

PLANNING AND ECONOMIC DEVELOPMENT COMMITTEE

13-0309R

REPLACEMENT

RESOLUTION OF INTENT TO SUPPORT THE RC LIMITED LIABILITY CORPORATION'S REQUEST TO THE MINNESOTA HOUSING FINANCE AGENCY FOR FUNDING FOR THE PASTORET TERRACE PROJECT.

CITY PROPOSAL:

RESOLVED, that the city council hereby expresses its support for the RC Limited Liability Corporation's request for funding to the Minnesota housing finance agency as the city's second priority for funding from Minnesota housing consisting of 4% housing tax credits and other programs for the pastoret terrace project; and be it also

RESOLVED, that the city encourages the developer of the project to seek additional funding resources that are less income restrictive that would allow a mix of affordable and market-rate housing opportunities that could serve employees of the downtown and medical districts through a mutually agreeable pro forma that evidences developer equity contributed to the project.

Approved:



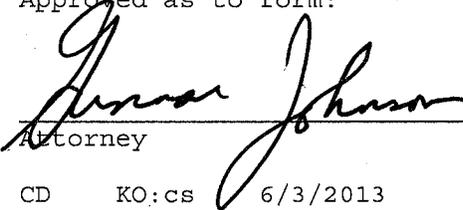
Department Director

Approved for presentation to council:



Chief Administrative Officer

Approved as to form:



Attorney

Approved:



Auditor

CD KO:cs 6/3/2013

STATEMENT OF PURPOSE: This resolution expresses the city council's support of a Minnesota Multi-family Rental Housing Application to be submitted to the Minnesota Housing Finance Agency (MHFA) by the RC LLC for the proposed Pastoret Terrace project. The deadline for the submission of applications for multi-family projects is June 18, 2013. MJHFA intends to finalize its funding

decisions on November 7, 2013. Any funding awarded by the State will be available for projects starting construction in the spring of 2014.

MHFA's Request for Proposals includes a number of potential funding sources provided by the State, such as the Low- and Moderate Income Rental Program, Flexible Financing for Capital Costs, Challenge Fund, Ending Long-Term Homelessness Initiative Fund, Housing Trust Fund, Rental Rehabilitation Loan Program, and the "4%" and "9%" Housing Tax Credits. With resolution 13-0230, approved by the City Council on May 13, 2013, the Lincoln Park School project received the city's support for their application for 2014 "9%" Housing Tax Credits. This resolution supports MHFA approval of "4%" housing tax credits and/or funding from other programs for the Pastoret Terrace project as the city's second priority for funding.

Along with the city's partners in housing development, the Duluth HRA and Duluth LISC, the city will work to fill the funding gap created by the difference between "4%" and "9%" housing tax credits. This assistance could take the form of housing or tax exempt bonding provided by DEDA or the Duluth HRA. Requirements of this support include a pro forma showing developer equity contributed to the project, and any acquisition costs shown as either the developer's equity contribution or alternatively, show the acquisition cost as an amount evidenced by current appraised value of the property.

RC LLC is the legal entity applying for the MHFA funding. The actual developer of the project will be Pastoret LLC, with Michael Conlan as the principle person leading the development team. The RC LLC will own the property, a limited liability corporation controlled by Eric Ringsred. The property manager has not been determined, but the intent is to contract with a professional management company.

Located at 127-129 East Second Street, the proposed Pastoret project entails the adaptive reuse of an historic structure that was designed by the prominent architect, Oliver G. Traphagen, and built in 1887. The Pastoret building has been qualified by the Minnesota State Historic Preservation Office and the National Park Service as a "certified historic structure" for the purposes of state and federal historic tax credits. Before major fires damaged significant portions of the building, it provided 50 units of single-room occupancy housing for very low income residents. The proposed redevelopment project will provide 40 units of affordable housing, of which four will be set aside for persons experiencing homelessness.

On March 25, 2013, the city council approved resolution 13-0132, authorizing the city to enter into a joint agreement with MHFA for the administration of the city's allocation of housing tax credits. MHFA requires developers that submit applications for housing projects in Duluth to receive the support of the city council. The administration is recommending support for the Pastoret Terrace project, based on the goals of the Hillside Neighborhood Revitalization Plan, released on November 19, 2012. Prepared by the At Home in Duluth Collaborative, with the city's Community Development Office as a contributing partner, a priority for 2012-2014 is the creation of workforce housing, in particular, to provide housing for employees working in the downtown and medical districts. In addition, the Pastoret building is a priority for historic preservation as a major contributing structure within Duluth's designated Downtown Historic District.