



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

Date: June 5, 2012

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Longfellow Station – Public Hearing on the Preliminary and Final Approval of Tax-Exempt Multifamily Housing Revenue Entitlement Bonds and other final project approvals

Recommendations:

1. Adopt the attached City Council Resolution granting Preliminary and Final Approval of up to \$17,000,000 in Tax-Exempt Multifamily Housing Revenue Entitlement Bonds.
2. Adopt the attached City Council Resolution amending the prior authorization for a Pay-As-You-Go Tax Increment Financing Note to, among other things, reduce the principal amount from \$3,250,000 to \$2,000,000.
3. Authorize the structuring of \$300,000 in City assistance from the Hiawatha LRT Transit-Oriented Development (TOD) Set-aside as a typical multifamily housing loan (i.e. deferred loan at 1% simple interest secured by a note and subordinate mortgage with a maturity date and other terms consistent with the U.S. Bank/Cornerstone financing.
4. Authorize amendments to the Redevelopment Agreements and the AHTF/HOME Written Agreement to update the performance deadlines and incorporate the revised pay-as-you-go TIF note, Hiawatha TOD loan, and other terms contained in this report.
5. Authorize subordination of the City's existing AHTF/HOME loan of \$1,900,000 to the U.S. Bank/Cornerstone first mortgage loan and Minnesota Housing's loan of \$2,850,000.
6. Authorize the appropriate City officials to execute any other necessary documents with Longfellow Station Limited Partnership, Longfellow Station Commercial LLC and other project participants related to the terms described in this report.

Previous Directives: 1) December 2005 – approved a resolution authorizing submission of applications to the Metropolitan Council for Hiawatha Corridor Land Assembly Fund proposals; 2) March 2006 - approved acceptance and appropriation of Metropolitan Council Hiawatha Light Rail Land Assembly Fund Grants of \$3,500,000 for projects along the

Hiawatha Light Rail line, including the Longfellow Station Project; 3) June 2006 – authorized submission of an application for Metropolitan Council Livable Communities Demonstration Account (LCDA) funding; 4) October 2006 – authorized submission of an application for a Hennepin County ERF brownfield grant; 5) December 2006 – approved up to \$400,000 from the Affordable Housing Trust Fund; 6) February 2007 - accepted and appropriated \$934,523 Metropolitan Council Livable Communities Demonstration Account LCDA grant and \$90,000 Hennepin County ERF grant; 7) May 2007 – authorized submission of an application for Metropolitan Council Livable Communities Demonstration Account (LCDA) funding; 8) August 2007 – adopted a resolution approving the Longfellow Station Redevelopment Plan; 9) December 2007 – approved up to an additional \$1,000,000 from the Affordable Housing Trust Fund; 10) January 2008 - accepted and appropriated \$500,000 in Metropolitan Council Livable Communities Demonstration Account LCDA funding; and 11) February 2008 - approved Project Analysis Authorization; 12) December 2008 – approved up to an additional \$500,000 from the Affordable Housing Trust Fund; 13) September 2009 – approved proposed TIF financing, redevelopment agreement terms, and Great Streets loan of up to \$300,000; 14) December 2010 – approved the assignment and assumption by Sherman Associates Inc or an affiliate of the existing agreements between City and Longfellow Station I, LLC, Longfellow Housing Limited Partnership and/or Capital Growth Real Estate LLC; 15) In May 2011 – granted Preliminary Approval of up to \$17,000,000 in Tax-Exempt Multifamily Housing Revenue Entitlement Bonds and authorized early advance of HOME loan funds to finance property acquisition.

Prepared by: Jerry LePage, Senior Project Coordinator (612) 673-5240

Approved by: Charles T. Lutz, Deputy CPED Director _____

Thomas A. Streitz, Director of Housing Development _____

Presenter in Committee: Jerry LePage, Senior Project Coordinator

Financial Impact

- Project will generate semi-annual administrative fees related to the housing revenue bonds.

Community Impact

- Neighborhood Notification: The Longfellow Community Council (LCC) has been notified that this report is being considered by the City Council.
- City Goals: This project addresses the following goals: A Place To Call Home, Eco-Focused, Many People-One Minneapolis, Jobs & Economic Vitality, Livable Communities-Healthy Lives, and A City That Works.
- Comprehensive Plan: Section 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods; Section 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street’s character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered; Section 4.9

Minneapolis will grow by increasing its supply of housing; Section 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households; Section 4.11 Minneapolis will improve the availability of housing options for its residents; 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand. In July 2007, the Minneapolis City Planning Commission reviewed a Redevelopment Plan for the site for consistency with The Minneapolis Plan and recommended City Council approval of that plan.

