,000,000	$ 10,000,000	*$ 58,824*
**Equity Bridge Loan	6,404,796	-	-
DDF	-		-
	-	-	-
Total Sources:	$ 39,823,072	$ 41,418,276	*$ 243,637*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

Recommendation 4

Full Redevelopment- All New Construction

423 Total Units

Estimated Useful Life=50+ Years

Summary: Recommendation 4 showcases the highest total development cost but the longest EUL. Recommendation 4 incorporates complete site redevelopment with new internal street layouts and infrastructure. Recommendation 4 includes the construction of new townhome and great house units bordering Prospect Park, new construction of multifamily, senior, and associated community buildings bordering the higher density 27th Avenue SE, and new multifamily buildings at the intersection of Delaware Street SE and St. Mary's Avenue SE. Recommendation 4 provides additional affordable and senior housing units, a key strategic objective of the MPHA. Recommendation 4 provides the most consolidated green space, yet the design provides for maximized use of green and community space. Recommendation 4 also addresses density concerns by maintaining lower density townhome and great house units onsite, but overall Recommendation 4 provides for the highest density. These new construction townhome and great house units provide increased functionality and are designed for larger family style living accommodations.

New townhome units include:

Concrete footings and foundation wall, sidewalks/curb and gutter, block foundation walls, wood frame construction, rated unit entry doors, siding and window wrap, blown insulation, gutters and downspouts, shingle roof, paint interior and exterior, toilet and bath accessories, wire closet shelving, appliances, kitchen and bath cabinets, cultured marble vanity tops, furnaces, plumbing, fire sprinkler system, new electrical, earthwork, demolish and backfill existing buildings, sod, irrigation and planting allowance, site lighting allowance, new roads/curb and gutter.

New multifamily and senior construction includes:

Precast garage and level 1, concrete footings and foundation wall, sidewalks/curb and gutter, block stairwell and elevator shaft, wood framed walls/floors/trusses, rated unit entry doors, siding and window wrap, sheet waterproofing on below grade walls, blown insulation, gutters and downspouts, shingle roof, vinyl windows, paint interior and exterior, internal signage, toilet and bath accessories, wire closet shelving, postal specialties, appliances, trash chute, kitchen and bath cabinets, cultured marble vanity tops, elevators, magic pac mechanical units, plumbing, fire sprinkler system, new electrical, earthwork, demo and backfill existing buildings, sod, irrigation and planting allowance, retaining walls, roof patio, exterior equipment allowance, new sidewalks, new bituminous entry drives, common laundry washers/dryers, new roads/curb and gutter.

Challenges: Unique challenges are present for the redevelopment outlined in Recommendation 4. For example, full redevelopment and new construction will provide significantly improved unit layout options, increased ADA accessibility, and overall improved site layout which includes amenities for residents. With this new infrastructure comes an increased cost of updating the systems. Complex ownership requirements will pose a challenge to each Recommendation and will need to be vetted legally.

Recommendation 4

Full Redevelopment- All New Construction

Recommendation 4
Full Redevelopment

Unit Mix & Parking

Apartment	256
Senior	95
Townhome	47
Great Houses	25
ADA Units	5% of new construction
Parking Count Total	420
Off Street Parking	0
Underground Parking	420

Design Considerations
- Complete site redevelopment with new internal street layouts and infrastructure

Key Benefits
- Increased functionality and life span of all units
- Increased housing options
- Includes dedicated senior housing
- Significant improvement of ADA throughout development
- Increased functionality and life span of all units
- Large family units in townhomes
- Construction of common space for education and resident use
- Increased parking
- Gateway building on NE
- More direct LRT station access
- Integrated site plan that includes additional types of housing, amenities, and access to LRT Station
- Improved accessibility
- Sustainability opportunities
- Increased supply of affordable housing and density

Drawbacks
- Higher development costs
- Potential for significant infrastructure costs
- Increased supply of affordable housing and density
- Temporary relocations and construction impact on daily living

