



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

Date: November 27, 2012

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

Subject: Commons @ Penn Avenue - Public Hearing and Request for Preliminary Approval of up to \$5 million in Tax Exempt Multi-family Housing Entitlement Revenue Bonds

Recommendation: Adopt the attached Resolution giving Preliminary Approval of up to \$5 million in Tax-Exempt Multi-family Housing Entitlement Revenue Bonds for the Commons @ Penn Avenue mixed use housing project.

Previous Directives: On November 2, 2012, the Minneapolis City Council approved up to \$1,125,000 in Affordable Housing Trust Funds for this project.

Prepared by: Tiffany Glasper, CPED Senior Project Coordinator (612) 673-5221

Approved by: Thomas A. Streitz, Director, Housing Policy & Development _____
Charles T. Lutz, Interim CPED Director _____

Presenter in Committee: Tiffany Glasper

Financial Impact

- The project will generate semi-annual administrative fees.

Community Impact

- Neighborhood Notification – The Northside Residents' Redevelopment Council has been afforded an opportunity to review and comment on the development proposal.
- City Goals: A Safe Place To Call Home; Eco-Focused; Many People, One Minneapolis; Jobs & Economic Vitality; Livable Communities, Healthy Lives; A City That Works
- Sustainability Targets: Affordable Housing Units – new construction.
- Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.11 Minneapolis will improve the availability of housing options for its residents.
- Zoning Code: The proposed development complies or will comply with the zoning code.

Supporting Information

Building Blocks is proposing to purchase the City-owned properties at 1823 Penn Avenue North and 2201 Golden Valley Road and combine them with the properties they own at 2213, 2217 and 2221 Golden Valley Road for the purposes of constructing a four-story, mixed use building containing 45 units of affordable housing and approximately 4,500 square feet of community and programming space.

The project is proposed to be 100% affordable to households at or below 50% MMI.

The project's community space is proposed to be occupied by Building Blocks, Northside Achievement Zone and Mind, Body and Soul. The space would be occupied by both offices and programming space.

Building Blocks is including surface and underground parking, CPTED design elements, pedestrian-scale improvements, green space and attractive façade elements as part of this project.

The City-owned property at 2201 was acquired on July 1, 1980 via condemnation and the City owned property at 1823 Penn was acquired on October 25, 1979 via condemnation. Both properties are currently vacant lots that, prior to demolition, were occupied by blighted structures.

Financing Information

The total development cost (TDC) of the project is estimated at \$8.9 million and the project has already been approved for \$1,125,000 in Affordable Housing Trust Funds and \$22,500 in TBRA Investigation Grant funds.

The project is also eligible for funding through Met Council LCDA, DEED, MN Housing, Hennepin County AHIF and TOD and will be seeking funding from these sources over the next several months.

Building Blocks has now submitted an application for housing entitlement revenue bond (HRB) financing and is requesting the issuance of up to \$5 million in tax-exempt housing revenue bonds from the City's 2012 entitlement allocation. The issue will be bifurcated into a Series A of \$1 million structured as permanent debt and Series B bonds estimated at \$4 million which will be structured as interim financing to be replaced with tax credit equity. The use of housing entitlement revenue bonds also automatically includes the availability of 4% low income housing tax credits, which in this case are expected to generate \$2,924,727 in syndication proceeds.

Assuming the funding mentioned above is approved as requested, the Commons @ Penn Avenue project will leverage about \$4.5 million in non-local funding sources. These sources represent about 51% of the combined total development cost (TDC) of \$8.9 million. Further analysis of the financing of the project shows that public funding makes up approximately 49% of the total development cost and private funds make up the remaining 51%.

Please refer to the attached Project Data Worksheet for more information on proposed funding sources.

The developer has proposed a total developer fee of approximately \$919,948 million that represents 10% of the total development cost, which is in compliance with the CPED Housing Developer Fee Policy.

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

2011 Allocation Remaining Hennepin County	\$98,588,556	\$ 55,000,000
Spirit on Lake Project	(\$ 5,500,000)	
Hi-Lake Triangle Project	(\$ 6,500,000)	
520 2 nd Street Project	(\$ 7,500,000)	
Longfellow Station Project	(\$15,950,000)	
Pillsbury A Mill Project	(\$30,000,000)	(\$ 55,000,000)
Commons @ Penn Project	(\$ 5,000,000)	
City Place Lofts Project	(\$11,000,000)	
Total Bonds Requested	(\$ 81, 450,000)	
Balance Available for Other Projects	\$ 17,135,556	

Bond Purchaser/Underwriter	To Be Determined
Bond Counsel	Kennedy & Graven
Council Member Informed	Yes, Ward 5

Attachments

- Project Data Worksheet
- Resolution

RESOLUTION
OF THE
CITY OF MINNEAPOLIS

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 located in the City of Minneapolis

WHEREAS, the City of Minneapolis, a home rule city and political subdivision of the State of 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, Commons @ Penn, LP, a Minnesota limited partnership (the "Borrower"), the General Partner of which is Commons @ Penn, LLC, A Minnesota limited liability company, the sole member of which is Building Block Non-Profit, Inc., a Minnesota nonprofit corporation, has 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 \$5,000,000 (the "Bonds") for the purpose of loaning the proceeds thereof to the Borrower, or its affiliate or assign, to finance the acquisition and construction of an approximately 45-unit rental housing development and facilities functionally related and subordinate thereto, located at 1823 Penn Avenue North and 2201-2221 Golden Valley Road in the City (the "Project"), to be owned by the Borrower.

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.

WHEREAS, the public hearing was preceded by the publication of a notice of public hearing in a newspaper of general circulation in the City at least fifteen (15) days prior to the public hearing before the Community Development Committee.

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 of the Project and the costs of issuing 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 with respect to 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 constituting preliminary expenditures within the meaning of Section 1.150-2(f)(2) of the Regulations; or (iii) 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 indebtedness 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 \$5,000,000 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.