- Zoning Code: In December 2010, the City Planning Commission approved a new Land Use Application from Sherman Associates, based on its revised development plan.
- Living Wage/Business Subsidy Agreement Yes _____ No X
- Job Linkage Yes _____ No X
- Other: N/A

Supporting Information

In December 2010, the City Council approved the transfer of the Longfellow Station project and the City’s funding commitments from Capital Growth Real Estate LLC to Sherman Associates. During the fall of 2010, Capital Growth and Sherman Associates had agreed on a plan to move the project forward that included negotiations with the two banks who held mortgages on the land and the various vendors/consultants who had worked on the project. Pursuant a formal Settlement Agreement, Sherman Associates became the new developer of Longfellow Station and assumed full control and responsibility from Capital Growth. Under that agreement, there was also a discounting of the existing mortgages and outstanding vendor accounts payable to improve project feasibility.

In May 2011, the City Council authorized early advance of the \$1.9 million AHTF/HOME loan funds to finance the acquisition by the Settlement Agreement deadline. On June 10, 2011, Sherman closed on the acquisition of the Longfellow site, paying off the two bank mortgages and leaving the City’s AHTF/HOME loan in the first mortgage lien position.

Development and Finance Plan

Sherman Associates is proceeding with the project based on its development plan which was approved by the City Planning Commission in December 2010. This plan includes a housing component of 180 units and commercial component with 10,000 square feet. Additional project information is provided on the attached Project Data Worksheet. The City’s state, regional and county partners have already provided substantial resources to the project in recognition of its consistency with shared policy goals of locating higher-density mixed-use projects within Hiawatha Light Rail Transit station areas. Over \$8 million in grant and deferred loan funding was received from non-City funding for acquisition, contamination

clean up, and the demolition of the old Purina Mill structures, in order to prepare the site for development.

The estimated total development cost of Sherman's approved development plan (housing and commercial components) is about \$30 million. In May 2011, Hennepin County approved \$460,000 in Affordable Housing Incentive Fund (AHIF) funds and \$300,000 in TOD funds, which was the last gap funding needed for the project. For the past year and a half, Sherman Associates has been working with HUD to secure its primary mortgage financing through the HUD 221 (d)(4) insurance program. However, because of the project's critical timing concerns, Sherman has decided to switch to conventional loan financing which will be provided by U.S. Bank and Cornerstone Real Estate Advisors LLC. Cornerstone, which is located in Hartford Connecticut, is a subsidiary of Massachusetts Mutual Life Insurance Company. The following table summarizes the funding sources for both components of the project.

| Proposed Sources | Type | Comm. Component | Housing | Proposed Lien Order of Loans | Total | Funds Commit. |
|---|-------------|------------------------|----------------|-------------------------------------|--------------|----------------------|
| Housing Revenue Bonds (supported by project revenues and TIF) | Loan | | 15,300,000 | 1 | 15,300,000 | X |
| MHFA (2007 & 2008) | Loan | | 2,850,000 | 2 | 2,850,000 | X |
| City AHTF (2006, 2007, 2008) | Loan | | 1,900,000 | 3 | 1,900,000 | X |
| Hennepin County AHIF (2011) | Loan | | 460,000 | 4 | 460,000 | X |
| Hiawatha TOD Set-Aside | Loan | | 300,000 | 5 | 300,000 | X |
| Family Housing Fund | Loan | | 150,000 | 6 | 150,000 | X |
| Low Income Housing Tax Credits | Equity | | 5,550,670 | | 5,550,670 | X |
| Hennepin County TOD (2011) | Grant | | 300,000 | | 300,000 | X |
| Deferred developer fee | Equity | | 1,135,592 | | 1,135,592 | X |
| Equity (standby deposit/reserve) | | | 229,500 | | 229,500 | X |
| Comm. component-private loan | Loan | 1,454,200 | | | 1,454,200 | X |
| Metro Council LCDA (2007) | Grant | 500,000 | | | 500,000 | X |
| Hennepin County TOD (2008) | Grant | 200,000 | | | 200,000 | X |
| Commercial component-equity | Equity | 451,000 | | | 451,000 | X |
| TOTAL SOURCES | | 2,605,200 | 28,175,762 | | 30,780,962 | |

Additional project information is provided on the attached Project Data Worksheet.

