



# Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

August 2015 • Volume VI • Issue VIII

Published by Novogradac & Company LLP

## Historic Minneapolis Apartments to House Formerly Homeless Residents

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A century after its construction, The Lonoke apartment building in Minneapolis is undergoing a renovation that development partners say is an important step toward ending homelessness in the city. Minnesota-based developer Beacon Interfaith Housing Collaborative found strong neighborhood support for converting The Lonoke from market-rate apartments into 19 units of affordable housing for low-income households and formerly homeless individuals.

Lee Blons, Beacon's executive director, credits local support for The Lonoke to the success of nearby Lydia Apartments, Beacon's 40 units of supportive housing for people who have experienced homelessness. Blons said Lydia Apartments had to overcome significant neighborhood opposition when it opened in 2003, but that the tide has turned. She said the same property that was once protested is now recognized as an effective resource for addressing the city's homelessness problem. "Things have changed so much now that there's trust," said Blons. "It's a full-circle story of what had once been a scary idea that is now understood and welcomed."

Building on the achievement of Lydia Apartments, The Lonoke will be renovated using low-income housing tax credits (LIHTCs) and federal and state historic tax credits (HTCs). The Lonoke will offer nine of its 19 units to households earning 30 to 50 percent of the area median income (AMI). The other 10 units will go to residents who have experienced long-term homelessness. Some residents

will be recommended by the local homeless shelter and others will be former residents of Lydia Apartments who are less dependent on supportive services.

RESOURCE Inc. provides case management at Lydia Apartments and will also serve The Lonoke residents. "At The Lonoke, we'll work with individuals who have experienced more housing stability and we'll offer an opportunity for them to be independent," said Emily Bastian, RESOURCE director of care coordination. Bastian said services will be tailored to individual residents' needs, such as housekeeping assistance, money management, educational services and job training.

The Lonoke's other service provider will be Simpson Housing Services. "Our service model is focused on building residents' capacity for independent living," said Steve Horsfield, Simpson's executive director. "The long-term effect [of The Lonoke] is we'll see a series of people getting stabilized and rejoining our communities."

Others agreed. "Because of developments like The Lonoke, homelessness will continue to decrease," said Lisa Wilcox-Erhardt, the executive vice president of housing and services of CommonBond Communities, the property manager of The Lonoke and Lydia Apartments. "We believe in working closely with service teams to create positive relationships with residents."

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Image: Courtesy of Greg Page Photography

**The Lonoke apartment building in Minneapolis will be converted into 19 units of affordable housing for low-income households and formerly homeless individuals.**

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### The Right Dollars for the Right Vision

The Lonoke is a three-story, brick apartment building that was constructed in 1915 in Minneapolis' Stevens Square Historic District. It had different names through the years (most recently, Franklin Gardens), but has now been rebranded with its original name, The Lonoke. Beacon bought The Lonoke and an adjacent housing building, The Nokoma, in 2006 with the intention of turning the market-rate apartments into limited-equity housing cooperatives. Beacon had just finished converting The Nokoma into a cooperative when the national economic recession hit. Financing resources became limited and Beacon decided to keep The Lonoke as market-rate rental property.

Before Beacon acquired The Lonoke, Blons said it was dilapidated, nearly vacant and was notorious for being a center for illegal drugs and other crime. Beacon asked problem tenants to leave and made one unit available for the Minneapolis police department to use for surveillance. Blons said those changes made The Lonoke a cleaner, safer place to live, but that the century-old building still

needed major updates. Beacon spent the next few years working to plan and finance the rehabilitation. "We were in search of the right dollars for the right vision," said Blons.

The "right dollars" were a combination of public and private funding sources that included LIHTCs and federal and state HTCs. The "right vision" was updating the historic building and converting its market-rate apartments into rent-restricted and supportive housing units. Planned renovations include new kitchens and bathrooms for every unit and upgrades for common areas. Crews will also replace the roof and mechanical, electrical and plumbing systems. Among the historic features preserved will be the building's brick exterior. Beacon estimates renovations will be completed by fall.

### Financing

Development partners said that LIHTC and HTC financing were the main drivers of The Lonoke's rebirth. "It's the bulk of the funding and it's the key to making this [renovation] happen," said Blons.

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UnitedHealth Group provided \$1.9 million in LIHTC and federal and state HTC equity through a partnership with the Minnesota Equity Fund. “The [Lonoke] achieves the triple impact we seek: improving the lives of people and families who are in need of housing while creating new jobs and providing an economic boost,” said Tom McGlinch, vice president of investment management for UnitedHealth Group. “We are proud of our role in helping develop The Lonoke, which will provide the kind of care and support that is critical to lifting people out of homelessness and live healthier lives.”

Other funding sources include a \$1.42 million bridge loan from the Greater Minnesota Housing Fund; a \$645,445 loan from the Minnesota Housing Finance Agency (MHFA); a \$423,523 loan from the city of Minneapolis;

a \$225,000 loan from Hennepin County; \$75,000 from Housing 150 (Plymouth Congregational Church and Westminster Presbyterian Church) and a \$64,000 grant from Hennepin County.

Western Bank and the Greater Minnesota Housing Fund provided predevelopment financing. Rental assistance was provided by the Minneapolis Public Housing Authority to four units and Hennepin County Group Residential Housing to six units. Supportive services were funded by the U.S. Department of Housing and Urban Development (HUD) Supportive Housing Program (SHP) and Hennepin County Group Residential Housing (GRH). ❖

#### The Lonoke FINANCING

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*This article first appeared in the August 2015 issue of the Novogradac Journal of Tax Credits.*

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ISSN 2152-646X

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