



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

Date: January 8, 2013

To: Council Member Lisa Goodman, Chair Community Development Committee

Subject: City Place Lofts (730 Hennepin Avenue) Request for Final Approval of up to \$11,000,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds

Recommendation: Approve the attached Resolution giving Final 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.

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

Approved by: Thomas A. Streit, Director of Housing Development _____

Charles T. Lutz, CPED Deputy Director _____

Presenter(s) in Committee: Theresa Cunningham

Previous Directives:

- On December 7, 2012 the City Council 1. approved rescinding Resolution #2011R-0390 and all previous actions providing financial assistance to the City Place Lofts development; 2. approved a 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 3. authorized the appropriate City officials to execute the necessary funding agreements with City Place Housing Limited Partnership. Furthermore, the following actions were also rescinded:
 - 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.

Financial Impact: Project will generate semi-annual administrative fees

Community Impact

- Neighborhood Notification: The developer presented an update of the proposed development on November 13, 2012 to the Downtown Minneapolis Neighborhood Association, which passed a motion in support of the proposed development.
- 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: This development is consistent with the City's Comprehensive Plan's Policy 1.5: Promote growth and encourage overall city vitality by directing new commercial and mixed use development to designated corridors and districts. Policy 1.8: Preserve the stability and diversity of the city's neighborhoods while allowing for increased density in order to attract and retain long-term residents and businesses. Policy 1.12: Support Activity Centers by preserving the mix and intensity of land uses and by enhancing the design features that give each center its unique urban character. Policy 1.15: Support development of Growth Centers as locations for concentration of jobs and housing, and supporting services. Policy 3.1: Grow by increasing the supply of housing. Policy 3.2: Support housing density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities. Policy 3.3: Increase 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 22nd Associates LLC under a Common Bond financing lease since 1997. 100 East 22nd 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, taxis, 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 final 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 mid-February 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)	
F Pillsbury A Mill	(35,000,000)	(55,000,000)
F 520 2nd	(7,500,000)	
P City Place Lofts	(11,000,000)	
P Commons @ Penn	(5,000,000)	
 Total Bonds Requested	 (86,450,000)	 (55,000,000)
 Balance Remaining for Other Projects	 \$ 12,138,556	 -

* (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

Relating to the City of Minneapolis, Minnesota Multifamily Housing Revenue Draw Down Bonds (City Place Lofts Project) Series 2013 in one or more series; authorizing the issuance thereof pursuant to Minnesota Statutes, Chapter 462C.

Be It Resolved by the City Council of the City of Minneapolis, Minnesota (the "City"), as follows:

Section 1. Definitions.

1.01. In this Resolution the following terms have the following respective meanings unless the context hereof or use herein clearly requires otherwise:

"Act" means Minnesota Statutes, Chapter 462C, as amended;

"Agreement" means the Loan Agreement to be entered into among the City and the Borrower relating to the Bonds;

"Assignment" means the Assignment of Mortgage from the City to the Holder relating to the Bonds;

"Bonds" means the Multifamily Housing Revenue Draw Down Bonds (City Place Lofts Project) Series 2013, to be issued in one or more series by the City pursuant to this resolution in the principal amount of up to \$11,000,000;

"Bond Documents" means the Agreement, the Regulatory Agreement, the Pledge Agreement, the Assignment and the Bonds;

"Borrower" means City Place Housing Limited Partnership, a Minnesota limited partnership, its successors and assigns;

"Holder" means JP Morgan Chase Bank, N.A., or an affiliate thereof, as initial holder of the Bonds, and its successors and assigns;

"Pledge Agreement" means the Pledge Agreement to be entered into among the City and the Holder relating to the Agreement and the Bonds;

"Project" means the multifamily housing development to be financed with the proceeds of the Bonds, as further defined in the Agreement;

"Regulatory Agreement" means the Regulatory Agreement to be entered into among the City, the Holder and the Borrower relating to the Project;

"Resolution" means this resolution of the City.

Section 2. Findings.

2.01. It is hereby found and declared that:

(a) based upon representations made to the City by representatives of the Borrower as to the nature of the Project as described in the Agreement, the Project constitutes a project authorized by the Act;

(b) the purpose of the Project is and the effect thereof is to promote the provision of decent, sanitary and safe housing accommodations for low and moderate income persons;

(c) the financing of the Project, the issuance and sale of the Bonds, the execution and delivery of the Bond Documents and the performance of all covenants and agreements of the City contained in the Bond Documents and of all other acts and things required under the charter of the City and the Constitution and laws of the State of Minnesota to make the Bond Documents valid and binding obligations of the City in accordance with their terms are authorized by the Act;

(d) it is desirable that the Bonds be issued by the City upon the terms set forth herein and that the City pledge its interest in the Agreement and grant a security interest therein to the Holder as security for the payment of the principal of, premium, if any, and interest on the Bonds;

(e) the loan payments contained in the Agreement are fixed and are required to be revised from time to time as necessary, so as to produce income and revenue sufficient to provide for prompt payment of the principal of, premium, if any, and interest on the Bonds when due, and the Agreement also provides that the Borrower is required to pay all expenses of the operation and maintenance of the Project, including, but not limited to, adequate insurance thereon and all taxes and special assessments levied upon or with respect to the Project and payable during the term of the Agreement;