The financing of Longfellow Station's residential component will involve six loans, including the U.S. Bank/Cornerstone first mortgage and loans from Minnesota Housing, Hennepin County, Family Housing Fund, and the City. The U.S. Bank/Cornerstone loan will be in the first lien position and, based on the traditional rule of subordinate loan priority according to highest loan amount, Minnesota Housing's loan of \$2,850,000 will be in the second position. Therefore, City's AHTF/HOME loan of \$1,900,000, which was advanced to finance acquisition, will need to be subordinated to the new U.S. Bank/Cornerstone and Minnesota Housing loans.

Sherman Associates has also included in its development budget a developer fee of approximately \$2.25 million (about 8% of total net TDC) in order to help meet the basis requirements for the bonds, maximize the 4% tax credits, and meet the requirements of the tax credit investor. About 50% of this developer fee (\$1,135,592) will be deferred.

Final City Approvals

A. Housing Revenue Bonds

Sherman Associates is requesting approval of up to \$17 million in tax-exempt housing revenue entitlement bonds for a first mortgage loan from U.S. Bank/Cornerstone, currently estimated at about \$15.3 million. The debt service on this loan will be supported by project revenues and by the income stream from a Pay-Go TIF note in a principal amount of up to \$2,000,000. The additional bonding authority (about \$1.7 million) will allow for more bond debt should interest rates change or the final property appraisal can support a higher debt amount. If this additional authority is not needed, it will be available for other CPED projects.

The U.S. Bank/Cornerstone financing will follow the traditional housing revenue bond structure. The interest rate on the U.S. Bank/Cornerstone first mortgage loan will be about 4.70-5.00%, with an amortization period of 35 years.

In May 2011, the City Council held a public hearing and granted its preliminary bond approval. However, since this preliminary approval occurred over a year ago and there has also been a change in the bond structure, Bond Counsel recommended the holding of a new public hearing for the preliminary and final approval of the bonds.

The current status of the 2011/2012 HRB Entitlement allocation is shown below.

| | |
|---|---------------------|
| 2011 Allocation Remaining | \$ 49,182,911 |
| HRB 2012 Entitlement | \$ 45,676,000 |
| TOTAL | \$94,858,911 |
| Currie Park Lofts Project | (\$26,000,000) |
| Hi-Lake Triangle Project | (\$ 6,500,000) |
| 520 2 nd Street Project | (\$ 7,500,000) |
| West Broadway Curve Project | (\$ 5,800,000) |
| Spirit of Lakes Project | (\$ 5,500,000) |
| Longfellow Station Project | (\$17,000,000) |
| Balance Available for Other Projects | \$26,558,911 |

| | |
|----------------------------|-----------------------|
| Bond Purchaser/Underwriter | U.S. Bank/Cornerstone |
| Bond Counsel | Kutak Rock |
| Council Member Informed | Yes, Ward 12 |

B. Tax Increment Financing

In September 2009, the City Council approved a pay-as-you-go TIF note of up to \$3.25 million. Due to the decrease in the number of housing units and other changes to the project, the amount of the TIF note has been reduced. Staff is now recommending the issuance of a TIF note to Longfellow Station Limited Partnership in a principal amount not to exceed \$2,000,000 for the project's housing component. All tax increment generated by the housing component will be pledged to the TIF note. The City will use the tax increment generated by the commercial component to pay the City's administrative costs of the TIF district.

C. Structuring of Hiawatha TOD Set-Aside Funds Approved for Longfellow Station

In September 2009, the City Council approved up to \$300,000 in loan funds through the Great Streets Program, which is sourced in part from the Hiawatha LRT Transit-Oriented Development (TOD) set-aside. However, since that time, the commercial component has

been reduced from 40,000 sq. ft. to 10,000 sq. ft., and the project's separately financed residential component is actually the portion of the project with a need for these funds. For this reason, it is no longer appropriate for these funds to pass through the Great Streets program to address the financial gap. Instead, these funds would be structured as a TOD loan for the residential component in accordance with the typical terms of City multifamily housing assistance (i.e. a deferred, non-forgivable loan at 0-1% simple interest, secured by a note and subordinate mortgage), and also consistent with the terms and conditions of U.S. Bank/Cornerstone mortgage financing.

