



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

**Date:** November 27, 2012

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

**Subject:** City Place Lofts - Request for Preliminary Approval of up to \$11,000,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds

**Recommendation:** Rescind Resolution #2011R-0390 and the actions outlined under Previous Directives (below); approve the attached Resolution giving Preliminary Approval of up to \$11,000,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the City Place Lofts Project; and authorize the appropriate City officials to execute the necessary funding agreements with City Place Housing Limited Partnership.

**Previous Directives:**

- On August 5, 2011 the City Council approved up to \$5,500,000 Of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the City Place Lofts Project (Resolution 2011R-390);
- On June 17, 2011, the City Council approved a loan of up to \$945,000 in 2010 Supplemental Affordable Housing Trust Funds to City Place Developer LLC to assist with the development of the City Place Lofts Project;
- On February 15, 2011, the City Council authorized CPED to accept and appropriate a \$212,600 Metropolitan Council Tax Base Revitalization Account (TBRA) grant and a \$100,000 Hennepin County Environmental Response Fund (ERF) grant for this project; and
- On October 12, 2010, the City Council authorized an application to the Metropolitan Council's Tax Base Revitalization Account (TBRA) Program and the Hennepin County Environmental Response Fund (ERF) for environmental remediation and/or investigation assistance for the City Place Lofts Project.

Prepared by: Theresa Cunningham, Senior Project Coordinator (612) 673-5237

Approved by: Thomas A. Streitz, Director of Housing Development \_\_\_\_\_

Charles T. Lutz, CPED Deputy Director \_\_\_\_\_

Presenter(s) in Committee: Theresa Cunningham

**Financial Impact:** Project will generate semi-annual administrative fees

## **Community Impact**

- Neighborhood Notification: The Downtown Minneapolis Neighborhood Association reviewed the development of this project on January 11, 2011 and provided full support for the proposed development. On November 13, 2012 the updated development plan will be reviewed by the neighborhood organization.
- City Goals: This project addresses the following goals: A Place to call Home, Eco-Focused, Many People-One Minneapolis, Jobs and economic vitality, Livable Communities-Healthy Lives
- Sustainable targets: Affordable Housing, increased density of development along light rail transit line.
- 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; Minneapolis will increase its housing that is affordable to low and moderate income households
- Living wage/Business Subsidy Agreement: N/A
- Zoning Code: The project will comply
- Job Linkage: N/A
- Other

## **Supporting Information**

City Place Lofts is located at 730 Hennepin Avenue in downtown Minneapolis on the NW corner of Hennepin Avenue and South Eighth Street. The property is currently owned by the City of Minneapolis and leased to 100 East 22<sup>nd</sup> Associates LLC under a Common Bond financing lease since 1997. 100 East 22<sup>nd</sup> Associates LLC has entered into a Purchase Agreement with the developer where it is proposed the mortgage lease will be paid off at the closing set to occur no later than December 20, 2012.

The property is an eight-story elevator building, which is partially occupied by an adult education facility: the Institute for New Americans, on the first 3 floors under an existing lease set to expire June 30, 2013. The tenant has agreed to vacate the premises upon expiration of the existing lease and will not be provided any relocation benefits. The City's Relocation Policy does not consider business tenants that move at the end of a lease term displaced; therefore, the school is not eligible for Relocation Benefits. The upper seven floors of the building will be converted from office space to affordable housing units.

The proposed development will include the purchase and adaptive reuse of the office space to 55 apartment units with 12 efficiency/studio units with approximately 411 sq. ft., 37-one (1) bedroom units that will have approximately 600 sq. ft. and 6-two (2) bedroom units with approximately 833 sq. ft. of living space. Three units will be handicap accessible and two units will be sensory accessible. In addition, the development includes approximately 1,000 square feet of administrative and community space which will include an on-site management office and a community room/lounge for resident use.

All 55 units will be affordable to individuals and families earning at or below 60% of the area median income (AMI). The development is located on Hennepin Avenue

with access to numerous mass transit options (e.g.: buses, taxies, and light rail) within short walking distances of one to four blocks from the development location.

The project will be owned by City Place Housing Limited Partnership which will be formed when the project is syndicated. The general partner will be City Place Housing LLC. The investor for the State Historic tax credits is a principal of Everwood Company and the Federal Historic tax credits is Enhanced Capital from New Orleans, LA. A Project Data Worksheet (PDW) is attached as Exhibit 1 and provides additional details regarding the proposed development.