(f) under the provisions of the Act, the Bonds are not to be payable from nor charged upon any funds of the City other than the revenue pledged to the payment thereof; the City is not subject to any liability thereon; no Holder of the Bonds shall ever have the right to compel any exercise of the taxing power of the City to pay the Bonds or the interest thereon nor to enforce payment thereof against any property of the City; the Bonds, premium, if any, and interest thereon shall not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City other than its interest in the Project;

(g) the execution and delivery of the Bond Documents shall not conflict with or constitute, on the part of the City, a breach of or a default under any existing agreement, indenture, mortgage, lease or other instrument to which the City is subject or is a party or by which it is bound; provided that this finding is made solely for the purpose of estopping the City from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding;

(h) no litigation is pending or, to the best knowledge of the members of this City Council, threatened against the City questioning the organization of the City or the right of any officer of the City to hold his or her office or in any manner questioning the right and power of the City to execute and deliver the Bonds or otherwise questioning the validity of the Bonds or the execution, delivery or validity of the Bond Documents or questioning the pledge of revenues to payment of the Bonds or the right of the City to loan the proceeds of the Bonds to the Borrower;

(i) all acts and things required under the Constitution and the laws of the State of Minnesota to make the Bond Documents the valid and binding obligations of the City in accordance with their terms shall have been done upon adoption of this Resolution and

execution of the Documents; provided that this finding is made solely for the purpose of estopping the City from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding; and

(j) the City is duly organized and existing under the Constitution and the laws of the State of Minnesota and is authorized to issue the Bonds in accordance with the Act.

Section 3. Authorization and Sale.

3.01 Authorization. The City is authorized by the Act to issue revenue bonds and loan the proceeds thereof to finance the acquisition, construction and installation of facilities constituting a "multifamily housing development" as defined in the Act, and to make all contracts, execute all instruments and do all things necessary or convenient in the exercise of such authority.

3.02. Approval of Documents. Pursuant to the foregoing, there have been prepared copies of the following documents, all of which are now or shall be placed on file in the office of the Minneapolis Community Planning and Economic Development Department:

- (a) the Agreement;
- (b) the Pledge Agreement;
- (c) the Bonds;
- (d) the Regulatory Agreement; and
- (e) the Assignment.

The forms of the documents listed above are approved, with such variations, insertions and additions as are deemed appropriate by the parties and approved by the City.

Section 4. Authorizations.

4.01. Upon the completion of the Bond Documents approved in Section 3.02 hereof and the execution thereof by the other parties thereto, the Finance Officer (or Assistant Finance Officer) shall execute the same on behalf of the City, and the foregoing person and other officers of the City shall execute such other certifications, documents or instruments as bond counsel shall require, subject to the approval of the City, and all certifications, recitals and representations therein shall constitute the certificates, recitals and representations of the City. Execution of any instrument or document by one or more appropriate officers of the City shall constitute and shall be deemed the conclusive evidence of the approval and authorization by the City and the City Council of the instrument or document so executed.

Section 5. The Bonds.

5.01. Form and Authorized Amount. The Bonds shall be issued substantially in the form described above with such appropriate variations, omissions and insertions as are permitted or required by this Resolution. The terms of the Bonds are set forth therein, and such terms, including, but not limited to, provisions as to interest rate, dates and amount of payment of principal and interest and prepayment privileges, are incorporated by reference herein. The initial interest rate on the Bonds shall not exceed an annual rate of 5.00%, and the Bonds are expected to have a final maturity date within five years of the date of issuance.

5.02. Execution. The Bonds shall be executed on behalf of the City by the persons described in Section 4.01 hereof. In case any officer whose signature shall appear on the Bonds shall cease to be such officer before the delivery thereof, such signature shall, nevertheless, be valid and sufficient for all purposes.

5.03. Delivery and Use of Proceeds. Prior to delivery of the Bonds, the documents referred to in Section 3.02 hereof shall be completed and executed in form and substance as approved by the City. The City shall thereupon deliver to the holder the Bonds together with a certified copy of this Resolution and such closing certificates as are required by bond counsel.

Section 6. Limitations of the City's Obligations.

6.01. Notwithstanding anything contained in the Bond Documents, the Bonds, premium, if any, and interest thereon shall not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than its interest in the Project, and no Holder of the Bonds shall ever have the right to compel any exercise of the taxing power of the City to pay the Bonds or the interest thereon or to enforce payment thereof against any property of the City other than its interest in the Project. The agreement of the City to perform the covenants and other provisions contained in this Resolution or the Bond Documents shall be subject at all times to the availability of revenues furnished by the Borrower sufficient to pay all costs of such performance or the enforcement thereof, and neither the City nor any of its officers, employees or agents shall be subject to any personal or pecuniary liability thereon.

Section 7. City Representative.

7.01. The Finance Officer or Assistant Finance Officer of the City is hereby designated and authorized to act on behalf of the City for purposes of the Bond Documents.

Section 8. Governmental Program.

8.01 The Bonds are hereby designated as "Program Bonds" and are determined to be within the "Housing Program" and the "Program," all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.