Project Timeline

June 2012 City Council consideration of final actions on project

July/August 2012 Closing on U.S. Bank/Cornerstone loan financing and the start of construction

March 31, 2014 Anticipated completion of construction

2012R-_____

RESOLUTION

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Authorizing the issuance of notes, in a principal amount not to exceed \$17,000,000 in the form of Multifamily Housing Revenue Notes (Longfellow Station Project), Series 2012, and approving and authorizing the execution of various documents in connection therewith.

Whereas, pursuant to the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C, as amended (the "Act"), a city is authorized to carry out programs for the financing of multifamily housing for persons of low and moderate income, and to authorize its housing and redevelopment authority to act on its behalf; and

Whereas, the City Council (the "City Council") of the City of Minneapolis (the "City") has prepared the Housing Plan for Local Housing for the City of Minneapolis, Minnesota, revised June, 1984 (the "Plan") which plan was adopted pursuant to the Act on July 13, 1984; and

Whereas, the Act requires adoption of a housing finance program after a public hearing held thereon for which notice was published in a newspaper of general circulation in the City at least fifteen (15) days in advance of the hearing; and

Whereas, there has been proposed a program (the "Program") for the issuance of up to \$17,000,000 of one or more of its tax-exempt Multifamily Housing Revenue Notes (Longfellow Station Project), Series 2012 (the "Notes") to finance the acquisition and construction by Longfellow Station Limited Partnership, a Minnesota limited partnership (the "Developer"), of a 180-unit multifamily rental housing development located at 3815 Hiawatha Avenue in the City (the "Project"); and

Whereas, the City on June 5, 2012 did conduct a public hearing on the Program; and

Whereas, the Community Development Committee of the Minneapolis City Council, on behalf of the City held a public hearing on the Program and proposed issuance of the Notes after at least 15 days published notice hereof and after submission of the Program to the Metropolitan Council for review and comment; and

Whereas, the Council has been advised by U.S. Bank National Association, representing the Developer, that on the basis of information available to them, the Project is economically feasible; and

Whereas, the City desires to facilitate the development of rental housing within the community, encourage the preservation of affordable housing opportunities for residents of the City, encourage the preservation of housing facilities designed for occupancy by persons of low or moderate income within the boundaries of the City, and the maintenance of affordable units in the Project would assist the City in achieving these objectives; and

Whereas, the Program will result in the provision of decent, safe and sanitary rental housing opportunities to persons within the community; and

Whereas, this City Council has been advised that conventional, commercial financing to pay the capital costs of the Program is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced, but the City Council has been further advised that with the aid of municipal financing and resulting low borrowing costs, the Project is economically more feasible; and

Whereas, the staff of the City considers the proposed Program to be in furtherance of the housing policies of the State of Minnesota as stated in the Act and of the City as stated in the Plan; and

Whereas, the program is to be financed from the proceeds of the Notes, to be issued by the City, and the revenues from the Project (as defined below) shall be pledged for the security and payment of the Notes (except as may otherwise be set forth in the Loan Agreement hereinafter referred to); and

Whereas, the proceeds of the Notes will be used by the City to fund a loan to the Developer to finance the acquisition and construction of the Project; and

Whereas, the Notes are being issued by the City pursuant to this Resolution and a Loan Agreement, dated as of June 1, 2012 (the "Loan Agreement") between the City and the Developer. The proceeds of the Notes will be loaned by the City to the Developer pursuant to the Loan Agreement, and the Notes will be secured by a pledge of all rights and revenues derived by the City from the Loan Agreement (except certain retained rights of the City), and said Notes and the interest on said Notes shall be payable solely from the revenues pledged therefor and the Notes shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation nor give rise to a pecuniary liability of the City or a

charge against its general credit or assets and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City's interest in the Project; and

Whereas, forms of the following documents (including the exhibits referred to therein) have been submitted to the City:

a. The Notes;

b. The Loan Agreement to be made and entered into between the City and the Developer providing for the loan of the proceeds of the Notes to the Developer, and for the repayment of such loan;

c. The Pledge Agreement, dated as of June 1, 2012 (the "Pledge Agreement") made and entered into between the City and U.S. Bank National Association, as purchaser of the Notes (the "Purchaser"), pledging the property described therein for the security of the Notes, and setting forth proposed recitals, covenants and agreement with respect thereto; and

d. The Land Use Restriction Agreement, dated as of June 1, 2012 between the City, the Purchaser and the Developer (the "Land Use Restriction Agreement").