MPHA Option 4 - TH 72

Sources & Uses Summary - 4% Townhomes

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	15,746,870	15,746,870	*218,707*
Interim Costs	520,262	520,262	*7,226*
Soft Costs	2,332,128	2,332,128	*32,391*
Development Fee	200,000.00	1,000,000	*13,889*
Financing Costs	567,018	567,018	*7,875*
Project Reserves	776,808	776,808	*10,789*
Total Uses:	$ 20,143,086	$ 20,943,086	*$ 290,876*
Sources:			
*First Mortgage	$ 5,854,280	$ 5,854,280	*$ 81,309*
TIF Mortgage	$ 117,751	$ 117,751	*$ 1,635*
Met Council LCDA	2,000,000	$ 2,000,000	*$ 27,778*
MN Housing	2,000,000	$ 2,000,000	*$ 27,778*
AHIF	550,000	$ 550,000	*$ 7,639*
AHTF	1,800,000	$ 1,800,000	*$ 25,000*
MHFA Challenge Funds	1,214,523	$ 1,214,523	*$ 16,868*
LIHTC Equity	1,481,306	$ 7,406,532	*$ 102,869*
**Equity Bridge Loan	5,125,226	-	-
DDF	-		-
	-	-	-
Total Sources:	$ 20,143,086	$ 20,943,086	*$ 290,876*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC/Conversion of PH Units

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

MPHA Option 2 - Building 1 Senior

Sources & Uses Summary - 4% Family Project

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	18,107,203	18,107,203	*190,602*
Interim Costs	471,407	471,407	*4,962*
Soft Costs	1,277,655	1,277,655	*13,449*
Development Fee	200,000	1,000,000	*10,526*
Financing Costs	512,313	512,313	*5,393*
Project Reserves	218,278	545,695	*5,744*
Total Uses:	$ 20,786,856	$ 21,914,273	*$ 230,677*
Sources:			
*First Mortgage	$ 5,730,570	$ 5,730,570	*$ 60,322*
TIF Mortgage	$ 1,291,486	$ 1,291,486	*$ 13,595*
Met Council LCDA	2,000,000	$ 2,000,000	*21,053*
MN Housing	2,000,000	$ 2,000,000	
AHIF-HOME	400,000	$ 400,000	*4,211*
AHTF	2,375,000	$ 2,375,000	
MHFA Challenge Funds	1,843,150	$ 1,843,150	
LIHTC Equity	1,254,813	$ 6,274,067	*66,043*
**Equity Bridge Loan	3,891,837	-	-
Owner Equity Contribution	-		-
DDF	-		-
Total Sources:	$ 20,786,856	$ 21,914,273	*$ 230,677*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

MPHA Option 2 - Building 2 170 Apartments

Sources & Uses Summary - 4% Mixed Income Multifamily

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	34,961,909	34,961,909	*205,658*
Interim Costs	981,146	981,146	*5,771*
Soft Costs	2,055,396	2,055,396	*12,091*
Development Fee	200,000	1,000,000	*5,882*
Financing Costs	1,094,485	1,094,485	*6,438*
Project Reserves	530,136	1,325,340	*7,796*
Total Uses:	$ 39,823,072	$ 41,418,276	*$ 243,637*
Sources:			
*First Mortgage	$ 17,377,040	$ 17,377,040	*$ 102,218*
TIF Mortgage	$ 2,724,970	$ 2,724,970	*$ 16,029*
Met Council LCDA	2,000,000	$ 2,000,000	*$ 11,765*
MN Housing	2,000,000	$ 2,000,000	*$ 11,765*
AHIF	500,000	$ 500,000	*$ 2,941*
AHTF	4,124,656	$ 4,124,656	*$ 24,263*
MHFA Challenge Funds	2,691,610	$ 2,691,610	*$ 15,833*
LIHTC Equity	2,000,000	$ 10,000,000	*$ 58,824*
**Equity Bridge Loan	6,404,796	-	-
DDF	-		-
	-	-	-
Total Sources:	$ 39,823,072	$ 41,418,276	*$ 243,637*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

