



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

Date: September 10, 2013

To: Council Member Lisa Goodman, Community Development Committee

Referral to:

Subject: Waters of Minnehaha (aka Nokomis Senior Assisted Living) (3733 23rd Ave S) – City Authorization to Amend, Extend and Re-subordinate Existing City Financing Documents.

Recommendation: It is recommended that the City Council authorize amendment and re-subordination of its Housing Revenue Bond (HRB) and Affordable Housing Trust Fund (AHTF) loan interests and extend the AHTF loan maturity date in accommodation of HUD-insured 1st mortgage refinance.

Previous Directives:

April 2, 2010, the Council authorized up to \$1,300,000 Series 2010 City of Minneapolis, Minnesota Subordinate Assisted Living Facility Revenue Bonds for the Nokomis Senior Assisted Living project under Resolution 2010R-118.

On April 10, 2009, the Council approved Nokomis Senior Assisted Living Redevelopment Plan and the Nokomis Senior Assisted Living Tax Increment Financing Plan under Resolution 2009R-129.

On April 10, 2009, the Council authorized issuance of a tax increment limited revenue note in an amount not exceeding \$728,200 for the Nokomis Senior Assisted Living project under Resolution 2009R-130.

On December 7, 2007, the Council committed up to \$614,000 Affordable Housing Trust Fund deferred payment affordable housing development loan to Nokomis Senior Housing under Resolution 2007R-613

Department Information

Prepared by: Scott Ehrenberg, Loan Portfolio Specialist, 612-673-5067

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

Charles T. Lutz, CPED Deputy Director _____

Presenters in Committee: Scott Ehrenberg

Language Reviewed by Development Finance: _____

Financial Impact

Anticipated early retirement of subordinate HRB and TIF decertification
Increased financial capacity to make interest-only payments on AHTF loan
Fees will be collected to offset staff costs in processing request.

Community Impact

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other

Supporting Information

Nokomis Senior Assisted Living is a newly constructed assisted living affordable rental senior housing project completed in 2011. Located at 3733 23rd Ave S in the Standish Neighborhood, the project is comprised of 77 rental units. 16 of these units are affordable at or below 50% AMI.

The City authorized issuance of up to \$1,300,000 Series 2010 City of Minneapolis, Minnesota Subordinate Assisted Living Facility Revenue Bonds, TIF, and one deferred payment subordinate loan to Nokomis Senior Assisted Living. The deferred payment subordinate loan was made with an original principal balance of \$614,000 at 1% simple interest maturing 4/1/2040.

Covenire Care Nokomis, LLC is pursuing HUD refinance of its existing HUD Section 232 1st mortgage on the property to take advantage of the low-interest rate environment, reduce debt service payments, and strengthen the long-term financial operating capacity of Nokomis Senior Assisted Living.

Accommodating this refinance is anticipated to reduce the interest rate on the 1st mortgage from 5.31% to an anticipated 3.70%. As a result of the lower interest rate, annual debt service costs will be reduced by approximately \$150,000. The additional cash flow will be utilized towards early retirement of the subordinate assisted living facility bonds and the City's TIF note in addition to maintaining annual interest-only payments on the City's deferred payment affordable housing loan as prescribed per existing repayment terms.

In accordance with HUD requirements for the new financing, Covenire Care Nokomis, LLC is asking the City to amend and re-subordinate the City's existing HRB and AHTF loans consistent with new HUD guidelines and extend the AHTF loan maturity date by approximately 13 years from 4/1/2040 to an anticipated maturity date of 10/1/2053 to remain coterminous with the new amended and restated 1st mortgage and provide 16 units of affordable housing for the additional period of the loan.

CPED Staff recommends authorization to execute all necessary amendments and subordination agreements in accordance with HUD mortgage refinancing requirements.

TABLE A: Waters of Minnehaha Project Refinancing Summary

<u>Waters of Minnehaha Original Financing</u>				<u>Waters of Minnehaha Refinance (2013)</u>			
<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Lender / Loan</u>	<u>Amount</u>	<u>Rate (Est.)</u>	<u>Maturity Date (Est.)</u>	<u>Lender / Loan</u>
\$12,070,000	5.31%	9/1/2051	Dougherty Mortgage HUD Section 232 1st Mortgage	\$12,070,000	3.70%	10/1/2053	Dougherty Mortgage HUD Section 232 1st Mortgage
\$1,200,000	8.25%	6/1/2051	City of Minneapolis Subordinate Housing Revenue Bonds Series 2010	\$1,200,000	8.25%	6/1/2051	City of Minneapolis Subordinate Housing Revenue Bonds Series 2010
\$614,000	1.00%	4/1/2040	City of Minneapolis AHTF (SHP Local Deferred Payment) Subordinate Mortgage	\$614,000	1.00%	10/1/2053	City of Minneapolis AHTF (SHP Local Deferred Payment) Subordinate Mortgage
\$13,884,000	Total			\$13,884,000	Total		