



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

**Date:** August 6, 2013

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

**Subject:** Seward Square Apartments - Public Hearing and Request for Preliminary Approval of up to \$6,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds

**Recommendation:** Approve the attached Resolution giving Preliminary Approval of up to \$6,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the Seward Square Apartments Project

**Previous Directives:**

- None

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 in Committee: Theresa Cunningham

**Financial Impact:** Project will generate issuer fees.

**Community Impact:**

- Neighborhood Notification: On May 29, 2012, the Seward Neighborhood Group provided a letter of support for the proposed purchase and renovation of the Seward Square Apartments project.
- City Goals: This project addresses the following goals: A safe place to call home, Many People-One Minneapolis, Jobs and economic vitality, Livable Communities-Healthy Lives
- Sustainable targets: Affordable Housing; high density housing.
- 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 complies.
- Job Linkage: This project will preserve 1 full-time equivalent (FTE) property management position.
- Other

### **Supporting Information**

The Seward Square Apartments building (built 1980) provides 81-units of affordable housing for elderly and disabled individuals and families in a unit mix of 59 one-bedroom and 22 two-bedroom apartments. The building is a fully occupied 5-storied, elevator building designed specifically to serve a disabled population. It has an internal ramp that allows wheelchairs to move independently between floors, especially important in case of a fire or other emergency. The tenant population is approximately 83% disabled and 19% seniors, 62 and older. Amenities in the units include: blinds, carpeting, access to cable and internet (at tenants' expense), ceiling fans, refrigerator, oven, wall A/C pull cords and hand rails. Common space amenities include: multiple community rooms and lounge areas including a community kitchen area, a library, a billiard room, a parking garage with space for up to 40 vehicles, central laundry facilities, residential activities, and on-site management.

The development will be owned by Seward Renewal LLC which is a single-asset entity created solely for the purpose of owning and operating the Seward Square Apartments. Seward Renewal LLC is the applicant on this request for Housing Revenue Bonds on behalf of Seward Manager, LLC, and its managing member.

Seward Square's central location at 2121 S. 9<sup>th</sup> Street in the Seward neighborhood of South Minneapolis offers excellent access to jobs located within 2.5 miles of the site, including Wells Fargo headquarters and the University of Minnesota, who combined, employ nearly 100,000 people. Rents will range from \$868 to \$1,040 per month with all rents affordable to households earning 30% or less of Area Median Income. These rents are subsidized with a Section 8 HAP Contract for all the units. Given the existing site conditions, it is anticipated that there will be surface parking spaces for 5 vehicles and 40 covered parking spaces. A Project Data Worksheet (PDW) is attached as Exhibit 1 and provides additional details regarding the proposed development.

The developer understands that success for their residents depends on a strong network between management and services. They will partner with local service3 provider: Compassion Care, at Seward Square to offer a continuum of care to residents wishing to access additional services. Many residents need help with daily living activities, such as: housekeeping; meal preparation; laundry; prescription medication reminders, administration, and setup; transportation; shopping; assistance with grooming, hygiene, bathing, showering, dressing; socialization; incontinence assistance; walking and wheeling chair assistance.

Many of the existing residents feel isolated and neglected due to their economic status and disabilities. The property owner's goal is to create a positive living environment for the residents by combining a physical transformation of the

property with a new management attitude and provision of much needed services for this vulnerable population. A survey of each apartment's residents has been conducted to determine the renovations and repairs needed for each unit. The scope of work will include a major rehabilitation including improvements to the site, building envelope, security, common areas, and dwellings units. All rehab work on individual units is "tenant-in-place," meaning that residents will not be displaced from their units during physical renovations beyond daytime working hours on a given day; day-use units will be provided for residents whose apartments are undergoing transformation.

### **Financing Overview**

The total development cost of the Seward Square Apartment purchase and renovation project is approximately \$12,090,032. The developer has committed to defer 59% of their developer fee of \$1,112,479 resulting in a deferred developer fee commitment of \$653,152. The developer is proposing a combination of public and private seller financing. The Housing Revenue Entitlement Bonds carry an automatic 4% low income housing tax credit. The tax credits will generate approximately 3.2 million in syndication proceeds which is equity to the project.

The developer is requesting up to \$6,500,000 in housing revenue entitlement bonds. The bonds will be publicly offered by M. R. Beal & Company and must be sold in increments of \$100,000 or more. This transaction will be one Series and will be FHA insured. The \$6.5 million revenue bonds issued by the City of Minneapolis will be used to pay all costs associated with the transaction, which includes acquisition costs, any construction related costs, soft costs which includes contingencies, architect and appraisal fees, and insurances, etc. The first mortgage from HUD's 221 (d)4 Program will be used to collateralize the \$6.5 million bond debt, acting as a refinance tool. The HUD 221 (d)4 Program will become the permanent mortgage and have a 40 year term. The HUD mortgage will be approximately \$7 million and is based upon the amount of debt the property can support. The proceeds from the syndication of the 4% tax credits will be used to fund a required reserve, pay developer fees, mortgage interest and any other tax credit eligible costs. The syndication will be paid in to the project in installments, over a period of 2 years from the date of closing. The syndicator of the tax credits is R4 Capital.

### **Housing Revenue Bond Information**

The developer is requesting preliminary bond approval for the issuance of up to \$6,500,000 in tax exempt multi-family housing revenue entitlement bonds from the city's current allocation balance. These funds will be supported by project revenues. Staff anticipates this project will close by mid-October 2013.

The current status of the City's HRB Entitlement allocation is shown below:

<b>Activity Description</b>	<b>Bonds Approved</b>	<b>Bond Balance</b>
HRB Entitlement (Year 2011, 2012, 2013)		\$106,306,966.00
Pillsbury A Mill	(30,000,000.00)	76,306,966.00
Currie Park Lofts	(26,000,000.00)	50,306,966.00
Broadway Curve	(5,800,000.00)	44,506,966.00

Hi Lake Triangle	(6,500,000.00)	38,006,966.00
Commons @ Penn	(5,000,000.00)	33,006,966.00
Snelling Apartments	(8,000,000.00)	25,006,966.00
Seward Square Apartments	(6,500,000.00)	\$18,506,966.00

Bond Purchaser: M. R. Beal & Company  
Bond Underwriter: Eichner Norris & Neumann PLLC  
Bond Counsel: Kutak Rock

Council Member Informed: Cam Gordon, Ward 2

**RESOLUTION  
Of the  
City of Minneapolis**

**By Goodman**

Giving preliminary approval to the issuance of tax-exempt multifamily housing revenue bonds in one or more series under Minnesota Statutes, Chapter 462C for the purpose of financing a housing program consisting of the acquisition and rehabilitation of a multifamily rental housing development for the benefit of Seward Renewal LLC.

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 Seward Renewal LLC, a Minnesota limited liability company (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 one or more series, in an aggregate principal amount of up to \$6,500,000 (the "Bonds") for the purpose of loaning the proceeds thereof to the Borrower, or its affiliate or assign, to finance the acquisition and rehabilitation of an approximately 81-unit rental housing development and facilities functionally related and subordinate thereto, located at 2121 9<sup>th</sup> Street South in the City (the "Project"), to be owned by the Borrower; 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;

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 one or more series and in an aggregate principal amount of up to \$6,500,000, is hereby preliminarily approved.

That the City hereby reserves \$6,500,000 of its 2013 (or carryover) housing revenue bond entitlement authority for the financing of the Project.

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.