



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

**Date:** October 8, 2013

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

**Subject:** Greenway Heights Family Housing – Public Hearing on Preliminary Approval to issue up to \$6,000,000 in Tax Exempt Multifamily Housing Revenue Entitlement Bonds; and authorize Hennepin County Housing and Redevelopment Authority (HCHRA) to contract directly with the developer to provide Midtown Greenway Community Works funds to pay for the cost of promenade improvements along the Midtown Greenway.

**Recommendation:** 1) Approve the attached Resolution giving Preliminary Approval to issue up to \$6,000,000 in Tax-Exempt Multifamily Housing Revenue Entitlement Bonds; 2) Approve the attached authorization Resolution for Hennepin County Housing & Redevelopment Authority to contract directly with the developer of the Greenway Heights Family Housing project to provide Midtown Greenway Community Works 2013 Capital Budget funds (\$225,000) to pay for the cost of promenade improvements adjacent to the Midtown Greenway; and 3) Authorize the appropriate City officials to execute any other necessary documents with the Greenway Partners, LLC or an affiliated entity related to the above recommended actions.

**Previous Directives:**

- On June 14, 2013 the City Council authorized CPED to continue analysis of the Greenway Heights Family Housing proposal to determine if tax increment financing (TIF) assistance is appropriate and justifiable.
- On January 11, 2013, the City Council authorized CPED to accept and appropriate a Metropolitan Council Livable Communities Local Housing Incentive Account (LHIA) Grant (\$300,000) awarded to the City of Minneapolis on behalf of Greenway Heights development; and authorized execution of the appropriate Grant and Sub-recipient Agreements.
- On November 16, 2012, the City Council authorized the appropriate City officials to sign an Acknowledgement of Receptivity to an LCA Funding Award in the event that the Metropolitan Council awards Livable Communities Local Housing Incentive Account grant funds to the Greenway Heights Family Housing development.
- On November 2, 2012, the City Council approved 2012 Affordable Housing Trust Funds (\$525,000) to the Greenway Heights Family Housing development.
- On February 10, 2012, the City Council approved 2011 Affordable Housing Trust Fund (\$525,000) and Non-Profit Housing Development Assistance (\$30,000) funds to the Greenway Heights Family Housing development.

### Department Information

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

Approved by: Thomas A. Streitz, Director, Housing Policy & Development \_\_\_\_\_

Charles T. Lutz, CPED Deputy Director \_\_\_\_\_

Presenters in Committee: Theresa Cunningham, Senior Project Coordinator

### Financial Impact

- Project will generate semi-annual administrative fees.

### Community Impact

- Neighborhood Notification: On June 8, 2012, the East Phillips Improvement Coalition forwarded a letter to CPED expressing their full support for this development and the development team.
- City Goals: A safe place to call home, Many People, One Minneapolis, Connected Communities, enriched environment.
- Comprehensive Plan: 3.3: Increase housing that is affordable to low and moderate income households; 4.9: Minneapolis will grow by increasing its supply of housing; 4.11: Minneapolis will improve the availability of housing options for its residents.
- Zoning Code: Various zoning changes and variances are being considered. Ultimately, the development will comply prior to closing on this development.

### Supporting Information & Development Plan

This development site is located at the northeast corner of Bloomington Avenue South and the Midtown Greenway (just north of 29<sup>th</sup> Street East) in the East Phillips section of the Phillips neighborhood of South Minneapolis. The site is currently owned by PRG, Inc. and will be sold at closing to the newly formed applicant, Greenway Partners, LLC. The limited liability company is made up of Phoenix Development Company of Minneapolis, LLC, a for-profit entity with its principals: Mr. Loren Brueggemann and Mr. R. Michael Buelow; and PRG, Inc., a local non-profit organization, both having extensive affordable housing development experience in Minneapolis. The development will consist of the new construction of 42 two, three and four-bedroom apartment units in a four-story elevator building with an additional level of underground parking for up to 38 vehicles. No surface parking will be provided on site.