MPHA Option 4 - Building 3 86 Apartments

Sources & Uses Summary - 4% Mixed Income Multifamily

Development Budget

	CONSTRUCTION	PERMANENT	*Per Unit*
Uses:			
Acquisition	$ -	$ -	*$ -*
Construction & Site Work	19,679,241	19,679,241	*115,760*
Interim Costs	406,512	406,512	*2,391*
Soft Costs	1,553,419	1,553,419	*9,138*
Development Fee	200,000	1,000,000	*5,882*
Financing Costs	496,359	496,359	*2,920*
Project Reserves	425,516	744,653	*4,380*
Total Uses:	$ 22,761,047	$ 23,880,184	*$ 140,472*
Sources:			
First Mortgage	$ 3,679,760	$ 3,679,760	*$ 21,646*
TIF Mortgage	$ 2,818,129	$ 2,818,129	*$ 16,577*
Met Council LCDA	2,000,000	$ 2,000,000	*$ 11,765*
MN Housing	2,000,000	$ 2,000,000	*$ 11,765*
AHIF	600,000	$ 600,000	*$ 3,529*
AHTF	3,516,752	$ 3,516,752	*$ 20,687*
MHFA Challenge Funds	2,691,610	$ 2,691,610	*$ 15,833*
LIHTC Equity	1,314,787	$ 6,573,933	*$ 38,670*
Equity Bridge Loan	4,140,009	-	-
DDF	-		-
	-	-	-
Total Sources:	$ 22,761,047	$ 23,880,184	*$ 140,472*
Calculated Gap:	-	-	

* First Mortgage

4.75% Interest/ 40 year Amort/1.15DSC

**Bridge Loan

6.0% Interst/Interest Only/Payoff at CO

Sources of Funds

The Glendale Townhomes- Recommendation Study- intends to analyze and provide reasonable, but hypothetical, Recommendations for the potential rehabilitation and redevelopment of Glendale Family Townhomes. As referenced earlier, Sherman Associates understands that public housing operating funding does not currently cover the costs of operating public housing at Glendale. Additionally, the public housing units will not generate any reliable cash flow, nor does MPHA have sufficient access to grants to cover any substantial rehabilitation of the site without additional development financing and operating subsidies, including the conversion to Project Base Section 8 rental assistance. Challenges abound for securing these operating and rehabilitation sources of funds, but despite these challenges, Sherman Associates has prepared preliminary potential funding Recommendations which are presented in this section. All Recommendations require additional evaluation, underwriting, and a more in-depth feasibility analysis.

Please Note: *Probability of award is based on 35 years of real estate experience and is subject to quality of developer, quality of proposed development, quality of applications, politics and many other factors.*

HUD First Mortgage

Probability of Award: 95% *Potential Percentage of Funding: 30-35%*HUD First Mortgage combined with Project Base Section 8 provided by MPHA.
The U.S. Department of Housing and Urban Development (HUD) offers first mortgage options which Glendale is potentially eligible.

Application Cycle:
Not Applicable.

Limitations and Constraints
HUD subsidies and Project Base Section 8 vouchers are subject to annual appropriations
Please visit the following websites for additional information:
http://www.mphaonline.org/section-8/

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh

Sources of Funds
Continued

MPHA Section 8 Housing Choice Voucher Program

Probability of Award: 95% *Potential Percentage of Funding: 30-35%*

The U.S. Department of Housing and Urban Development (HUD) provides Section 8 rent subsidies to families with low income in the form of Housing Choice Vouchers and Project Based Units. The Minneapolis Public Housing Authority (MPHA) administers the program in the City of Minneapolis. MPHA pays rent subsidies directly to rental property owners on behalf of eligible families.

Application Cycle:
Not Applicable.

