inside track

BY NEAL ST. ANTHONY

A rare victory for affordable housing

Score one this month for Twin Cities "affordable housing," largely absent in a multifamily construction boom targeted largely at upscale renters and owners.

CommonBond Communities, the St. Paul-based nonprofit business that owns or manages more than 5,700 units, just closed a $100 million refinancing of the 45-year old Seward Towers in south Minneapolis. That will allow CommonBond to pull off a $50 million-plus renovation of the two buildings, including temporary relocation costs, financing fees and reserves, while ensuring that rents stay manageable for the working poor and low-income elderly residents who occupy 640 apartments.

Schmidt

The bad news for low-income renters is that they continue to lose ground in the seven-county Twin Cities region.

For example, this month the frayed-edge Alden, a 68-unit building on the north side of downtown long occupied by working-class people and retirees, was sold to a new owner for $5.8 million. They intend to upgrade the building and charge market rents. A 20-year tax-subsidy deal that limited rents has expired and the owners want to cash out.

The supply of low-cost housing is falling far short of demand. That's the amount of housing available to households that earn up to $49,400, 60 percent of the seven-county Twin Cities-area median income. They are estimated to be able to afford no more than 30 percent of their income for housing.

According to a 2015 report of the Metropolitan Council, the Twin Cities region added only 724 affordable units in 2013, down 29 percent from 2012 and the lowest total in years It's estimated that only one in every 16 new housing units was considered affordable. The number of lower-cost units constructed peaked in 2001 at more than 5,400. The number has declined annually since then.

Local agencies and governments use an assortment of incentives and subsidies for developers, owners and renters. Housing advocates say a yawning gap has emerged amid the decades-long stagnation in working-class wages, falling government support, rising construction costs and increasing rents.

CommonBond CEO Deidre Schmidt noted that two recent nonprofit housing projects that were completed in north and south Minneapolis, respectively, took years to plan and finance through multiple lenders, government and investors.

"New construction, in order to be profitable, is going to be at the high-end of the market," Schmidt said. "Government-subsidized new construction, such as Aeon's [four buildings at Portland and Franklin avenues that took nearly 15 years to plan and construct] or our Broadway Crescent [on W. Broadway Avenue] takes a long time and involves a lot of funders. It's prescribed who you can serve and what rent you can charge for 15-to-40 years."

Wells Fargo invested more than $31 million in Seward Towers, the biggest single chunk, in return for federal tax credits that it can take to offset taxes owed for 10 years. Wells Fargo becomes the 99 percent limited partner owner. CommonBond and two neighborhood organizations are the managing general partners and principal owners.

Commercial lender JLL (formerly Jones Lang LaSalle) provided a first mortgage of about $30 million at 3.9 percent, about two-thirds the rate of the previous mortgage. The city, county, state and Metropolitan Council also are involved in a financial package set to last up to 15 years.

CommonBond last year similarly refinanced Skyline Towers and Cathedral Hill Homes, subsidized housing that totals 604 units in St. Paul.

Low-income housing in Dayton bonding bill

CEO Tim Marx of Catholic Charities praised inclusion of low-income housing projects in Gov. Mark Dayton's proposed $1.4 billion bonding bill for statewide transportation-and-water projects, rail-and-pipeline safety, higher education, public safety and other investments.

The Dayton administration says the spending will create 39,900 jobs and leverage private investments in a growing Minnesota economy.

The proposal includes $100 million to support affordable housing, including renovation of existing subsidized housing and $12 million to help fund the second stage of the Catholic Charities Higher Ground St. Paul-St. Paul Opportunity Center project.

That $100 million combined housing-training project, the first stage of which broke ground last year to replace the antiquated Dorothy Day Center, is a public-private partnership. Fundraising is headed by business executives Doug Baker of Ecolab, Mary Brainerd of HealthPartners and Andy Cecere of U.S. Bancorp. They are more than halfway to their goal of $40 million in private donations.

"The governor's proposal to invest $12 million in this project will leverage millions of dollars in private support and advance the state's goals to prevent and end homelessness," Marx said last week. "We are grateful ... and look forward to working hard over the next several months to continue building statewide, bipartisan support for these transformational investments."