

To: HONORABLE MAYOR AND CITY COUNCIL.

FROM: Dave Maroney, Director of Economic Development and Planning.

SUBJECT: Three Rivers Community Action Development Proposal

DATE: June 7, 2017.

BACKGROUND.

On May 10th, Three Rivers Community Development Director Leah Hall presented information to the Economic Development Authority proposing the purchase and substantial renovation of the *Woodknoll* and *Rivers Edge Apartments* – see accompanying information. Since that meeting, Leah and I have discussed the proposed project further and have agreed that the proposed *\$20,000 local contribution* will not be necessary at this time. However, local support of the proposed project is very important!

REQUESTED COUNCIL ACTION.

Staff requests approval of the accompanying *Resolution* and Council support of the proposed development as recommended by the Economic Development Authority.

**CITY OF CANNON FALLS
GOODHUE COUNTY, MINNESOTA**

RESOLUTION NUMBER 2284

**SUPPORT THREE RIVERS COMMUNITY ACTION
DEVELOPMENT PROPOSAL**

WHEREAS, Three Rivers Community Action (the “Developer”) has proposed to acquire and rehabilitate Rivers Edge and Woodknoll apartments located at 9th St. South and Park Street. This project will preserve 39 affordable housing units (the “Development”) and propose updating several units to current accessibility standards for tenants with disabilities; and

WHEREAS, the Developer has provided the Cannon Falls City Council with their proposal and intends to submit an application to the Minnesota Housing Finance Agency (MHFA”) for an allocation for tax credits for the Development that will enable the Developer to acquire and provide comprehensive rehabilitation to the property; and

WHEREAS, the Council has reviewed the proposal for the Development and hereby finds and determines that the Development fulfills a need for quality affordable housing in the City, which is currently in short supply.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF CANNON FALLS, GOODHUE COUNTY, MINNESOTA, as follows:

1. The City Council hereby endorses the Development proposed by the Developer and supports the Developer’s application to MHFA for tax credits; and
2. The City Council authorizes the City Administrator to execute a letter to MHFA in support of the Development.

ADOPTED by the City Council of Cannon Falls this 13th day of June, 2017.

City of Cannon Falls

Lyman M. Robinson, Mayor

Attest: _____
Ronald S. Johnson, City Administrator



June 13, 2017

Minnesota Housing Finance Agency
400 Sibley Street, Suite 300
Saint Paul, MN 55101-1998

RE: Three Rivers' Preservation Project: Riverwood

At its meeting on June 13, 2017 the Cannon Falls City Council reviewed and endorsed Three Rivers Community Action's Riverwood housing development proposal to acquire and rehabilitate 39 units of affordable housing in two USDA RD 515 apartment complexes currently named Rivers Edge and Woodknoll. The Council has reviewed the Riverwood Development Project and has determined that it contributes to meeting the local need for quality affordable housing units in the City of Cannon Falls.

The City Council endorsement is evidenced by the City Council's approval of the enclosed Resolution, a copy of which is included with this letter.

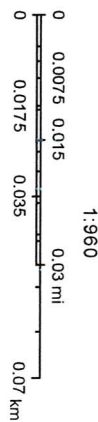
Sincerely,

Dave Maroney
Director of Economic Development and Planning

Three Rivers Community Action



- May 2, 2017
- Roads 9,600
 - Township or Other Roads
 - County Roads 1,200
 - County Roads - Gravel
 - Township or Other Roads
 - Major Roads 1,200
 - County Roads - Paved
 - ESRI Major Roads
 - US Highway
 - Roads 1,200
 - Township or Other Roads
 - State Highway





May 3, 2017

Preservation Project in Cannon Falls Project Summary & EDA Request

Project Summary:

Three River Community Action is proposing to secure funds to acquire and deliver comprehensive rehabilitation to Rivers Edge and Woodknoll Apartments in Cannon Falls. These properties currently provide low/moderate income households with needed, affordable, workforce housing. However, the properties also have critical physical needs that must be addressed in order for them to remain in compliance with basic health and safety standards. Three Rivers’ rehabilitation plan will also address interior/unit improvements that will have a positive impact on current and future tenant’s quality of life.

The current owner is committed to helping Three Rivers make this project a reality and salvage these affordable housing units for the community. Three Rivers will assume the current USDA mortgage and the owner has requested to only receive payment sufficient enough to cover expenses required to exit as the owner.

Property Information:

- ❖ Rivers Edge: 16 Units
- ❖ Woodknoll: 23 Units

Combine, these properties contain 29 one-bedroom units (current rents are \$490 - \$495/month) and 10 two-bedroom units (current rents are \$510 - \$595/month). There are 2 units that contain property-based rental assistance (USDA RA) and the owner is currently securing an additional 5 RA vouchers. Rivers Edge and Woodknoll are conveniently located just a few blocks away from the HWY 52 express bus stop for workforce commuters.

Project Budget

Acquisition:	\$ 700,000 (Assume USDA mortgage + est \$100,000 exit expenses)
Rehabilitation:	\$ 2,503,800
Soft Costs/Professional Fees:	\$ 826,086 (architect, legal, appraisals, environmental, market study..)
Reserves:	\$ 344,000
Syndicator & Financing Costs:	\$ 74,127 (interest, orig fees, syndication fees)
TOTAL:	\$ 4,448,012

Funding Sources

Three Rivers is applying to Minnesota Housing Finance Agency (MHFA) to secure Low Income Housing Tax Credits (LIHTC) and deferred loans (MHFA/GMHF) to cover a majority of the cost of the project. Recently, UMOS has provided \$13,000 in grant funds to support the project. In addition, Three Rivers is proposing to secure a new mortgage (\$200,000) and leverage a sales tax rebate, as well as energy rebates. A detailed budget can be found below.

	Term	Rate	
First Mortgage	30	1.00%	573,363
General Partner Cash			
Syndication Proceeds			3,264,989
State Historic Proceeds			
Federal Historic Proceeds			
Deferred Loan Request			312,554
Sales Tax Rebate			56,306
Energy Rebates			7,800
Subordinated Mortgage			200,000
Proposed Local Contribution			20,000
UMOS			13,000
Total Permanent Financing			4,448,012

Cannon Falls EDA / City Request

Three Rivers is requesting an investment of just over \$512 per unit, or a total of \$20,000, from the Cannon Falls EDA, to support the cost of this project and demonstrate the EDA's support for the preservation of affordable, workforce housing units in Cannon Falls.

Three Rivers is also requesting the EDA's support for the City of Cannon Falls, in partnership with Goodhue County, to waive Construction Permit Fees.