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Attachments: 1. Spring Creek II local funding points, 2. Spring Creek II Application Debrief

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DATE: November 15, 2018

TO: Members of the Housing & Redevelopment Authority

FROM: Janine Atchison, Housing Coordinator

Three River Community Action Agency Spring Creek II - 2018 Low Income Housing Tax Credit Application Scoring.

SUMMARY AND ACTION REQUESTED:

Community Development Director Leah Hall of Three Rivers Community Action Agency (Three Rivers) will present the 2018 Low Income Housing Tax Credit (LIHTC) application scoring to the Housing & Redevelopment Authority (HRA).

BACKGROUND:

In March of 2017, non-profit developer Three Rivers agreed to partner with the HRA on a new project to increase the number of affordable rental housing units at Spring Creek Townhomes. The proposed project will be located on a portion of the 11.18 acres owned by the HRA in the Southbridge area.

The HRA land is part of a larger development site that was initially platted by Arcon Development as the Southbridge Subdivision. A final plat for the Southbridge 1st Addition was approved in 2003, and development proceeded until the recession in 2008. At that time, the remaining land was split between the HRA and the neighboring property owners (Vern & Joan Koester).

In 2017, staff met with Three Rivers and the Koester's to consider numerous concept plans involving a potential land swap. In December of 2017, it was determined that the HRA and Three Rivers would move forward with a concept for development on the 11.18 acres owned by the HRA. The HRA agreed to donate up to 4.5 acres of HRA owned land for the creation of affordable workforce housing in the Southbridge area for the project. It is anticipated that the remaining HRA land will be developed in 2 or more phases. The first

phase will include the construction of 32 townhome dwellings (Spring Creek II) and required infrastructure.

It was determined that the proposed Spring Creek II Project perfectly aligns with the City's strategic initiatives to provide affordable, workforce housing in Northfield. It also aligns with the HRA Goals and Work Plan to enhance strategic partnerships to extend resources and leverage opportunities that enhance growth and strengthen the community.

In May 2018, the HRA adopted a resolution to provide up to 4.5 acres of land and \$20,000 to the project providing that Three Rivers was successful in obtaining tax credits through Minnesota Housing Finance Agency (MHFA). By adopted resolution, the HRA also supported the creation of a Tax Increment Finance (TIF) District to assist with infrastructure costs. In June, 2018, the City Council adopted a resolution of support for the creation of a TIF District for the Spring Creek II Project. The resolutions will serve as leverage to gain LIHTC and other financing tools for the project's successful completion.

Three Rivers completed and submitted a comprehensive and thorough application for LIHTC funds in June, 2018. With the support of the HRA, City Council and other partners, the Three Rivers application scored very well to compete with other projects across the state and metro area for the available limited LIHTC funding. The results of the application process to be announced in late October, 2018.

Unfortunately, the Spring Creek II project was not selected for LIHTC funding in the 2018 application round. MHFA has released application scores to Three Rivers. Leah Hall, Community Development director for Three Rivers, and staff will present their research and understanding of the MHFA scores for the Spring Creek II Project.

ANALYSIS:

Due to the competitive nature of LIHTC funding, it is not unusual that first round applications are not funded. Research to understand the reason(s) why the Spring Creek II project did not receive funding in the 2018 round will provide needed information for a successful 2019 application.

The HRA has put a considerable amount of time and resources into creating the Spring Creek II concept with Three Rivers. The HRA has a good working relationship the Three Rivers and has successfully partnered with them a numerous affordable housing projects. The existing 28-unit Spring Creek Townhomes was a collaboration between the HRA & Three Rivers. Continuing to partner with Three Rivers on the Spring Creek II development appears to be the highest and best use for this portion of the Southbridge property.

HRA costs for the 2019 application would be minimal, as much of the preliminary work was completed earlier this year. However, there may be additional professional fees for TIF review by Ehlers, costs for a neighborhood meeting, and other unknowns. However, the costs incurred for the 2018 LIHTC application were less than \$1,000.

OPTIONS:

The HRA may seek other types of development for all or part of the Southbridge property owned by the HRA. This may include working with other market rate or non-profit developers.

RECOMMENDATION:

The HRA should consider providing support to Three Rivers Community Action Agency for a 2019 Low Income Housing Tax Credit application for the development of Spring Creek II.