



Request for MCDA Board of Commissioners Action from the Department of Community Planning & Economic Development - CPED

Date: March 19, 2013

To: Council Member Lisa Goodman, Community Development Committee

Referral to: MCDA Board of Commissioners

Subject: A Request for Preliminary and Final Approval of up to \$1,780,000 in 501(c)(3) Bank Qualified Bank Direct Tax-exempt Minneapolis Community Development Agency Revenue Bonds for Community Housing Development Corporation Limited Partnership I, in which all interests are owned by Community Housing Development Corporation (Olson Townhomes Project) and authorization for re-subordination of secondary debt.

Recommendation: City Council Recommendation: Adopt the attached Resolution, giving Preliminary and Final Approval to the issuance of up to \$1,780,000 in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Minneapolis Community Development Agency Revenue Bonds, Series 2013 for Community Housing Development Corporation Limited Partnership I (Olson Townhomes Project) and authorize the re-subordination of \$368,284 of CPED Affordable Housing Trust Fund financing, secured by a sixth place mortgage, provided by the City of Minneapolis in 2009 and the re-subordination of \$555,000 of NRP Affordable Housing Reinvestment Funds financing, secured by a third place mortgage, provided in 2003.

MCDA Board Recommendation: Forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached Resolution giving Preliminary and Final Approval of up to \$1,780,000 in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Revenue Bonds, Series 2013, for Community Housing Development Corporation Limited Partnership I (Olson Townhomes Project) and authorize the re-subordination \$450,000 of CDBG financing, secured by a fourth place mortgage, provided by the MCDA in 2003.

Previous Directives: In 1993, the City Council authorized the issuance of \$3,780,000 in Multifamily Housing Entitlement Revenue bonds. In 2003, the MCDA Board of Commissioners authorized \$450,000 in CDBG Funds, secured by a fourth place mortgage, for the project for facility rehabilitation. In 2003, NRP authorized \$555,000 in Affordable Housing Reinvestment Funds, secured by a third place mortgage, for facility improvements. In 2009, the City Council authorized \$368,284 in Affordable Housing Trust Funds, secured by a sixth place mortgage, for the project for facility rehabilitation.

Prepared by: Charles Curtis

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

Catherine A. Polasky, Director, Economic Development _____

Presenters in Committee: Charles Curtis 673-5069

Reviews

- Permanent Review Committee (PRC): Approval NA Date _____

Financial Impact

- Other financial impact: The issuance of revenue bonds for the Community Housing Development Corporation will generate revenue bond administrative fees of approximately \$4375 a year that are used to support the small business assistance programs of the City of Minneapolis.

Community Impact

- Neighborhood Notification: Harrison Neighborhood Association has been notified.
- City Goals: The propose project is consistent with multiple City goals: A Safe Place to Call Home; Livable Communities, Healthy Lives; and Many People, One Minneapolis.
- Sustainability Targets: NA
- Comprehensive Plan: This existing project is in compliance with the policies of the Minneapolis Plan for sustainable growth.
- Zoning Code: The existing project is in compliance
- Living Wage/Business Subsidy Agreement Yes _____ No X All conduit revenue bonds allocated under State Statute 474A, refunding bonds and 501 (c)(3) bonds are exempt from the State Act. City bond financing is not subject to the City's local Ordinance if the intent of the bond financing is not to create jobs.
- Job Linkage Yes _____ No X

Supporting Information

Project Location & Description: 501 Girard Terrace

Community Housing Development Corporation (CHDC) is a national 501 (c)(3) organization dedicated to providing affordable housing for low and moderate income people. The Community Housing Development Corporation Limited Partnership I has all interest owned by CHDC and is in place as a real estate partnership to facilitate the proposed Bank Qualified financing.

In 1995, CDHC acquired the Olson Townhomes project at 501 Girard Terrace. The project consisted of 92 units. The units consisted of two 1 bedroom apartments, 77 two bedroom apartments and 13 three bedroom apartments. All of the units are contracted as location based Section 8 Housing.

The current Bank Qualified Bank Direct (BQ) Revenue Bond request will refinance the remaining balance of the Series 1993 bonds for the final 7 years of the original bond term. The BQ Bonds will be highly marketable because of the fixed, short term maturity, the committed Section 8 contracts, the value of the facility itself and the successful prior operation of the facility. The savings anticipated on the BQ Bonds will be directed toward facility improvements, such as windows and doors.

