



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

Date: July 22, 2014

To: Council Member Lisa Goodman, Chair, Community Development & Regulatory Service Committee

Subject: Riverton Community Housing - Public Hearing and Request for Preliminary and Final Approval of up to \$25.6 million in 501 (c)(3) Tax Exempt Revenue Bonds

Recommendation: Adopt the attached Resolution giving Final Approval of up to \$25.6 million in 501 (c)(3) Tax-Exempt Revenue Bonds for the Riverton Community Housing mixed use housing project.

Previous Directives: On February 10, 2006, the Minneapolis City Council approved a resolution giving preliminary and final approval for the issuance of \$13.6 million in Tax Exempt 501 (c)(3) Revenue Bonds and \$180,000 in taxable bonds for the Riverton Community Housing Project. On June 9, 2000 the Minneapolis City Council approved \$12,000,000 in 501 (c)(3) Tax Exempt Revenue Bonds to finance acquisition and rehabilitation of the Riverton Community Housing Project.

Prepared by: Tiffany Glasper, CPED Senior Project Coordinator (612) 673-5221

Approved by: Cathy Polasky, Director, Economic Development _____
Charles T. Lutz, Interim CPED Director _____

Presenter in Committee: Tiffany Glasper

Financial Impact

- The project will generate semi-annual administrative fees.

Community Impact

- Neighborhood Notification – The Marcy-Holmes Neighborhood Association 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

Riverton Community Housing is a Minnesota nonprofit corporation requesting approval of 501(c)(3) tax-exempt revenue bonds. The corporation is governed by a Board of Directors and Officers and has no parent or subsidiary entities. Riverton was formed in 1971 with a mission to provide affordable housing to students and faculty in a post-secondary educational environment.

Riverton Community Housing currently owns approximately 450 rental units in the area of University of Minnesota.

The purpose of this bond issuance is to refinance Riverton's existing bond debt in order to take advantage of lower interest rates and add its new 66-unit student housing property at 1227 4th Street SE. The following properties are included in the Riverton Community Housing inventory:

- Marcy Park is located at 700 10th Avenue SE and 1000 8th Street SE and contains 57 units of affordable student rental housing.
- Franklin Cooperative is located at 2300 East Franklin Avenue and contains 182 units of affordable student rental housing.
- Marshall Cooperative is located at 1405 5th Street SE and contains 16 units of affordable student rental housing.
- 4th Street Apartments is located at 1227 4th Street SE and contains 16 units of affordable student rental housing. This structure will be demolished and Riverton Community Housing will build a new construction building containing 66 units of affordable student rental housing. The new building will also contain 2,365 square feet of commercial space on the ground floor.

This affordable student rental housing currently provides needed housing opportunities for students at or below 80% MMI. Riverton has successfully operated these projects since acquisition.

Financing Information

The purpose of this \$25.6 million issuance of tax-exempt revenue bonds is two-fold. Bonds will be issued to finance the new construction building at 1227 4th Street SE (\$12.11 million) and secondly to refinance the 2006 issuance (\$13.49 million). The transaction also includes a taxable piece for \$500,000, which will assist with the

cost of issuance. These bonds are unrated and will meet all the required revenue bond financing guidelines.

Comment [RS1]: Where is finance on this question?

Please refer to the attached Project Data Worksheet for a detailed description of the project sources and uses.

The bond issue is a tax exempt 501(c)(3), therefore no entitlement authority is required.

Bond Purchaser/Underwriter	US Bank National Association
Bond Counsel	Fredrickson & Byron
Council Member Informed	Yes, Ward 2