Limitations and Constraints
HUD subsidies and Section 8 vouchers are subject to annual appropriations

Please visit the following websites for additional information:
http://www.mphaonline.org/section-8/

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/mfh

Housing Tax Credits (9% and 4%)

Probability of 9% Award: 50% *Potential Percentage of Funding: 10-15%*
Probability of 4% Award: 95% *Potential Percentage of Funding: 25-30%*

Minnesota Housing Previous Year – 2015 Selections at A Glance

$92,400,000	Total Minnesota Housing and partner investment (includes multifamily and single family development)
$235,700,000	Total development costs (includes multifamily and single family development)
1,100	Multifamily units financed
23	Multifamily applications funded

The Federal Tax Reform Act of 1986 created the Housing Tax Credit (HTC) Program (see Section 42 of the Internal Revenue Code) for qualified residential rental properties. The HTC offers a reduction in tax liability to owners and investors in eligible low-income rental housing projects involving new construction, rehabilitation, or acquisition with rehabilitation. The Minnesota Housing Finance Agency (Minnesota Housing) and Sub-Allocator the City of Minneapolis have been designated by the Minnesota Legislature as primary allocating agencies of Housing Tax Credits (HTC) in Minnesota. Detailed information pertaining to priorities for funding are located in Minnesota Housing's Qualified Allocation Plan (QAP) which combines state and federally legislated priorities with other priorities established by Minnesota Housing.

Sources of Funds
Continued

Application Cycle:
The Minnesota Housing HTC has two annual funding cycles.
The City of Minneapolis: Once-a-year for 9% | Continuous for 4%

Limitations and Constraints
- 9% credits are capped at $1million
- Competitive application cycle
- 4% credits have no cap on credits
- Multiple rounds of funding

Please visit the following websites for additional information:
http://www.mnhousing.gov/wcs/
http://www.novoco.com/low_income_housing/

Minnesota Housing – Challenge Funds
Probability of Award: 50% *Potential Percentage of Funding: 5-15%*

Minnesota Housing offers a variety of financing products, including 9% and 4% Housing Tax Credits (HTC), as well other funding programs for rental properties including Challenge Funds.

Application Cycle:
Once-a-year

Please visit the following websites for additional information:
http://www.mnhousing.gov/wcs/

Met Council – LCDA
Probability of Award: 50% *Potential Percentage of Funding: 2-5%*

The Livable Communities Demonstration Account (LCDA) funds innovative re-development projects that efficiently link housing, jobs, services, and transit in an effort to create inspiring and lasting Livable Communities. Grants are available to fund basic public infrastructure and site assembly.

Previously funded project elements include street improvements, plazas, parks, demolition, design, development plans, implementation techniques, market studies, storm water management, zoning, land acquisition, master plans, utility relocation, site assembly and reconstruction. Successful LCDA projects:

Sources of Funds
Continued

- Connect housing, jobs, civic sites, retail centers and local/regional transportation systems.
- Demonstrate a variety of housing densities, types & costs, creative placemaking, environmentally sensitive development, and compact land use.
- Catalyze additional development that efficiently uses land and infrastructure, and supports vibrant, diverse communities.

Application Cycle:
Pre-applications are due in the Spring and full applications are due in the Summer.

Limitations and Constraints
- Competitive application cycle
- Use of funds limited to specific scope in-line in current LCDA goals

Please visit the following websites for additional information:
http://www.metrocouncil.org/Communities/Services/Livable-Communities-Grants/Livable-Communities-Demonstration-Account-(LCDA).aspx

City of Minneapolis - Affordable Housing Trust Fund (AHTF) Program
Probability of Award: 50% *Potential Percentage of Funding: 2-5%*

The Affordable Housing Trust Fund Program (AHTF) Program provides gap financing for affordable and mixed-income rental housing, housing production and preservation projects. The purpose of this program is to finance the production and preservation/stabilization of affordable and mixed-income rental housing projects in Minneapolis. Program funds are offered through an annual competitive RFP process.

Application Cycle:
Funding proposals are accepted on a rolling basis for one month in the Summer.

Limitations and Constraints
- Competitive application cycle
- Use of funds limited to specific scope in line with current AHTF goals

Please visit the following websites for additional information:

http://www.ci.minneapolis.mn.us/cped/rfp/AHTF_home

Sources of Funds
Continued

City of Minneapolis - Tax Increment Financing (TIF)

Probability of Award: 50% *Potential Percentage of Funding: 2-5%*

Tax Increment Financing (TIF) is a financing tools utilized by local municipalities which allows developments to occur that would otherwise not occur without receiving assistance through TIF. Developments are generally analyzed using the "but for" test, which notes "the development would not occur but for the use of TIF."

