



Request for City Council Committee Action from the Department of Community Planning and Economic Development

Date: January 17, 2012

To: Council Member Lisa Goodman, Chair
Community Development Committee

Subject: (1) Public hearing regarding preliminary approval of up to \$27,000,000 in tax exempt multifamily housing entitlement revenue bonds for the Currie Park Lofts Phase I project; and

(2) Project Analysis Authorization for tax increment financing

Recommendation (bonds): Approve the attached resolution giving preliminary approval of up to \$27,000,000 in tax-exempt multifamily housing entitlement revenue bonds for the Currie Park Lofts Phase I project.

Request (TIF PAA): Direct and authorize staff to either 1) continue analysis of the Currie Park Lofts project proposal to determine if tax increment financing (TIF) assistance is appropriate and justifiable, or 2) discontinue further TIF analysis for the project. If further directed analysis concludes TIF assistance is appropriate, then staff requests authorization to negotiate the terms and conditions of a redevelopment contract with Currie Park Developments, LLC or an affiliated entity; and prepare redevelopment and TIF plans for the project as needed. All such terms and conditions, plans, and other provisions would be subject to City Council review, discussion, and approval or denial.

Previous Directives: On December 16, 2011, the City Council adopted resolution 2011R-671 authorizing the proper City officials to sign an Acknowledgement of Receptivity which effectively accepts Metropolitan Council Livable Communities award of \$400,000 from the Local Housing Initiative Account to the project.

On June 17, 2011, the City Council authorized submitting a \$1,010,210 Metropolitan Council Livable Communities Demonstration Account grant application.

On October 5, 2007, the City Council authorized acceptance of \$370,000 of Hennepin County TOD funds for demolition and site improvements.

On February 9, 2007, the City Council authorized acceptance of \$341,341 of Metropolitan Council LCDA funds for right of way and site improvements. These funds were relinquished in 2009.

On March 31, 2006, the Council accepted and appropriated a \$1,720,000 Metropolitan Council Hiawatha Corridor Land Assembly Fund grant for land acquisition.

In 2006, the City Council awarded \$400,000 from the City's Affordable Housing Trust Fund. This award lapsed in 2010.

Department Information

Prepared by: Matt Goldstein, Senior Project Coordinator, (612) 673-5075	
Approved by: Thomas A. Streitz, Director, Housing Policy & Development	_____
Charles T. Lutz, CPED Deputy Director	_____
Presenter in Committee: Matt Goldstein	

Financial Impact

- No financial impact.

Community Impact

- Neighborhood Notification: The West Bank Community Coalition (WBCC) was advised of the receipt of the Application for Public Assistance (TIF) and the WBCC was notified of the public hearing to consider preliminary approval of the housing revenue bond allocation.
- City Goals: A Safe Place to Call Home; Livable Communities, Healthy Lives
- Sustainability Targets: Affordable housing production.
- Comprehensive Plan: *The Minneapolis Plan for Sustainable Growth* contains the following relevant policy, among others: *Policy 3:3*: Increase housing that is affordable to low and moderate income households.
- Zoning Code: The existing zoning permits high density residential land use. A Land Use Application has been submitted and is currently being reviewed by CPED Planning staff.

Supporting Information

Currie Park Developments, LLC, an Affiliate of Fine Associates, LLC, owns the property at 515 15th Ave. S. between 4th St. S. and 6th St. S. facing Currie Park and adjacent to Riverside Plaza and the Mixed Blood Theater. The property is located in the Cedar Riverside neighborhood and in Ward 2. Currie Park Lofts is within a five minute walk of the existing Cedar Riverside Hiawatha Light Rail station and the Central Corridor West Bank station, which is currently under construction.

The project includes removing or relocating the existing single family house and developing a 256 unit mixed income housing project with approximately 22,000 square feet of non-residential space on the first floor and a parking structure with roughly 260 stalls. The commercial space will be configured as a cultural center, adult and child day care, and a neighborhood grocer.

The proposed unit mix is summarized in Table 1:

TABLE 1: UNIT AND AFFORDABILITY CONFIGURATION

UNIT CONFIGURATION		AFFORDABILITY					
Unit	Quantity		<50%	<60%	MKT	total	total %
0BR	8	0BR	8	0	0	8	3%
1BR	129	1BR	25	77	27	129	51%
2BR	70	2BR	14	42	14	70	28%
3BR	43	3BR	6	27	10	43	17%
4BR	4	4BR	0	4	0	4	2%
total	254	total	53	150	51	254	100%

Approximately twenty percent of the units will be affordable to households at or below 50% of Area Median Income (AMI), 60% of the units will be affordable at 60% AMI, and the balance of the units will be market-rate. The owner will pay trash, water/sewer, and heat. Tenants are responsible for paying for natural gas and electricity.