Attachments

- Project Data Worksheet
- Resolution

2014R - _____

**RESOLUTION
of the
CITY OF MINNEAPOLIS**

GIVING PRELIMINARY AND FINAL APPROVAL OF THE ISSUANCE OF THE NOT TO EXCEED \$25,600,000 CITY OF MINNEAPOLIS, MINNESOTA, STUDENT HOUSING REVENUE BONDS (RIVERTON COMMUNITY HOUSING PROJECT) SERIES 2014A, AND NOT TO EXCEED \$500,000 CITY OF MINNEAPOLIS, MINNESOTA, TAXABLE STUDENT HOUSING REVENUE BONDS (RIVERTON COMMUNITY HOUSING PROJECT) SERIES 2014B, PURSUANT TO MINNESOTA STATUTES, CHAPTER 462C, FOR THE PURPOSE OF REFUNDING THE \$13,490,000 CITY OF MINNEAPOLIS, MINNESOTA, STUDENT HOUSING REVENUE BONDS (RIVERTON COMMUNITY HOUSING PROJECT) SERIES 2006A AND THE \$205,000 CITY OF MINNEAPOLIS, MINNESOTA, TAXABLE STUDENT HOUSING REVENUE BONDS (RIVERTON COMMUNITY HOUSING PROJECT) SERIES 2006B, FINANCING A PORTION OF THE COST OF THE CONSTRUCTION OF A 66-UNIT MULTIFAMILY HOUSING DEVELOPMENT FOR STUDENT HOUSING, AND FUNDING RESERVES FOR, AND PAYING CERTAIN COSTS OF ISSUANCE OF, THE SERIES 2014A BONDS AND THE SERIES 2014B BONDS (THE "BONDS"); PRESCRIBING THE FORMS OF, AND AUTHORIZING THE EXECUTION AND DELIVERY OF VARIOUS DOCUMENTS IN CONNECTION THEREWITH.

WHEREAS, the City of Minneapolis, Minnesota (the "City" or the "Issuer") is a municipal corporation and home rule city of the State of Minnesota, duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota; and

WHEREAS, pursuant to Minnesota Statutes, Chapter 462C, as amended (the "Act"), the Issuer is authorized to carry out the public purposes described therein and contemplated thereby by issuing its revenue bonds to finance the cost of the acquisition and rehabilitation of multifamily housing developments to be located within its corporate boundaries; and

WHEREAS, the City Council (the "City Council") of the Issuer has prepared the Housing Plan for Local Housing for the City of Minneapolis, Minnesota (the "Plan") which Plan was adopted pursuant to the Act; and

WHEREAS, the Act requires adoption of a housing finance program after a public hearing held thereon, for which notice was published in a newspaper of general circulation in the City at least fifteen (15) days in advance of the hearing;

WHEREAS, there has been proposed a program (the "Program") for the issuance of bonds for the financing by Riverton Community Housing, a Minnesota nonprofit corporation (the "Company") of construction of a student housing residence consisting of 66 units located at 1227 4th Street SE, in the City, known as 4th Street Cooperative, the refunding of certain bonds (the "Series 2006A" and the "2006B Bonds" and, collectively, the "2006 Bonds") previously issued by the City for the benefit of the Company, which bonds financed the rehabilitation by the Company of the 4th Street Cooperatives and the refunding of the \$12,000,000 City of Minneapolis, Minnesota, Student Housing Revenue Bonds (Riverton Community Housing Project) Series 2006, to fund a bond reserve fund, and to pay the costs of issuance of the bonds (the "Project"); and

WHEREAS, the cost of the Program is presently estimated to be in excess of \$26,100,000; and

WHEREAS, a public hearing was duly called and held on July 22, 2014, after at least 15 days' published notice published on July 5, 2014; and

WHEREAS, the Program was submitted to the Metropolitan Council on or prior to the date of publication of notice of the public hearing on such Program, and the Metropolitan Council has been afforded an opportunity to present comments at the public hearing, all as required by the Act; and

WHEREAS, the City desires to facilitate the development of student rental housing within the community, encourage the preservation of affordable housing opportunities for residents of the City, encourage the preservation of housing facilities designed for occupancy by persons of low or moderate income within the boundaries of the City, and the maintenance of affordable units in the Project would assist the City in achieving these objectives; and

WHEREAS, the Program will result in the provision of decent, safe and sanitary rental housing opportunities to persons within the community; and

WHEREAS, this City Council has been advised that conventional, commercial financing to pay the capital costs of the Program is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced, but the City Council has been further advised that with the aid of municipal financing and resulting low borrowing costs, the Project is economically more feasible; and

WHEREAS, this City Council has been advised that refunding of the Series 2006 Bonds will result in substantially reduced debt service for the projects financed with the Series 2006 Bonds, thus improving their economic feasibility;

WHEREAS, the staff of the City considers the proposed Program to be in furtherance of the housing policies of the State of Minnesota as stated in the Act and of the City as stated in the Plan;