### **Project Financing Overview**

The total development cost of the City Place Lofts Project is approximately \$13,695,266. Syndication proceeds for the historic tax credit equity in the project is estimated at approximately \$3.8 million. The Housing Revenue Entitlement bonds carry an automatic 4% low income housing tax credit which it is estimated will generate approximately \$4.3 million in syndication proceeds which is additional equity to the project. The developer is requesting up to \$11,000,000 in housing revenue entitlement bonds. There will be one bond series which the developer intends to refinance with a LMIR first mortgage after construction completion of the development, which is expected to be completed within two years. JP Morgan Chase Bank will credit enhance the bonds on a direct placement.

The developer has applied for Metropolitan Council Tax Base Redevelopment Account Funds and Hennepin County Environment Relief Funds totaling \$383,351. The general partner has committed to a capital contribution of \$453,749 to the project. The total developer fee of \$1,600,000 (11.68%) falls within the CPED Housing developer fee policy and includes deferring a portion of the developer fee (\$600,000).

### **Housing Revenue Bond Information**

The developer is requesting preliminary bond approval for the issuance of up to \$11,000,000 in tax exempt multi-family housing entitlement revenue bonds from the City's 2012 allocation. These funds will be supported by project revenues. Staff anticipates this project will close by January 2013.

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

### Housing Revenue Bond Status Information

Total HRB Available (2011/2012)	\$ 98,588,556	
Hennepin County		\$ 55,000,000
*		
F Long fellow Station (Closed)	(15,950,000)	
F Spirit On Lakes	(5,500,000)	
P Hi-Lake Triangle	(6,500,000)	
P Pillsbury A Mill	(30,000,000)	(55,000,000)
F 520 2nd	(7,500,000)	
P City Place Lofts	(11,000,000)	
Total Bonds Requested	(76,450,000)	(55,000,000)
Balance Remaining for Other Projects	22,138,556	-

\* (P-preliminary/F-final) approvals

Bond Purchaser: US Bank Trust  
Bond Underwriter: JP Morgan Chase Bank  
Bond Counsel: Gray Plant Mooty  
Council Member Informed: Lisa Goodman, Ward 7

RESOLUTION  
OF THE  
CITY OF MINNEAPOLIS

Giving preliminary approval to the issuance of multifamily housing revenue bonds under Minnesota Statutes, Chapter 462C for the purpose of financing a housing program consisting of the acquisition and renovation of an existing building into a multifamily housing facility for the benefit of City Place Housing Limited Partnership, or an affiliate.

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; and

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; and

WHEREAS, representatives of City Place Housing Limited Partnership, a Minnesota limited partnership, or an affiliated entity (the "Developer"), has requested that the City adopt a multifamily housing development program (the "Program") to provide for the issuance of multifamily housing revenue bonds in the aggregate principal amount of up to \$11,000,000 (the "Bonds") for the purpose of loaning the proceeds thereof to the Developer to finance the acquisition and renovation of an existing building by the Developer into an approximately 55-unit multifamily housing facility for rental to low or moderate income persons, located at 730 Hennepin Avenue in the City (the "Project"); and

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 after at least 15 days published notice thereof and after submission (prior to publication of the notice) of the Program to the Metropolitan Council for review and comment; and

WHEREAS, the City has been advised by the Developer 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; and

WHEREAS, the City shall not be liable on the Bonds, and the Bonds shall not be a debt of the City within the meaning of any state constitutional provision or statutory limitation, and will not constitute or give rise to a charge against the general credit or taxing power of the City or a pecuniary liability of the City, nor shall the Bonds be payable out of any funds or properties other than those provided 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.

Be It Further Resolved that the issuance of the Bonds pursuant to the Program in a principal amount of up to \$11,000,000 is preliminarily approved.

Be It Further Resolved that the City hereby reserves \$11,000,000 of its housing revenue bond entitlement authority for the financing of the Project.

Be It Further Resolved that the Developer may make certain preliminary capital expenditures with respect to the Project prior to the issuance of the Bonds, and that the City hereby declares its intent to reimburse such expenditures from the proceeds of the Bonds in accordance with Section 1.150-2 of the Treasury Regulations.

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

Be It Further Resolved that the staff of Community Planning & Economic Development is hereby authorized, in cooperation with bond counsel to take all steps necessary and desirable to proceed to develop the Program and financing therefor.