The owner of Currie Park Lofts will be a limited partnership called Currie Park Developments, LP with an entity controlled by Fine Associates, LLC as the managing or general partner with a .01% interest in the project ownership. The investor members, with a 99.99% interest, have not been named yet. Fine Associates, LLC will also manage the property. Winthrop & Weinstine will provide developer counsel and architectural services will be provided by BKV Group.

Currie Park Lofts has been delayed due to in part to easement issues that date back to HUD's foreclosure of Riverside Plaza in 1986. The easement issues have been resolved, and the development plans have been changed to comply with the remaining easements.

This Request for Council Action is the first of two steps for both the bonds and the TIF. If the City Council grants preliminary bond approval and authorizes further project analysis for TIF, future Requests for Council Action may include final approval of the housing revenue bonds and TIF approval for this project.

Project Financing Overview

The estimated total development cost of the project is approximately \$44.7 million. The gross total development cost per unit is approximately \$176,000, and the total development cost (less reserves) per gross square foot is \$120.85.

Table 2 on the following page shows the current project sources and uses. Approximately 81% of the project financing is from private sources such as syndication proceeds and developer equity.

TABLE 2: PROPOSED PERMANENT PROJECT SOURCES			
SOURCE	PUBLIC	PRIVATE	Committed?
HUD 1st Mortgage (HRB)		\$20,380,495	Pending
TIF Note Mortgage (HRB)	\$2,990,000		Pending
LIHTC Syndication Proceeds		\$10,385,623	Pending
City AHTF	\$1,200,000		Pending
DEED Redevelopment	\$442,000		Pending
Family Housing Fund	\$250,000		Yes
Federal Home Loan Bank		\$500,000	Pending
Hennepin County AHIF	\$400,000		No
Hennepin County TOD	\$370,000		Yes
Met Council HLA	\$1,720,000		Yes
Met Council LCDA	\$433,771		Yes
Met Council LHIA	\$450,000		Yes
MHFA	\$250,000		Yes
Developer Equity		\$4,979,211	Yes
	SUBTOTAL	\$8,505,771	\$36,245,329
	TOTAL DEVELOPMENT COST	\$44,751,100	

Proposed Bond Financing

Tax exempt housing revenue bonds (noted as HRB in Table 2 above) are issued by the City to assist qualified housing projects on a first come, first served basis. The City has adequate remaining housing revenue bond allocation for this project as noted in Table 3 below.

TABLE 3: HOUSING REVENUE BOND ENTITLEMENT AND EXPENDITURE SUMMARY		Amount
Remaining Previous Allocation		\$ 48,812,511
Plus 2012 HRB Entitlement		\$ 45,676,000
Equals Total Available Allocation		\$ 94,488,511
<i>Current Projects</i>		
Longfellow Station		\$ (17,000,000)
Hi-Lake Triangle		\$ (6,500,000)
520 2nd St. S.		\$ (7,500,000)
Currie Park		\$ (27,000,000)
Total Available Bond Entitlement for Other Projects		\$ 36,488,511

Here's a summary of the bond application:

- **Bond Counsel:** Kennedy & Graven, Chartered
- **Underwriter:** To be determined
- **Council Member Informed:** Yes, Ward 2
- **Neighborhood Review:** A public hearing notice was sent to the West Bank Community Coalition (WBCC). The WBCC has previously generated a letter of support for the project dated April 20, 2011
- **Project Timetable/ Future Actions:** Granting preliminary approval creates a 12-month administrative hold for this project. Upon finalization of the refinancing deal, staff will return to the City Council seeking final bond approval.

Bonds are proposed to finance the long term debt on the property and a portion of the construction in three parts. First, the housing revenue bonds are proposed to be used for the \$20,380,495 first mortgage (the A Series) secured by a HUD 221(d)4 loan guarantee. This would be paid back over time from operating income (rents). Second,

bonds are proposed to be used with the tax increment financing (TIF) in the form of a “pay as you go” note preliminarily estimated at \$2,990,000. The TIF is structured as an income stream for debt service on the A Series which results in a better bond rating and a lower interest rate. This note is repaid over time by tax revenue. Third, up to \$3,629,505.00 of short term bond funds (the B Series) as construction financing, which would be taken out by a portion of the tax credit equity syndication proceeds (\$10,385,623) which are generated by the automatic 4% low income housing tax credits (noted as LIHTC in Table 2).