According to the City of Minneapolis Tax Increment Financing Policy, the City has outlined the following Development Objectives whereby the City uses TIF to accomplish the following objectives:

1. Expand the Minneapolis economy to create more living-wage jobs, with an emphasis on providing job opportunities for the unemployed and underemployed.
2. Attract and expand new and existing services, developments and employers in order to position Minneapolis and the region to compete in the economy of the 21st century.
3. Increase the city's property tax base and maintain its diversity. Clean contaminated land to provide sites for uses that achieve City redevelopment objectives.
4. Provide an array of housing choices that meet the needs of current residents and attract new residents to the city, with an emphasis on providing affordable housing.
5. Eliminate blighting influences throughout the city.
6. Support neighborhood retail services, commercial corridors and employment hubs.
7. Support redevelopment efforts that enhance and preserve unique urban features and amenities, including downtown, the riverfront and historic structures

Application Cycle:
The City of Minneapolis' TIF applications are received on a rolling basis.

Limitations and Constraints
- Project may require the creation of a TIF Redevelopment District
- Requires City Council action
- Political aspects

Please visit the following websites for additional information:
http://www.ci.minneapolis.mn.us/cped/resources/reports/cped_tax_increment_financing

Sources of Funds
Continued

Hennepin County - Affordable Housing Incentive Fund (AHIF)
Probability of Award: 50% *Potential Percentage of Funding: 2-5%*

The Affordable Housing Incentive Fund (AHIF) provides capital financing to create or preserve long-term affordable housing units throughout Hennepin County for very low-income households. Applicants may include government, nonprofit agencies, housing developers or lenders. Financing supports acquisition, rehabilitation or new construction activities.

The Hennepin County Five-Year Consolidated Plan identifies the following Priority Needs:

- Preserve/Create Multifamily Rental Opportunities for extremely low and low-income renter households (at or below 30% AMI and 50% AMI, respectively). Specifically, this includes creating opportunities for large families, the elderly, persons with mental, physical, or developmental disabilities, and public housing residents.
- Preserve/Create Single Family Homeownership opportunities for those at or below 80% AMI.
- Create Housing Opportunities for Homeless Populations. Also see Heading Home Hennepin's Ten Year Plan to End Homelessness.

Additional county priorities include:

- Connecting affordable housing to local employment opportunities, schools, transit corridor development, and supportive services.
- Creating new affordable units and prevent the loss of viable affordable units.
- Supporting a full range of housing choice throughout the county.

Eligible Activities:
Acquisition of property, construction of new housing for permanent or transitional rental and ownership, moderate or substantial rehabilitation of units, site improvements, and reasonable and necessary expenses related to the development of affordable, non-luxury housing, homeowner purchase assistance and rehabilitation financing. Because there is an existing tenant based rental assistance (TBRA) program, additional TBRA proposals are not part of this RFP.

Application Cycle:
The AHIF applications are due in the Spring.

Limitations and Constraints:
- Competitive application cycle
- Limited sources per project
- Use of funds limited to specific scope in line with current AHIF goals

Sources of Funds
Continued

Limitations and Constraints:

- Competitive application cycle
- Limited sources per project
- Use of funds limited to specific scope in line with current AHIF goals

Please visit the following websites for additional information:
http://www.hennepin.us/business/work-with-henn-co/rfp

Development Phasing and Tenant Retention Plan
for example purposes only

Sherman Associates has significant experience renovating occupied housing communities. While it is often the goal to maintain residents onsite during construction rather than requiring offsite displacement, the current extremely-low vacancy rate (nearly 0%) at Glendale Townhomes offers a unique challenge to maintaining residents onsite during rehabilitation or redevelopment. While each Recommendation contemplates varying degrees of site redevelopment, Sherman Associates has outlined two examples of potential Tenant Retention Plans, one representing an option if high levels of vacancy are available, and one representing the current low to no vacancy rate. Each example is offered for example purposes only.