The agreements described and referred to in paragraphs a through d above shall hereinafter sometimes be referred to collectively as the "Agreements";

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That it is hereby found, determined and declared that:

a. The preservation of the quality of life in the City is dependent upon the maintenance, provision and preservation of an adequate housing stock which is affordable to persons and families of low or moderate income, that accomplishing this is a public purpose, and that many would-be providers of housing units in the City are either unable to afford mortgage credit at present market rates of interest or are unable to obtain mortgage credit because the mortgage credit market is severely restricted.

b. The development and implementation of the Program, and the issuance of the Notes by the City, and the execution and delivery of the Agreements and the performance of all covenants and agreements of the City contained therein and of all other acts and things required under the Constitution and Laws of the State of Minnesota to make the Agreements and the Notes valid and binding obligations of the City in accordance with their terms, are authorized by the Act.

c. The implementation of the Program for the purposes and in the manner contemplated by the Agreements conforms or will conform to all pertinent statutes, regulations and ordinances of the State of Minnesota and the City.

d. It is desirable that the Notes be issued by the City, in an aggregate principal amount not to exceed \$17,000,000, on the terms set forth in the Resolution, the Loan Agreement, the Land Use Restriction Agreement and the Notes.

e. The payments required or provided for by the Agreements are intended to produce income and revenues sufficient to provide for the payment when due of principal of and interest on the Notes issued under the Resolution, and payments are required to be made for such expenses of, among other things, administration of the Program as will be necessary to protect the interests of the City.

f. Pursuant to the provisions of the Act, and as provided in the Agreements, the Notes shall be retired solely from the revenues of the Project.

Be It Further Resolved that the Agreements in substantially the forms submitted to the City at this meeting are hereby approved. Such of the documents as require the execution of the City are hereby authorized and directed to be executed or accepted, as the case may be, and delivered in the name and on behalf of the City by its Finance Officer upon execution thereof by the parties thereto as appropriate. The Notes and the Agreements shall be executed and delivered as provided therein. Copies of all the documents necessary for the consummation of the transactions described herein and in the Agreements shall be delivered, filed and recorded as provided herein and in the Agreements.

Be It Further Resolved that the form and terms of the Agreements may be varied prior to execution and delivery by the parties thereto, provided that any such variance shall not be, in the opinion of the City's legal counsel and the Finance Officer, materially adverse to the interests of the City. The execution and delivery of the Agreements as provided above shall be conclusive evidence of the determination that any such variance was not materially adverse to the interests of the City.

Be It Further Resolved that in anticipation of the collection of revenues of the Project, there shall be issued forthwith the Notes, which issuance is approved, substantially in the forms and upon the terms set forth in the Agreements and the Notes, the terms of which are for this purpose incorporated in this Resolution and made a part hereof as if fully set forth herein. The Notes shall be dated as of the date and shall mature on the dates (subject to redemption on such earlier dates as provided in the Notes), bear interest and be payable at the rates, all determined as set forth in the Agreements and the Notes, to be approved, executed and delivered by the officers of the City authorized to do so by the provisions of this Resolution, which approval shall be conclusively evidenced by such execution and delivery; provided that such rates shall result in an average coupon rate not greater than 5.75% per annum with respect to the Notes.

Be It Further Resolved that all actions of the members, employees and staff of the City heretofore taken in furtherance of the Program are hereby approved, ratified and confirmed.

Be It Further Resolved that the Notes are hereby designated "Program Bonds" and are determined to be within the "Housing Program" and the "Program," all as defined in Resolution 88R-030 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

Be It Further Resolved that the execution of said Notes to the Purchaser is hereby approved, and the Notes are hereby directed to be delivered to the Purchaser, upon the terms and conditions set forth in the Agreements and the Notes. The Finance Officer of the City is hereby authorized and directed to prepare and execute by manual or facsimile signature the Notes as described in the Agreements and to deliver it to the Purchaser together with a certified copy of this Resolution, and the other documents required by the Agreements.

Be It Further Resolved that the Finance Officer and other officers of the City are authorized and directed to prepare and furnish when the Notes are issued, certified copies of all proceedings and records of the City relating to the Notes and such other affidavits and certificates (including but not limited to those required by bond counsel) as may be required to show the facts relating to the legality, tax exemption and marketability of the Notes as such facts appear from the books and records in said officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements made by the City and contained therein. The Finance Officer and said officers are further authorized to execute such additional documents as shall be determined by the Finance Officer to be necessary and desirable to provide for the issuance of the Notes.