In addition to the NRP, City of Minneapolis and MCDA secondary debt, there are other secondary loans to the project. These include Minnesota Housing Finance Agency for \$568,140, secured by a second place mortgage, and CHDC for \$300,000 using funds from the Federal Home Loan Bank, secured by a fifth place mortgage. Requests have been submitted by CHDC to these parties to re-subordinate their loans. All parties will have to agree to re-subordinate their debts in order to complete the BQ financing. The end result of the issuance of the BQ Bonds and the re-subordination of all secondary financing will be the same security position for all parties, but the interest on the first secured bond debt will be reduced by approximately 50%.

Type of Financing: Bank Qualified Bank Direct Revenue Bonds for up to \$1,780,000 will be the complete financing package at this time.

Present Employment: This is a refinancing of low- and moderate- income housing only.

New Employment: This is a refinancing of low- and moderate- income housing only.

Assessor's Estimate Annual Tax Increase: Tax-exempt facility.

Affirmative Action Compliance: Materials have been submitted to Civil Rights. The Revenue bonds will not close until an acceptable Affirmative Action plan has been approved.

CITY IRB POLICIES:

Job Component	Minimum standard of one (1) job per 1,000 square feet of building area. CHDC- Not applicable. This is a refinancing of low- and moderate-income housing
Property Improvements	For private activity IRBs consisting of industrial/manufacturing projects, no more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.

	CHDC- This IRB policy does not apply to nonprofit organizations issuing 501 (c)(3) tax-exempt revenue bonds.
Development Standards	Compliance with the Land Use Plan of the City's Comprehensive Plan. CHDC- In compliance
Equipment Financing	Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture. CDHC- Not applicable
Restaurant/Bank	IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an CPED Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities. CDHC- Not applicable
Tax-exempt Institution	Refinancing is permitted when new jobs are created or when a significant number of jobs are preserved; any interest cost savings must be directed to facility operations. CDHC- Interest savings will be reinvested in the facility in rehabilitation costs
<u>IRB CAP:</u>	The project is not subject to the volume cap, in that the project is exempt from income tax under Internal Revenue Code Section 501(c)(3) for its exempt purposes and is classified thereunder as a non-profit organization.
<u>BOND COUNSEL:</u>	Gray, Plant & Mooty
<u>UNDERWRITER:</u>	Dougherty & Company

**RESOLUTION
Of the
CITY OF MINNEAPOLIS**

By Goodman

Giving preliminary and final approval to and authorizing the refinancing of a project on behalf of CHDC Limited Partnership I (the "Company"), and authorizing the issuance of a revenue bond of the Minneapolis Community Development Agency therefor.

Whereas, pursuant to Laws of Minnesota 1980, Chapter 595, as amended ("Chapter 595"), the City Council of the City of Minneapolis, Minnesota (the "City") established the Minneapolis Community Development Agency (the "Agency") and granted certain powers and duties to the Agency; and

Whereas, pursuant to such granted powers, the Agency has been authorized to issue revenue obligations for various purposes; and

Whereas, it has been proposed that the Agency issue a revenue bond in an amount not to exceed \$1,780,000 (the "Bond") to refund revenue bonds previously issued by the City in 1993 with respect to the Company's multifamily rental housing facility known as Olson Townhomes located at 501 Girard Terrace in the City; and

Whereas, the property included in the Project will be owned by the Company, which is a Minnesota limited partnership that is treated as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended; and

Whereas, the Agency expects to give final approval to the issuance of the Bond by a resolution to be adopted on the date hereof; and

Whereas, the Bond shall bear interest at an interest rate expected to not exceed 4.00% per annum, shall have a final maturity date not later than June 1, 2020, and shall have such other terms as required or permitted by the Agency's resolution, which terms are to be incorporated herein by reference;

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

That the City Council hereby gives preliminary and final approval to the issuance by the Agency of the Bond in a principal amount not to exceed \$1,780,000 for the purpose of refinancing the Project.

That the Bond is hereby designated as a "Program Bond" and is 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.

**RESOLUTION
Of the
MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY**

By Goodman

Relating to the Minneapolis Community Development Agency Revenue Bond (Olson Townhomes Project) Series 2013; authorizing the issuance thereof pursuant to Minnesota Statutes, Chapter 462C, as amended.

Be It Resolved by the Board of Commissioners (the "Board") of the Minneapolis Community Development Agency (the "Agency"), 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 between the Agency and the Borrower relating to the Bond;

"Bond" means the Revenue Bond (Olson Townhomes Project) Series 2013 to be issued by the Agency pursuant to this Resolution in the principal amount of up to \$1,780,000;

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

"Borrower" means CHDC Limited Partnership I, a Minnesota limited partnership, its successors and assigns;

"City" means the City of Minneapolis, Minnesota;

"Holder" means the registered holder of the Bond;

"Pledge Agreement" means the Pledge Agreement to be entered into between the Agency and the Holder relating to the Agreement and the Bond;

"Project" means the Company's multifamily rental housing facility known as Olson Townhomes located at 501 Girard Terrace in the City, to be refinanced by the Bond that will refund revenue bonds previously issued by the City in 1993;

"Regulatory Agreement" means the Regulatory Agreement with respect to the Project among the Agency, the Holder and the Borrower;

"Resolution" means this resolution of the Agency.