This development is a direct response to the locally identified needs of the Phillips neighborhood. PRG, Inc. stepped up to answer the neighborhood's call when the site was going to be redeveloped in a manner that was inconsistent with the neighborhood needs. With the assistance of the Minnesota Housing's LAAND Program and the Neighborhood Revitalization Program (NRP), the site was acquired in the fall of 2008. Subsequently a significant amount of the neighborhood's affordable rental housing was lost to foreclosure and the neighborhood decided that the highest and best use of this site was the creation of housing affordable for the local workforce. PRG and Phoenix have worked closely with both the Midtown and East Phillips neighborhoods and coalitions to find a housing solution that answered the critical need for large family units, was economically feasible, provided a 24/7 presence on the Greenway, added much needed community space, and addressed the loss of so many affordable housing units to the foreclosure crisis. All units will be affordable to households earning up to 50% of the area median income. Utilities to be paid by the tenant will include hot water, electric, and natural gas heat.

The project will be owned by Greenway Partners, LLC which will be formed when the project is syndicated. Actual investors are yet to be identified. The General Partners will include Mr. Brueggeman (45%), Mr. Buelow (45%) and PRG, Inc. (10%). Bridget Hust is the developer's legal counsel with Kutak Rock as Bond Counsel. Boarman, Kroos, Vogel Group,

Inc. (BKV) has been selected as architect, project engineering will be provided by Loucks Associates, and Frerichs Construction has been selected as the General Contractor following the City's current Bidding Requirements.

The City's zoning code regulates land use and development intensity in order to carry out the policies of the City's comprehensive plan. The proposed Greenway Heights development site is zoned R5 Multiple-Family District, an appropriate zoning to facilitate the above noted goals of the comprehensive plan and the Midtown Greenway Land Use and Development Plan. The proposed development was approved by the City Planning Commission on June 10, 2013; including approvals of the plat, variances, and site plan review. The City Council approved a rezoning of a portion of the site to R5 Multiple-Family District and an alley vacation on July 19, 2013.

### **Midtown Greenway Improvements**

The Midtown Greenway Land Use and Development Plan requires that the entire southern portion of the property be improved with a public access promenade. As this development parcel is narrow, this requirement significantly increases costs by modifying the grading and necessitating retaining walls and landscape modifications to create a separation between the promenade public walkway and the private yards of the project's residences. The promenade requires relocation of a power pole, burial of power lines to allow for the promenade walkway to be installed, and additional lighting and safety improvements. Implementation of these Midtown Greenway guidelines adds approximately \$225,000 to this affordable family housing project. As proposed, \$225,000 in Hennepin County capital budget funds, from the Midtown Greenway Community Works project, would be used to assist the Greenway Heights project implement the required promenade improvements.

Hennepin County funds would be transferred to the Hennepin County Housing and Redevelopment Authority which would grant funds on a reimbursement basis to the developer for construction of the promenade. This action implements the Midtown Greenway Land Use and Development Plan, assists provision of affordable housing and addresses blight within the Lake and Bloomington Redevelopment Area, and is consistent with Midtown Greenway Community Works. The HCHRA has authority to participate in this project under Minnesota Statutes 383B.77 and 383B.79.

### **Project Financing Overview**

The estimated total development cost of the Greenway Heights Family Housing development is about \$9.2 million. The Housing Revenue Entitlement Bonds requested will carry an automatic 4% Low Income Housing Tax Credit allocation which estimated, will generate approximately \$2.7 million in syndication proceeds which is additional equity to the project. The developer is requesting up to \$6 million in housing revenue entitlement bonds. There will be two bond series with \$2.2 million in a Series A Bond which will be the long term 30-year permanent debt; the Series B Bonds will be available for interim construction financing and paid off at the time of construction completion which generally has a 2-year window. The bonds will be unrated and sold in increments of no less than \$100,000 in a public offering and restricted to Qualified Institutional Buyers or Accredited Investors.