The developer has also applied for \$1.2 million from the Affordable Housing Trust Fund through the 2011 application round. The AHTF funding recommendations are forthcoming. Several other funders have already awarded funds to this project, including Minnesota Housing Finance Agency (MHFA), Metropolitan Council, and Hennepin County. The sources include nearly \$5 million of developer equity that is intended to be repaid over time by excess cash flow after all operational and debt service obligations are met.

The proposed developer fee is \$3,000,000, which is approximately 7.6% of net TDC. The proposed developer fee falls within the CPED Housing Developer Fee Policy Guidelines. Approximately \$5 million of developer equity is proposed to support the construction of the development. This equity is proposed to be reimbursed over time through operating income after all other debt and operations obligations are met. Additional detailed information is provided on the Project Data Worksheet attached to this report as Attachment A.

Proposed TIF Assistance

The developer is seeking the maximum amount of pay-as-you-go (TIF) assistance that may be available for this project. Preliminarily, the project may generate approximately \$2,990,000 million of TIF assistance. Further analysis following PAA authorization will include more evaluation of the sources, uses, and lender underwriting as they apply to potential tax increment financing. At this time, all development cost and TIF estimates are preliminary and subject to further CPED review and analysis. TIF proceeds will be used to cover eligible tax increment expenses.

Project Timeline

The proposed timeline is as follows:

- Consideration of City entitlement housing revenue bonds preliminary approval in January 2012 and final approval in Spring 2012.
- Consideration of Affordable Housing Trust Fund award in January, 2012.
- If the City Council approves the TIF Project Analysis Authorization, consideration of redevelopment contract business terms and the creation of a TIF district could occur in Summer, 2012.
- Project closing and construction start in Fall, 2012.
- Project completion and full occupancy in 2014.

Preliminary Staff Analysis for PAA

Based on a preliminary review to date, staff concludes that a) the Application for Public Financial Assistance is essentially complete; b) the project appears feasible, based on

the preliminary information that the developer has submitted; and c) some level of public financial assistance appears to be justified. While the developer has completed an analysis of the maximum amount of tax increment that the proposed project could generate, staff has not yet verified the accuracy of these estimates nor determined what level of tax increment assistance is appropriate.

If the Project Analysis Authorization is approved by the City Council, staff will proceed into the project analysis stage to address a number of issues, including 1) the appropriate level of tax increment financing assistance, if any; 2) eligible costs that can be paid for with the various forms of City finance assistance; 3) the qualification and establishment of a TIF district; 4) the appropriate financing vehicles that will be used to provide such assistance; and 5) the recapture of the City's financial assistance.

Project Analysis Fee for PAA

If the Project Analysis Authorization is approved by the City Council, the developer will be assessed a nonrefundable project analysis fee of approximately \$12,000. This fee amount is based on the estimated cost of staff time and other expenses up to the point in time when the request for public financial assistance is either approved or denied by the City Council. Acceptance by the City of the application or project analysis fee does not signify a commitment on the part of the City to grant approval of any requested public assistance. An additional fee may be required if the analysis of this project increases due to unanticipated complexity or if changes occur in the development.

Attachments

Attachment A: Currie Park Lofts Project Data Worksheet

Attachment B: Housing revenue bond preliminary approval summary resolution for publication

Attachment B:

Currie Park Lofts Bond Resolution

Giving preliminary approval to the issuance of tax-exempt multifamily housing revenue bonds under Minnesota Statutes, Chapter 462C, for the purpose of financing a housing program consisting of the acquisition and construction of a multifamily rental housing development for the benefit of Currie Park Developments, Limited Partnership, a Minnesota limited partnership.

WHEREAS, the City of Minneapolis, Minnesota (the "City"), is authorized, pursuant to Minnesota Statutes, Chapter 462C, as amended (the "Act"), to develop and administer programs to finance one or more multifamily housing developments within its boundaries.

WHEREAS, Section 462C.07 of the Act authorizes the City to issue and sell revenue bonds or obligations to finance programs for the multifamily housing developments.