Be It Further Resolved that all covenants, stipulations, obligations and agreements of the City contained in this Resolution and the aforementioned documents shall be deemed to be the covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the City. Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City

by the provisions of this Resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City, or such officers, board, body or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City, or any officer, agent or employee of the City in that person's individual capacity, and neither the City Council nor any officer or employee executing the Notes shall be liable personally on the Notes or be subject to any personal liability or accountability by reason of the issuance thereof.

No provision, covenant or agreement contained in the aforementioned documents, the Notes or in any other document related to the Notes, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Project, the proceeds of which are to be applied to the payment of the Note, as provided therein and in the Agreements. The Notes shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Notes shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal of the Note, or the interest thereon, or to enforce payment thereof against any property of the City. The Notes shall recite in substance that the Notes, including the interest thereon, are payable solely from the revenues and proceeds pledged to the payment thereof. The Notes shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

Be It Further Resolved that except as herein otherwise expressly provided, nothing in this Resolution or in the aforementioned documents expressed or implied is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Notes issued under the provisions of this Resolution, any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Notes issued under the provisions of this Resolution.

Be It Further Resolved that in case any one or more provisions of this Resolution, or of the aforementioned documents, or of the Notes issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution, or of the aforementioned documents, or of the Notes, but this Resolution, the aforementioned documents, the Notes shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Be It Further Resolved that the Notes, when executed and delivered, shall contain a recital that it is issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Notes and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this Resolution, to the issuance of the Notes and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this Resolution, and precedent to issuance of the Notes, and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

Be It Further Resolved that in the event any of the officers of the City authorized to execute documents on behalf of the City under this resolution have resigned or shall for any reason be unable to do so, any member of the City, or officer of the City, is hereby directed and authorized to do so on behalf of the City, with the same effect as if executed by the officer authorized to do so in this Resolution.

Be It Further Resolved that the City hereby allocates up to \$17,000,000 of its 2012 (or carryover) entitlement authority to issue tax-exempt bonds pursuant to Minnesota Statutes, Chapter 474A, to the Notes, the actual amount of such allocation to be in the aggregate principal amount of Notes issued.

Be It Further Resolved that this Resolution shall take effect upon publication.

2012R-_____

RESOLUTION

of the

CITY OF

MINNEAPOLIS

Amending and restating Resolution No 2009R-420, passed on September 18, 2009, to authorize the issuance of a tax increment limited revenue note in substantially the form recited herein in a principal amount not exceeding \$2,000,000 in connection with the housing component of the Longfellow Station Project.

Whereas, the City of Minneapolis (the "City"), acting pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, has certain powers, including without limitation the powers set forth in Minnesota Statutes, Sections 469.001 through 469.047, as amended (the "HRA Act") and Minnesota Statutes, Sections 469.174 through 469.179, as amended (the "TIF Act"); and

Whereas, in furtherance of the objectives of the HRA Act, the City has undertaken programs for the clearance and reconstruction or rehabilitation of blighted, deteriorated, deteriorating, vacant, unused, underused or inappropriately used, areas of the City, and the development of housing for persons of low and moderate incomes, and in this connection the City is carrying out a redevelopment project known as the Longfellow Station Redevelopment Project (the "Project") pursuant to the Longfellow Station Redevelopment Plan approved by the City Council on August 31, 2007 (the "Redevelopment Plan"); and

Whereas, in furtherance of the Redevelopment Plan, the City Council approved the Longfellow Station Tax Increment Financing Plan (the "TIF Plan") on September 18, 2009; and

Whereas, pursuant to the TIF Act, and specifically Minnesota Statutes, Section 469.178, subd. 4, the City is authorized to issue its tax increment limited revenue note(s) to finance the public redevelopment costs of the Project; and

Whereas, the City has entered into an amended and restated redevelopment contract dated June 10, 2011, as amended (the "Redevelopment Contract") with Longfellow Station Limited Partnership (the "Housing Developer"), pursuant to which the City will provide tax increment financing assistance and the Developer will develop a mixed income, transit-oriented development with 180 rental housing units, at least 180 surface and structured parking spaces, and related site and public improvements;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

1. That it is desirable that the City issue a tax increment limited revenue note (the "Note") in substantially the following form, with such variations, insertions and omissions as are deemed appropriate by the parties and approved by the City:

[Form of Note]

UNITED STATES OF AMERICA

STATE OF MINNESOTA

COUNTY OF HENNEPIN

CITY OF MINNEAPOLIS

TAX INCREMENT LIMITED REVENUE NOTE

(Longfellow Station Project – Housing Component)

The City of Minneapolis (the "City"), hereby acknowledges itself to be obligated and, for value received, promises to pay to the order of Longfellow Station Limited Partnership, a Minnesota limited partnership (or its permitted successors or assigns under the Contract, the "Housing Developer"), solely from the source, to the extent, and in the manner hereinafter provided, the principal amount of this Note, being \$2,000,000 or such lesser amount as may equal the certified Public Redevelopment Costs, with interest at the Note Rate, in the installments specified in this Note, on the Payment Dates.