WHEREAS, the Company has requested that the City issue, on or about August 1, 2014, its not-to-exceed \$25,600,000 Student Housing Revenue Bonds (Riverton Community Housing Project), Series 2014A (the "Series 2014A Bonds") and its not-to-exceed \$500,000 Taxable Student Housing Revenue Bonds (Riverton Community Housing Project), Series 2014B (the "Series 2014B Bonds") (collectively, the "Series 2014 Bonds") to provide for the funding of a loan (the "Loan") to the Company for the purpose of financing the Project; and

WHEREAS, the Series 2014 Bonds will be payable solely from the revenues of the Project and other moneys, if any, provided by the Company, and the Series 2014 Bonds will not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers; and

WHEREAS, it is proposed that:

(a) The Issuer issue (i) the Series 2014A Bonds in an aggregate principal amount not to exceed \$25,600,000, the interest on which is intended to be exempt from federal income taxation; and (ii) the Series 2014B Bonds in an aggregate amount not to exceed \$500,000, the interest on which is intended to be subject to federal income taxation; and

(b) The Issuer enter into a Loan Agreement, dated as of August 1, 2014 (the "Loan Agreement"), with the Company, to provide for the Issuer's loan of the proceeds of the Series 2014 Bonds;

(c) The Issuer enter into an Indenture of Trust (the "Indenture") dated as of August 1, 2014, between the Issuer and U.S. Bank National Association (the "Trustee"), authorizing the issuance of the Series 2014 Bonds and pledging certain revenues, including those to be derived from the Loan Agreement, as security for the Series 2014 Bonds, and setting forth proposed recitals, covenants and agreements relating thereto;

(d) The Company enter into a Mortgage and Security Agreement and Fixture Financing Statement and an Assignment of Rents and Leases, to secure the payment of the Series 2014 Bonds to the Issuer; and

(e) The Issuer assign its interests in the Mortgage and Security Agreement and Fixture Financing Statement and the Assignment of Rents and Leases to the Trustee to secure the payment of the Series 2014 Bonds; and

WHEREAS, at least seventy-five percent (75%) of the dwelling units in the Project shall be held for occupancy by families or individuals with adjusted gross income not in excess of eighty percent (80%) of the median family income estimated by the United States Department of Housing and Urban Development for the Minneapolis/St. Paul Standard Metropolitan Statistical Area and of that 75%, at least twenty percent (20%) of the dwelling units in the Project shall be held for occupancy by families or individuals with adjusted gross income not in excess of fifty percent (50%) of such median family income; and

WHEREAS, pursuant to the Issuer's Unified Affordable Housing Policy, at least twenty percent (20%) of the dwelling units in the Project, which may overlap with the above, shall be held for occupancy by families of individuals with adjusted gross income not in excess of sixty percent (60%) of the median family income estimated by the United States Department of Housing and Urban Development for the Minneapolis/St. Paul Standard Metropolitan Statistical Area at rents that are affordable to such families; and

WHEREAS, the Issuer has been advised that Dougherty & Company LLC (the "Original Purchaser"), wishes to purchase the Series 2014 Bonds at interest rates not to exceed seven percent (7%); and

WHEREAS, no litigation is pending or, to the best knowledge of the members of this Council, threatened against the Issuer questioning the organization or boundaries of the Issuer, or in any manner questioning the right and power of the Issuer to execute and deliver the Series 2014 Bonds, or otherwise questioning the validity of the Series 2014 Bonds or the proposed Loan Agreement or Indenture; or questioning the appropriation of revenues for the payment of the Series 2014 Bonds or the right of the Issuer to lend the proceeds of the Series 2014 Bonds to the Company; and

WHEREAS, the Issuer intends to treat the Series 2014A Bonds as an acquired program investment as defined in Treasury Regulation 1.148-1(b); and

WHEREAS, it is necessary and proper at this time that the Issuer (a) authorize the issuance of the Series 2014 Bonds and the application of the proceeds thereof to provide for the funding of the Loan (b) authorize the execution and delivery of the Loan Agreement, the Bond Purchase Agreement, and the Assignments, (c) authorize the execution and delivery of the Indenture, and (d) approve the sale of the Series 2014 Bonds to the Original Purchaser.

Now, Therefore, Be It Resolved by the City Council of the City of Minneapolis, Minnesota, as follows:

Section 1. The Program is hereby adopted.

