



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

Date: April 16, 2013

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

Subject: West Broadway Curve - Public Hearing and Request for Final Approval of up to \$6 million in Tax Exempt Multi-family Housing Entitlement Revenue Bonds

Recommendation: Adopt the attached Resolution giving Final Approval of up to \$6 million in Tax-Exempt Multi-family Housing Entitlement Revenue Bonds for the West Broadway Curve Multi-Family Housing project.

Previous Directives: On January 31, 2012, the Minneapolis City Council approved up to \$750,000 in Affordable Housing Trust Funds for this project. On March 8, 2012, the Minneapolis City Council authorized preliminary approval for the issuance of up to \$5.8 million in Tax-Exempt Multi-Family Housing entitlement Revenue Bonds for this project. On, January 25, 2013, the Minneapolis City Council authorized the acceptance of a \$1 million LCDA grant for this project. On January 25, 2013, the Minneapolis City Council approved the submittal of a DEED Redevelopment Grant application 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, CPED Deputy Director _____

Presenter in Committee: Tiffany Glasper

Financial Impact

- The project will generate semi-annual administrative fees.

Community Impact

- Neighborhood Notification – The Jordan Area Community 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

CommonBond Communities is proposing to purchase the City-owned properties at 1926, 1930, 1936, 2000, 2004, 2006, 2010, 2014, 2018 and 2022 West Broadway Avenue for the purposes of constructing a three story building containing approximately 158,000 total square feet.

The building will house 54 units of mixed income rental housing on the second and third floors and the first level will house resident services space. Eighty-three percent of the units will be affordable at or below 50% MMI, 7% of the units will be affordable at or below 60% MMI and the remaining units will be at market rate for the area.

The project will also include space for resident services, such as literacy training, job skills training and placement and adult education programs provided through CommonBond's Advantage Program.

CommonBond is including underground parking, CPTED design elements, pedestrian-scale improvements, public green space, TOD design elements and attractive façade elements as part of this project.

The City-owned properties are currently vacant lots purchased at multiple times over the last 10 years. Prior to demolition, the properties were occupied by a variety of blighted residential structures.

Financing Information

The total development cost (TDC) of the project is estimated at \$11.5 million and the project has already been approved for \$750,000 in Affordable Housing Trust Funds.

The project is currently 89% funded, having secured funds from Minnesota Housing Hennepin County, Met Council and the Federal Home Loan Bank.

The project is also eligible for funding through Hennepin County AHIF and TOD and DEED. The developer currently has pending applications for all three of these funding sources.

CommonBond Communities has now submitted an application for housing entitlement revenue bond (HRB) financing and is requesting the issuance of up to \$6 million in tax-exempt housing revenue bonds from the City's 2012 entitlement allocation. The issue will be bifurcated into a Series A of \$2,200,000 structured as permanent debt and Series B bonds estimated at \$3,800,000 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 \$3,660,157 in syndication proceeds.

Assuming the funding mentioned above is approved as requested, the West Broadway Curve project will leverage about \$6 million in non-local funding sources. These sources represent about 51% of the combined total development cost (TDC) of \$11.5 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 \$1.06 million that represents 9.1% of the total development cost, which is in compliance with the CPED Housing Developer Fee Policy.

The current status of the 2011/2012, 2013 HRB Entitlement allocation is shown below.

2011 Allocation Remaining	\$20,772,416
Penalty Reallocation	3,729,653
2012 Entitlement Allocation	45,675,992
2013 Entitlement Allocation	45,968,905
TOTAL	\$116,146,966
Currie Park	(\$26,000,000)
Hi-Lake Triangle	(\$ 6,500,000)
City Place Lofts	(\$ 9,840,000)
Commons@ Penn	(\$ 5,000,000)
West Broadway Curve Project	(\$ 6,000,000)
Greenway Heights	(\$ 6,000,000)
Broadway Flats	(\$ 4,900,000)
Pillsbury A Mill	(\$35,000,000)
Balance Available for Other Projects	\$ 16,906,966

Bond Purchaser/Underwriter	To Be Determined
Bond Counsel	Leonard Street and Deinard
Council Member Informed	Yes, Ward 5

Attachments

- Project Data Worksheet
- Resolution

RESOLUTION
OF THE
CITY OF MINNEAPOLIS

Giving final 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 for the benefit of West Broadway Curve, Limited Partnership, a Minnesota limited partnership.

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.

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, representatives of West Broadway Curve, Limited Partnership, a Minnesota limited partnership, its affiliates or assigns (the "Borrower"), have 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 \$6,000,000 (the "Bonds") for the purpose of loaning the proceeds thereof to the Borrower to finance the acquisition and construction of an approximately 54-unit multifamily rental housing development and facilities functionally related and subordinate thereto, located at 1926-2022 West Broadway Avenue in the City, to be owned by Borrower (the "Project").

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. A notice of public hearing was published in a newspaper of general circulation in the City on a date at least fifteen (15) days prior to the public hearing.

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 and costs of issuance of 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 for 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 permitted to be reimbursed under prior regulations pursuant to the transitional provision contained in Section 1.150-2(j)(2)(i)(B) of the Regulations; (iii) expenditures constituting preliminary expenditures within the meaning of Section 1.150-2(f)(2) of the Regulations; or (iv) 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 debt 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 \$6,000,000 is hereby approved.

That the foregoing 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.