WHEREAS, representatives of Currie Park Developments, Limited Partnership, a Minnesota limited partnership, its affiliates or assigns (the "Borrower"), have requested that the City adopt a multifamily housing development program (the "Program") to provide for the issuance of tax-exempt multifamily housing revenue bonds in an aggregate principal amount of approximately \$27,000,000 (the "Bonds") for the purpose of loaning the proceeds thereof to the Borrower to finance the acquisition and construction of an approximately 270-unit multifamily rental housing development and facilities functionally related and subordinate thereto, located at 15th Avenue South, between 4th and 6th Streets South in the City, to be owned by Borrower (the "Project"). A parking ramp containing a total of approximately 270 stalls, and up to 25,000 square feet of commercial space, will be constructed adjacent to the Project utilizing another source of financing.

WHEREAS, the Community Development Committee of the Minneapolis City Council, on behalf of the City, held a public hearing on the Program and the proposed issuance of the Bonds. A notice of public hearing was published in a newspaper of general circulation in the City on a date at least fifteen (15) days prior to the public hearing.

WHEREAS, the Program was submitted to the Metropolitan Council for its review and comment in accordance with the requirements of the Act.

WHEREAS, the City has been advised by the Borrower that conventional commercial financing is available to pay the capital costs of the Project only on a limited basis and at such high costs of borrowing that the scope of the Project and the economic feasibility of its operations would be significantly affected.

WHEREAS, the United States Department of the Treasury has promulgated final regulations governing the use of the proceeds of tax-exempt bonds, all or a portion of which are to be used to reimburse the City or a borrower from the City for project expenditures paid prior to the date of issuance of such bonds. Those regulations, Treasury Regulations, Section 1.150-2 (the "Regulations"), require that the City adopt a statement of official intent to reimburse an original expenditure not later than sixty (60) days after payment of the original expenditure. The Regulations also generally require that the bonds be issued and the reimbursement allocation made from the proceeds of the bonds occur within eighteen (18) months after the later of: (i) the date the expenditure is paid; or (ii) the date the project is placed in service or abandoned, but in no event more than three (3) years after the date the expenditure is paid. The Regulations generally permit reimbursement of capital expenditures and costs of issuance of the bonds.

WHEREAS, the City reasonably expects to reimburse the Borrower for the expenditures made for costs of the Project from the proceeds of the Bonds after the date of payment of a portion of the costs of the Project. All reimbursed expenditures shall be capital expenditures, a cost of issuance of the Bonds, or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Regulations and also qualifying expenditures under the Act.

WHEREAS, based on representations by the Borrower, no expenditures for the Project have been made by the Borrower more than sixty (60) days before the date of adoption of this resolution other than: (i) expenditures to be paid or reimbursed from sources other than the Bonds; (ii) expenditures permitted to be reimbursed under prior regulations pursuant to the transitional provision contained in Section 1.150-2(j)(2)(i)(B) of the Regulations; (iii) expenditures constituting preliminary expenditures within the meaning of Section 1.150-2(f)(2) of the Regulations; or (iv) expenditures in a "de minimus" amount (as defined in Section 1.150-2(f)(1) of the Regulations).

WHEREAS, based on representations by the Borrower, as of the date hereof, there are no funds of the Borrower reserved, allocated on a long term-basis, or otherwise set aside (or reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside) to provide permanent financing for the expenditures related to the Project to be financed from proceeds of the Bonds, other than pursuant to the issuance of the Bonds. This resolution, therefore, is determined to be consistent with the budgetary and financial circumstances of the Borrower as they exist or are reasonably foreseeable on the date hereof.

WHEREAS, the Bonds shall not constitute debt of the City within the meaning of any state constitutional provision or statutory limitation, the Bonds shall not constitute general or moral obligations of the City or give rise to a charge against the general credit or taxing powers of the City, the Bonds shall not constitute or give rise to a pecuniary liability of the City, and the Bonds shall be payable solely out of any funds and properties expressly pledged as security therefor.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That the Program is hereby approved and adopted by the City.

That the issuance of the Bonds pursuant to the Program in an aggregate principal amount of approximately \$27,000,000 is hereby preliminarily approved.

That the foregoing preliminary approval of the issuance of the Bonds shall be subject to final determination by the City of the terms and conditions of the Bonds and shall not constitute an irrevocable commitment on the part of the City to issue the Bonds.

That this resolution shall constitute an official intent to reimburse original expenditures with respect to the Project paid on or after the date sixty (60) days prior to the date of adoption of this resolution.

That the staff of the City is hereby authorized, in cooperation with bond counsel, to take all steps necessary and desirable to proceed to develop the Program and financing therefor.