Section 2. The Issuer is authorized by the Act to issue the Series 2014 Bonds and to loan the proceeds thereof to the Company to finance the construction of a student housing residence consisting of 66 units located at 1227 4th Street SE, in the City, known as 4th Street Cooperative, the refunding of the Series 2006 previously issued by the City for the benefit of the Company, which bonds financed the rehabilitation by the Company of the 4th Street Cooperatives and the refunding of the \$12,000,000 City of Minneapolis, Minnesota, Student Housing Revenue Bonds (Riverton Community Housing Project) Series 2006, to fund a bond reserve fund, and to pay the costs of issuance of the bonds, to fund a bond reserve fund, and to pay the costs of issuance of the Bonds.

Section 3. Pursuant to the above, there have been prepared and presented to this Council copies of the following documents (in the aggregate, the Documents) all of which are now placed on file in the office of the City Clerk;

- (a) The Series 2014 Bonds;
- (b) The Loan Agreement;
- (c) The Indenture;
- (d) The Mortgage;
- (e) An Assignment of the Mortgage (the "Assignment") dated as of August 1, 2014, from the Issuer to the Trustee;
- (f) An Assignment of Leases and Rents (the "Assignment of Leases") dated as of August 1, 2014 from the Company to the Issuer;
- (g) An Assignment of the Assignment of Leases (the "Assignment of Assignment") dated as of August 1, 2014, from the Issuer to the Trustee;
- (h) A Collateral Assignment of Contracts (the "Collateral Assignment") dated as of August 1, 2014 from the Company to the Trustee;
- (i) A Disbursing Agreement (the "Disbursing Agreement") dated as of August 1, 2014 by and among the Company, the Trustee, the Issuer, and First American Title Insurance Company as the disbursing agent;
- (j) A Bond Purchase Agreement (the "Bond Purchase Agreement") by and among the Original Purchaser, the Company, and the Issuer, providing for the purchase of the Bonds from the Issuer by the Original Purchaser and setting the terms and conditions of purchase; and
- (k) A Preliminary Official Statement (the "Preliminary Official Statement") pursuant to which the Bonds will be offered.

Section 4. The forms of the Documents listed above are approved, with such changes therein, not inconsistent with this Resolution and not materially adverse to the Issuer, as may be permitted by the Act and approved by the officers executing the same on behalf of the Issuer. The Finance Officer is hereby authorized and directed to execute and deliver the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Assignment of Assignment, and the Collateral Assignment. The Assignment, and the Assignment of Assignment are referred to herein as the "Assignments." All of the provisions of the Loan Agreement, the Indenture, the Bond Purchase Agreement, and the Assignments, when executed and delivered as authorized herein, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Loan Agreement, the Indenture, the Bond Purchase Agreement, and the Assignments shall be substantially in the forms submitted to the Issuer, with such changes therein not inconsistent with this

Resolution and not substantially adverse to the Issuer as may be permitted by the Act and approved by the officers executing the same on behalf of the Issuer.

Section 5. For the purpose of funding the Loan, there is hereby authorized the issuance of not to exceed \$25,600,000 aggregate principal amount of City of Minneapolis, Minnesota, Student Housing Revenue Bonds (Riverton Community Housing Project) Series 2014A and not to exceed \$500,000 aggregate principal amount of City of Minneapolis, Minnesota, Taxable Student Housing Revenue Bonds (Riverton Community Housing Project) Series 2014B. The Series 2014 Bonds shall be issued substantially in the forms and upon the terms set forth in the Indenture, which terms are for this purpose incorporated in this resolution and made a part hereof, provided, however, that the maturities of the Series 2014 Bonds, the interest rates thereon, the rights of optional or mandatory redemption with respect thereto and the principal amount of the Series 2014 Bonds shall all be as set forth in the final form of Indenture to be approved, executed and delivered by the officers of the Issuer authorized to do so by the provisions of this Resolution, which approval shall be conclusively evidenced by such execution and delivery. The Finance Officer is authorized to prepare and execute the Series 2014 Bonds as prescribed in the Indenture and to deliver them to the Trustee, together with a certified copy of this Resolution and the other documents required by the Indenture, for authentication, registration and delivery to the Original Purchaser. As provided in the Indenture, each Bond shall contain a recital that it is issued pursuant to the Act, and such recital shall be conclusive evidence of the validity and the regularity of the issuance thereof.