Example Tenant Retention Plan – With Vacancies | Duration 24 months

Phase I:

- Select 4-6+ buildings (approximately 24+units) to begin phased renovation process
- Lightly refurbish 24+ other units on-site for temporary relocation of residents
- Temporarily relocate residents in selected 4-6 + buildings into the lightly refurbished vacant units
- Complete full rehabilitation of 4-6+ vacated townhome units
- Move residents into fully rehabilitated townhome units
- **Timeline For Phase I: 4 months**

Phase II:

- Repeat - Over time with more natural move-outs, the project will initiate 30-40 units per phase
- **Timeline For Phase II**: **4 months per phase of relocation and rehabilitation**

Development Phasing and Tenant Retention Plan

for example purposes only

Example Tenant Retention Plan – No Vacancies | Duration 30-36 months

Phase I:

- Select 4-6+ buildings (approximately 24+units) to begin phased renovation process. These buildings must be located on future footprint of the new multifamily building
- Lightly refurbish 24+ other units on-site for temporary relocation of residents
- Temporarily relocate residents in selected 4-6+ buildings into the lightly refurbished vacant units
- Construct one new multifamily building of 170 units
- Move residents into new multifamily building
- **Timeline for Phase I: One + year**

Phase II:

- The relocation of 170 existing units will create vacancies within enough townhomes to construct new townhome or great house buildings, or build two new multifamily buildings
- Move residents into newly constructed townhome, great house or multifamily buildings
- **Timeline for Phase II: One + year**

Phase III:

- Construct Senior Housing building
- Move residents into Senior Housing units
- **Timeline for Phase III: Less than one year**

Example: Phased Development

For example purposes only

Current vacancies
example only

Example: Phased Development

For example purposes only

Current vacancies *example only*

Temporarily relocate to lightly refurbished townhome units

Consolidate vacancies in these buildings to construct new multifamily building in next step

Example: Phased Development

For example purposes only

Move residents into new multifamily to create additional vacancies

Build new multifamily

Example: Phased Development

For example purposes only

Build new senior development

Rehab of townhomes or demo and build all new townhome units

Recommendations and Conclusion

Based on the review of Recommendations 1-4, Sherman Associates recommends the following:

1. Further evaluation of each Recommendation 1-4

   a. Evaluate and discuss with HUD avenues for the conversion of public housing to Project Base Section 8 assistance for the 184 units.
   b. Describe and discuss Recommendations with MPHA Board of Commissioners
   c. Describe and discuss Recommendations with community stakeholders
   d. Describe and discuss Recommendations with City of Minneapolis key stakeholders and leaders
   e. Describe and discuss Recommendations with identified funding sources and explore additional funding sources such as HUD and state grants
   f. Research and identify Head Start needs

Underwriting Assumptions

Please refer to the following underwriting assumptions:

- The goal for all Recommendations is to maintain a minimum the current MPHA unit mix and bedroom configuration of 26 – 1BR, 69 – 2BR, 70 – 3BR, and 19 4-BR MPHA units. Flexibility will be required for Recommendation 1 and Recommendation 2 to meet federal ADA requirements.
- All Recommendations assume rents at 50% AMI, 60% AMI, and/or Market Rate. No Section 8 rents have been underwritten as it is assumed that MPHA will pro-vide Project Base Section 8 vouchers.
- Funding for Section 8 vouchers are subject to annual appropriations
- LIHTC pricing fluctuates and is subject to market. All LIHTC pricing is underwritten at $0.95.
- Mixed-income buildings assume 80% affordable
- All Recommendations assume 7% vacancy
- Additional vetting is required for all Recommendations including conducting a market study, discussing proposal with lenders and underwriters, etc.
- 9% Credits are capped at $1mm credits
- 4% Credits have no cap on credits
- Significantly rehabbed units and all new construction units assume 4% tax credit
- Assume DCR of 1.15
- Assume HUD Financing at 4.75% Rate, MIP.25%, Term 40 at 40am
- Assume approximately 9% development fee, capped at $1mm
- Assume $1.2mm relocation cost
- All Recommendations assume operating costs at levels used in MHFA underwriting and Sherman Associates experience