

STAFF REPORT

DATE: May 11, 2017

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator
Chris Heineman, Community Development Director

..Title

Purchase & Renovation of Koester Court by Common Bond Communities

..Body

ACTION REQUESTED:

Consideration of committing Housing & Redevelopment Authority (HRA) funding support for the acquisition and renovation of the Koester Court Apartments by Common Bond Communities.

SUMMARY AND BACKGROUND:

Koester Court is a 95 unit apartment complex, owned by CIC Partners, on Jefferson Blvd in Northfield. It was built in the early 1980's and consists of 4 buildings, 1 of which is designated for seniors. Koester Court Apartments is one of the federally-assisted rental housing projects that were built in the 1980's with USDA Rural Development (RD) financing.

Currents monthly rents at Koester Court range from \$455 to \$510 with all utilities except electric included. The property is in need of capital improvements in order to continue providing safe and affordable housing for the 95 families and seniors currently residing at Koester Court. Many of the building components are original and past their useful life.

Common Bond Communities has entered into a purchase agreement with CIC Partners and will be applying for Federal Housing Tax Credits and others for loans, to purchase, renovate and retain the Koester Court apartment buildings as affordable rental housing. In order to qualify for Low Income Housing Tax Credits (LIHTC) and Minnesota Housing Finance Agency financing, the project must show support from the local community in the form of financial participation.

In order to score 4 points out of 10 possible in the applicable scoring category, local contributions must be at least 5.1% of the total project costs. A secondary goal is to achieve 2 points out of 10 possible points by demonstrating 2.1% of the total project costs are made up of local contributions. Common Bond would receive credit for the net present value of the below-market interest rate on a USDA Rural Development loan.

ANALYSIS:

The HRA is requested to contribute funding support for the acquisition and renovation of the Koester Court Apartments by Common Bond Communities for the purchase and rehabilitation of the Koester Court Apartments. The HRA can provide funds for this project by committing future Community Development Block Grant (CDBG) funds or by committing HRA levy dollars from the HRA General Fund balance.

Any CDBG funds committed to the purchase and/or the renovation of Koester Courts would trigger the Davis Bacon prevailing wage requirements for the entire renovation project. Common Bond may have already considered Davis Bacon requirements in their renovation estimates in which case the use of CDBG funds would not make a significant difference.

Representatives from Common Bond will be in attendance at the HRA meeting. Additional details will be provided at the meeting.

RECOMMENDATION:

Preserving the existing housing stock is a key element of the HRA's goal of providing affordable housing. Staff recommends the HRA Board show their support for the Koester Court Apartment acquisition and renovation project.