Section 2. Findings.

2.01. It is hereby found and declared that:

(a) based upon representations made to the Agency 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 affordable multifamily rental housing facilities;

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

(d) it is desirable that the Bond be issued by the Agency upon the terms set forth herein and that the Agency 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 Bond;

(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 Bond when due, and the Agreement also provides that the Borrower is required to pay all

expenses of the operation and maintenance of its facilities, including, but not limited to, adequate insurance thereon and all taxes and special assessments levied upon or with respect to its facilities and payable during the term of the Agreement;

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

(g) the execution and delivery of the Bond Documents shall not conflict with or constitute, on the part of the Agency, a breach of or a default under any existing agreement, indenture, mortgage, lease or other instrument to which the Agency 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 Agency 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 actual knowledge of the members of this Board, threatened against the Agency questioning the organization of the Agency or the right of any officer of the Agency to hold his or her office or in any manner questioning the right and power of the Agency to execute and deliver the Bond or otherwise questioning the validity of the Bond or the execution, delivery or validity of the Bond Documents or questioning the pledge of revenues to payment of the Bond or the right of the Agency to loan the proceeds of the Bond 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 limited obligations of the Agency in accordance with their terms shall have been done upon adoption of this Resolution and execution of the Bond Documents; provided that this finding is made solely for the purpose of estopping the Agency from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding; and

(j) the Agency is duly organized and existing under the Constitution and the laws of the State of Minnesota and is authorized to issue the Bond in accordance with the Act and Chapter 422 of the City Code of Ordinances.

Section 3. Authorization and Approval of Documents.

3.01. Authorization. The Agency is authorized by the Act to issue revenue bonds and loan the proceeds thereof to finance (or refinance) the acquisition, construction, installation and equipping of facilities constituting a "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 Agency:

- (a) the Agreement;
- (b) the Pledge Agreement;
- (c) the Bond; and
- (d) the Regulatory Agreement.

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 Agency.

Section 4. Execution of Bond Documents.

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 Executive Director (or Deputy

Executive Director) and the Finance Officer (or Assistant Finance Officer) shall execute the same on behalf of the Agency, and the foregoing persons and other officers of the Agency shall execute such other certifications, documents or instruments as bond counsel shall require, subject to the approval of the Agency, and all certifications, recitals and representations therein shall constitute the certificates, recitals and representations of the Agency. Execution of any instrument or document by one or more appropriate officers of the Agency shall constitute and shall be deemed the conclusive evidence of the approval and authorization by the Agency and the Board of the instrument or document so executed.

Section 5. The Bond.

5.01. Form and Authorized Amount. The Bond shall be issued substantially in the form on file with the Agency on the date hereof with such appropriate variations, omissions and insertions as are permitted or required by this Resolution. The terms of the Bond 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 Bond shall bear an interest rate that is expected to not exceed 4.00% per annum. The Bond shall mature on or before June 1, 2020.

5.02. Execution. The Bond shall be executed on behalf of the Agency by the persons described in Section 4.01 hereof. In case any officer whose signature shall appear on the Bond 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 Bond, the documents referred to in Section 3.02 hereof shall be completed and executed in form and substance as approved by the Agency. The Agency shall thereupon deliver to the Holder the Bond together with a certified copy of this Resolution and such closing certificates as are required by bond counsel.

Section 6. Limitations of the Agency's and City's Obligations.

6.01. Notwithstanding anything contained in the Bond Documents, the Bond and any premium and interest thereon shall not constitute an indebtedness of the Agency or City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Agency or City or a charge against their general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the Agency or City, and no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the Agency or City to pay the Bond or the interest thereon or to enforce payment thereof against any property of the Agency or City. The agreement of the Agency 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 Agency or City nor any of their officers, employees or agents shall be subject to any personal or pecuniary liability thereon.

Section 7. Agency Representative.

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

Section 8. Governmental Program.

8.01. The Bond is hereby designated as a "Program Bond" and is 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.

Section 9. Bank Qualification.

9.01. In order to qualify the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Agency makes the following representations:

(a) The Agency hereby designates the Bond as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code;

(b) The reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the Agency (and all subordinate entities whose obligations will be aggregated with those of the Agency) during this calendar year 2013 will not exceed \$10,000,000; and

(c) Not more than \$10,000,000 of tax-exempt obligations issued by the Agency during this calendar year 2013 have been designated as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.