

SEWARD TOWERS, MINNEAPOLIS:

# Anatomy of a Preservation Deal

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A high-capacity nonprofit weaves \$50 million in public and private funds to renovate one of the Midwest's largest project-based Section 8 affordable complexes.

Seward Towers East and West have been providing affordable housing to Minneapolis residents for more than 40 years. They are one of the largest subsidized properties in the Midwest: 623 of the towers' combined 640 units are subsidized through a project-based Section 8 contract. CommonBond, which has managed the property for the Seward Towers Corporation since 1990, also provides on-site resident support services. In 2015, CommonBond, in partnership with Redesign and the Seward Neighborhood Group, used both public and private sources to refinance both buildings for \$99 million and make \$50 million in major renovations while retaining affordability and minimizing disruption to residents. The renovations, which began in January 2016, have required some temporary relocations within the property and to a nearby, newly constructed apartment. To minimize disruption and maximize community buy-in, CommonBond is working closely with residents, most of whom are East African.



623

ASSISTED UNITS

in Minneapolis preserved with public and private capital

## ABOUT COMMONBOND COMMUNITIES

CommonBond Communities is the Midwest's largest nonprofit provider of affordable housing with services. Founded in 1971, it combines affordable housing with its on-site Advantage Services model, providing free tools, community resource connections, and family support, to promote resident stability, advancement, and independence. CommonBond develops, owns, or manages more than 5,700 affordable rental apartments and townhomes, housing more than 9,000 people in Minnesota, Wisconsin, and Iowa.

> *Seward Towers is one of the largest affordable housing complexes in the region. Photo / LHB Architects.*

**BRINGING TOGETHER RESOURCES FOR FUNDING AT SCALE**

To be successful, the Seward Towers project needed to coordinate private capital lenders—including Wells Fargo, JLL, and the AFL-CIO Housing Investment Trust—and a range of public local, regional, state, and national financing sources, such as the US Department of Housing and Urban Development, Minnesota Housing, the Metropolitan Council, Hennepin County, and the City of Minneapolis. Project-based Section 8 contracts keep rent affordable to lower-income residents, who pay no more than 30 percent of their adjusted income for rent. The new Section 508 contract for both buildings was effective in July 2015 and runs to 2035.

**INNOVATIONS IN AFFORDABLE HOUSING PRESERVATION**

The Seward Towers project shows how high-capacity nonprofit developers can work with private industry, local government, and neighborhood organizations to preserve significant affordable housing stock. Preservation required balancing financial and community-driven concerns regarding the scale and scope of the work and the rehabilitation process itself. Incorporating both occupied rehabilitation and on-site temporary relocation to “hotel” units, CommonBond worked closely with the community to determine

**COORDINATING PUBLIC AND PRIVATE FUNDING**

**Seward Towers, Minneapolis, MN**

**Public Sources**

- City of Minneapolis Housing Revenue Bond
- Metropolitan Council Tax Base Revitalization Account
- Minneapolis Community Planning and Economic Development: Affordable Housing Trust Fund loan
- Minnesota Housing Finance Agency HOME Affordable Rental Preservation Program loan
- Sales Tax Rebate and Deferred Developer Fee
- Hennepin County: Affordable Housing Incentive Fund and Environmental Response Fund
- Ongoing Project-Based Rental Assistance contract Minneapolis Public Housing Authority / HUD

**Private Sources**

- Tax Credit Syndication Proceeds (4% LIHTC)
- Seller’s Note
- Existing Reserves
- Cash Flow
- Residual Receipts

the scope of and logistics around the renovations

The project also illustrates how preserving affordability is a long-term commitment. If Section 8 subsidies are allowed to expire, they cannot be transferred elsewhere, and are lost entirely. CommonBond originally became involved with Seward Towers in 1990, when the original Section 8 contract was expiring and the then-property owner was looking to convert the building to market-rate units. At that time, CommonBond worked with the Greater

Metropolitan Housing Corporation, Redesign, and the Seward Neighborhood Group to create the Seward Towers Corporation, purchase the property, and renew the subsidy contract. By 2015, the 45-year old property needed significant rehabilitation work to preserve its Section 8 contract. This required extensive work on systems and upgrades to meet building codes and safety requirements. CommonBond’s capacity to balance resident, community, and funder concerns over multiple decades is a key to the project’s success.

One in a series that examines the challenges and opportunities to preserve affordable housing in various contexts across the United States. For more, see “Anatomy of a Preservation Deal”: <http://www.urban.org/preservation>

Information for this case study was gathered through interviews with and documentation provided by CommonBond Communities.

**About the Housing Assistance Matters Initiative:** The Housing Assistance Matters Initiative educates Americans about the vital role of housing assistance. The initiative is a project of the Urban Institute, made possible with support from the HAI Group. The Urban Institute is a non-profit, nonpartisan research organization and retains independent and exclusive control over substance and quality of Housing Assistance Matters Initiative products.

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