Section 6. The Series 2014 Bonds may be issued in book-entry form in accordance with the terms of the Indenture. All Series 2014 Bonds not issued in book-entry form shall be executed by the facsimile signatures of the Finance Officer and the facsimile of the official seal of the Issuer shall be imprinted thereon. The Trustee is hereby appointed authenticating agent. All Series 2014 Bonds not issued in book-entry form shall contain an authentication certificate, to be executed by the Trustee as authenticating agent.

Section 7. The Issuer hereby consents to the circulation by the Original Purchaser of the Preliminary Official Statement, in form substantially similar to the form on file with the City Clerk, with respect to offering the Series 2014 Bonds for sale; provided, however, that the Issuer has not participated in the preparation of the Preliminary Official Statement or independently verified the information in the Preliminary Official Statement and takes no responsibility for, and makes no representations or warranties as to, the accuracy or completeness of such information.

Section 8. In the absence of the Finance Officer, the Series 2014 Bonds and any of the other documents authorized by this Resolution to be executed and delivered, may be executed and delivered by the Assistant Finance Officer in place of the Finance Officer, or such other officers of the Issuer as, in the opinion of Issuer's Counsel, have authority to execute and deliver such documents.

Section 9. In case any one or more of the provisions of this Resolution, the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Assignments, or the Series 2014 Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution, the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Assignments, or the Series 2014 Bonds, but this Resolution, the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Assignments, and the Series 2014 Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Section 10. The Series 2014 Bonds shall contain a recital that the Series 2014 Bonds are being issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Series 2014 Bonds and the regularity of the issuance thereof, and that all acts, conditions and things required by the Constitution and the laws of the State of Minnesota relating to the adoption of this Resolution, to the issuance of the Series 2014 Bonds and to the execution of the Loan Agreement, the Bond Purchase Agreement, the Assignments, and the Indenture to happen, to exist, and to be performed precedent to and in the adoption of this Resolution and precedent to the issuance of the Series 2014 Bonds and precedent to the execution of the Loan Agreement, the Bond Purchase Agreement, the Assignments, and Indenture have happened, do exist and have been performed as so required by law.

Section 11. The Members of the City Council, attorneys, and other agents or employees of the Issuer are hereby authorized to do all acts and things required of them by or in connection with this Resolution, the Series 2014 Bonds, the Loan Agreement, the Bond Purchase Agreement, the Assignments, and the Indenture for the full, punctual and complete performance of all the terms, covenants, and agreements contained therein.

Section 12. The Mayor, City Clerk, Finance Officer, and other officers of the Issuer are hereby authorized and directed to prepare and furnish to Fredrikson & Byron, P.A., bond counsel, to the Company, to the Trustee, to the Original Purchaser, and to counsel of such parties, certified copies of all proceedings and records of the Issuer relating to the Project and the Series 2014 Bonds, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.

Section 13. The designation of U.S. Bank National Association, in Minneapolis, Minnesota, as Trustee is hereby approved.

Section 14. The Trustee is hereby appointed as Bond Registrar for the Series 2014 Bonds pursuant to the Indenture.

Section 15. Terms not otherwise defined in this Resolution, but defined in the Indenture, shall have the same meanings in the Resolution as provided in the Indenture.

Section 16. In the event any conflict or conflicts between the provisions of this Resolution and of any prior ordinances, resolutions, orders or parts thereof, the provisions of this Resolution shall prevail.

Section 17. The Series 2014 Bonds are hereby designated as "Program Bonds" and are 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 18. The Company has agreed to pay the administrative fees of the City. It is hereby determined that any and all costs incurred by the City in connection with the financing of the Project will be paid by the Company. It is understood and agreed by the Company that the Company shall indemnify the City against all liabilities, losses, damages, costs, and expenses (including attorney's fees and expenses incurred by the City) arising with respect to the Project or the

Bonds, as provided for and agreed to by and between the Company and the City in the Documents.

Section 19. EFFECTIVE DATE. This resolution shall take effect and be in force from and after its approval and publication. Pursuant to Chapter 4, Section 9, of the Charter of the City, only the title of this resolution and a summary of this resolution conforming to Minnesota Statutes, Section 331A.01, subdivision 10, shall be published in the official paper of the City.