Capitalized terms not defined elsewhere in this Note will have the meanings below:

"Available Tax Increment" means the Tax Increment received by the City during the period preceding each Payment Date, less the amount of Tax Increment, if any, which the City must pay to the school district, the county and the state pursuant to *Minnesota Statutes*, Sections 469.177, Subds. 9 and 11; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time. No administrative costs of the City will be deducted from the Tax Increment generated by the Housing Property or Housing Improvements.

"Certificate of Completion" means a certificate in substantially the form attached to the Contract by which City certifies substantial completion of the Housing Improvements in accordance with the Contract.

"Contract" means that certain Amended and Restated Redevelopment Contract by and between the City and the Housing Developer dated June 10, 2011, as amended.

"District" means the Longfellow Station Tax Increment Financing District within the Project.

"Housing Improvements" means new construction of a mixed income, transit-oriented development with 180 rental housing units, at least 180 surface and structured parking spaces, and related improvements on the Housing Property in accordance with the approved Construction Plans.

"Housing Property" means the real property legally described in the attached **Exhibit A**.

"Maturity Date" means the earlier of (i) February 1 of the year following the final year of Tax Increment collection from the District; and (ii) the date when the principal and interest amount of this Note has been paid in full.

"Note Rate" means 4.8% per annum, compounded semi-annually.

"Payment Date" means August 1 of the year of first increment collection from the District and each August 1 and February 1 thereafter until the Maturity Date; provided, however, that in no event shall any payments commence before the City's issuance of the Public Redevelopment Costs Certification and the Certificate of Completion.

"Project" means the Longfellow Station Redevelopment Project.

"Public Redevelopment Costs" means actual Public Redevelopment Costs as defined in and approved pursuant to the Contract.

"Public Redevelopment Costs Certification" means a certificate in substantially the form attached to the Contract, by which the City certifies the Public Redevelopment Costs pursuant to the terms of the Contract.

"Tax Increment" means that portion of the property taxes generated by the Housing Property and the Housing Improvements that is actually remitted to the City as tax increment under the Tax Increment Act. For purposes of this calculation, the City will allocate 100% of the original net tax capacity of the District to the Housing Property.

"Tax Increment Act" means *Minnesota Statutes*, Section 469.174-469.1799, as amended, or any successor statutes applicable to the District.

On each Payment Date, the City shall pay the Housing Developer an installment equal to the lesser of (i) the Available Tax Increment or (ii) the amount necessary to pay the accrued unpaid interest and the unpaid principal amount of this Note in full. If an Event of Default (as defined in the Contract) occurs prior to the issuance of the Certificate of Completion, then the City may terminate the Contract and the City's obligations under this Note. If an Event of Default (as defined in the Contract) occurs after the issuance of the Certificate of Completion, then the City may suspend payment on this Note until the default is cured. If the City suspends payments due under this Note, the City shall make the suspended payments to the Housing Developer within five (5) business days after the Housing Developer has cured the default. The City is not obligated to pay interest on the amount of the suspended payments between the date the payment is suspended and the last date on which the City is obligated to make the suspended payment to the Housing Developer. If all or a portion of the property taxes due and owing on the Housing Improvements are not paid, then upon such failure to pay, no interest as required by the Note shall accrue on an amount equal to the amount of the Available Tax Increment that would have been paid to the City had such property tax amounts been paid.

Interest shall accrue on the initial principal amount of this Note from the date of issue of the Public Redevelopment Costs Certification and shall be computed on a 30-day month/360-day year basis. Each payment under this Note, whether a scheduled payment or any other payment, shall be applied first to current interest, then to accrued unpaid interest and then to the unpaid principal amount of this Note.

On the Maturity Date, this Note shall be deemed paid in full and the City shall have no further obligation under this Note even if the aggregate of the Available Tax Increment that has actually been paid to the Housing Developer on the Payment Dates is less than the full principal and interest amount of this Note. The obligation of the City to make any scheduled payment shall terminate if and to the extent that the full principal and interest amount of this Note has been paid in full. This Note may be prepaid in full or in part at any time without penalty.