The developer has applied for and secured funding from the following sources: the City of Minneapolis (\$1,050,000) in Affordable Housing Trust Funds and Non-Profit Housing Development Administrative Assistance (\$30,000), Neighborhood Revitalization Program funds (\$133,000), Hennepin County's Affordable Housing Incentive Account funding (\$400,000), Midtown Greenway Community Works Funds (\$225,000), and the Metropolitan Council Local Housing Incentive Account funding (\$300,000). See the attached Project Data Worksheet which provides additional details regarding the proposed development.

Applications submitted, but not yet secured are being considered by the Dept. of Energy and Economic Development (\$200,000), the Family Housing Fund (\$200,000), and MHFA Economic Development Housing Challenge funds (\$760,000). The total developer fee of \$996,134 (10.9%) falls within the CPED housing developer fee policy where the developer has agreed to defer a portion of the developer fee (\$406,615). In addition, the developer will pursue sales tax rebate of \$116,363 from the MN Department of Revenue.

### Tax Increment Financing

In June 2013, the City Council authorized CPED to continue analysis of the Greenway Heights Family Housing project to determine if tax increment financing (TIF) assistance is appropriate and justifiable. Staff is completing its analysis and anticipates moving forward to present a request for council action to create and approve a Housing TIF District and financing (\$441,500) to this development. All tax increment generated by this housing development will be pledged to the TIF notes.

### Housing Revenue Bond Information

The developer is requesting preliminary bond approval for the issuance of up to \$6,000,000 in tax exempt multi-family housing entitlement revenue bonds from the City's 2013 allocation. These funds will be supported by project revenues. Staff anticipates this project will close by year-end 2013 or early 2014.

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

#### Status of the 2011/2012, 2013 HRB Entitlement Allocation

2011 Allocation Remaining	\$	10,932,416.00
Penalty Allocation	\$	3,729,653.00
2012 Entitlement Allocation	\$	45,675,992.00
2013 Entitlement Allocation	\$	45,968,905.00
<b>TOTAL</b>	\$	<b>106,306,966.00</b>
<b>Projects Approved for Funding</b>		
Currie Park (P)	\$	(27,000,000.00)
Hi-Lake Triangle (F)	\$	(6,500,000.00)
Seward Square (F)	\$	(6,500,000.00)
Commons @ Penn (P)	\$	(5,000,000.00)
West Broadway Curve (P)	\$	(3,800,000.00)
Pillsbury A Mill (F)	\$	(30,000,000.00)
Snelling Apartments (F)	\$	(8,000,000.00)
Greenway Heights (P)	\$	(6,000,000.00)
<b>Balance Available for Other Projects</b>	\$	<b>13,506,966.00</b>

\*(P-preliminary/F-final) approvals

Bond Purchaser/Underwriter  
Bond Counsel  
Council Member

Dougherty & Company LLC  
Kutak Rock  
Gary Schiff (Ward 9)

**Project Timeline**

MHFA/FHF Funding Secured	October 2013
DEED Redevelopment Funds Secured	November 2013
Final Bond Approval and TIF Approval	November 2013
Project Closing	December 2013
Construction Start	December 2013
Construction Completion	September 2014
Full Occupancy	April 2015

**RESOLUTION  
Of the  
CITY OF MINNEAPOLIS**

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 construction of a multifamily rental housing development for the benefit of Greenway Partners, LLC.

WHEREAS, the City of Minneapolis (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 Greenway Partners, 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 \$6,000,000 (the "Bonds") for the purpose of loaning the proceeds thereof to the Borrower, or its affiliate or assign, to finance the acquisition and construction of an approximately 42-unit rental housing development and facilities functionally related and subordinate thereto, to be located at 2845 Bloomington Avenue 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 \$6,000,000, is hereby preliminarily approved.

That the City hereby reserves \$6,000,000 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.