Each payment on this Note is payable in any coin or currency of the United States of America which on the date of such payment is legal tender for public and private debts and shall be made by automated clearing house (ACH) wire transfer pursuant to written instructions provided by the Housing Developer or by check or draft made payable to the Housing Developer and mailed to the Housing Developer at 233 Park Avenue, Suite 201, Minneapolis, MN 55415, or such other address as the Housing Developer shall provide in writing to the City's notice address as set forth in the Contract.

The Note is a special and limited obligation and not a general obligation of the City, which has been issued by the City pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including *Minnesota Statutes*, Section 469.178, subdivision 4, to aid in financing a "project", as therein defined, of the City consisting generally of defraying certain public redevelopment costs incurred by the Housing Developer within and for the benefit of the Project.

THE NOTE IS NOT A DEBT OF THE STATE OF MINNESOTA (THE "STATE"), OR ANY POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY OF MINNEAPOLIS, MINNESOTA, EXCEPT THAT THE CITY SHALL BE OBLIGATED TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT AS SET FORTH HEREIN, AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION OF THE STATE, INCLUDING THE CITY, SHALL BE LIABLE ON THE NOTE, EXCEPT FOR THE CITY'S OBLIGATION TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT AS SET FORTH HEREIN, NOR SHALL THE NOTE BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN AVAILABLE TAX INCREMENT AS SET FORTH HEREIN.

This Note may not be transferred to any person, unless the City has been provided with an opinion of counsel acceptable to the City that such transfer is exempt from registration and official statement delivery requirements of federal and applicable state securities law and an investment letter reasonably acceptable to the City.

This Note will not be payable from or constitute a charge upon any funds of the City, and the City shall not be subject to any liability hereon or be deemed to have obligated itself to pay hereon from any funds except the Available Tax Increment, and then only to the extent and in the manner herein specified.

The Housing Developer will never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any person executing or registering this Note will be liable personally hereon by reason of the issuance of registration thereof or otherwise.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions and things required by the Constitution and the laws of the State of Minnesota to be done, to have happened, and to be performed precedent to and in the issuance of this Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; that this Note is issued pursuant to the Tax Increment Act; and that this Note together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation thereon.

IN WITNESS WHEREOF, the City of Minneapolis, by action of its Mayor and City Council, has caused this Note to be executed by the manual signature of its Finance Officer, and has caused this Note to be dated _____, 2012.

CITY OF MINNEAPOLIS

By _____

Its _____ Finance Officer

Approved as to form:

Assistant City Attorney

Housing Developer's Federal Tax ID No. _____

EXHIBIT A TO NOTE

Legal Description of the Housing Property

Lot 2, Block 1 and Outlot A, Longfellow Station, Hennepin County, Minnesota.

2. Be It Further Resolved that the form of the Note is hereby approved and shall be executed by the Finance Officer in substantially the form on file, with such changes therein not inconsistent with law as the Finance Officer may approve, which approval shall be conclusively evidenced by the execution thereof.

3. Be It Further Resolved that the original principal amount of the Note shall not exceed \$2,000,000, and the annual interest rate on the Note shall not exceed 4.8%.

4. Be It Further Resolved that all actions of the members, employees and staff of the City heretofore taken in furtherance of the issuance of the Note are hereby approved, ratified and confirmed.

5. Be It Further Resolved that the issuance of said Note to the Housing Developer is hereby approved, and the Note is hereby directed to be issued to the Housing Developer, upon the terms and conditions set forth in the Redevelopment Contract.

6. Be It Further Resolved that the Finance Officer is hereby authorized and directed to execute such other documents, agreements and certificates as may be required in connection with the Note.

7. Be It Further Resolved that no provision, covenant or agreement contained in the aforementioned documents, the Note or in any other document related to the Note, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the tax increment revenues which are to be applied to the payment of the Note, as provided therein and in the Redevelopment Contract. The Note shall not constitute a charge, lien or encumbrance, legal or equitable upon any property or funds of the City except that revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Note shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Note or the interest thereon, or to enforce payment hereon against any property of the City. The Note shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

8. Be It Further Resolved that the Note, when executed and delivered, shall contain a recital that it is issued pursuant to the TIF Act, and such recital shall be conclusive evidence of the validity of the Note and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Note and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Note and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

9. Be It Further Resolved that this resolution shall be in full force and effect from and after its date of publication.