



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

Date: March 3, 2015

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

Subject: The Cameron - Public Hearing; Request for Final Approval of up to \$6.5 million in Tax Exempt Multifamily Housing Entitlement Revenue Bonds

Recommendation: Adopt the attached resolution giving final approval of up to \$6.5 million in Tax-Exempt Multifamily Housing Entitlement Revenue Bonds for The Cameron project.

Previous Directives:

- On March 28, 2014 the City Council authorized preliminary approval of up to \$7.5 million in Tax-Exempt Multifamily Housing Revenue Entitlement Bonds.
- On February 7, 2014 the City Council accepted a \$200,000 Local Housing Incentives Account (LHIA) grant from the Metropolitan Council.
- On December 6, 2013 the City Council authorized City officials to sign an Acknowledgement of Receptivity to an LCA Funding Award form for this project.
- On August 2, 2013 the City Council authorized submission of a DEED Redevelopment Grant application for the project.
- On November 2, 2012 the City Council approved an AHTF loan of up to \$430,000.
- On September 23, 2011 the City Council accepted a TBRA investigation grant in the amount of \$14,000.
- On August 5, 2011 the City Council authorized the submission of a brownfield investigation grant application to the Metropolitan Council's Tax Base Revitalization Account (TBRA) program on behalf of this project.

Prepared by: Carrie Flack, Senior Project Coordinator – CPED Residential Finance

Approved by: Craig D. Taylor, Executive Director, CPED _____

Charles T. Lutz, Deputy Director, CPED _____

Presenter in Committee: Carrie Flack, Senior Project Coordinator, 673-5240

Financial Impact

- The project will generate semi-annual administrative fees.

Community Impact

- Neighborhood Notification – The North Loop Neighborhood Association has issued letters of support dated August 1, 2011 and September 26, 2012.
- 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: This project will require the rezoning of a portion of the project site; that rezoning was approved by the Planning Commission on October 3, 2011 and by the City Council on November 4, 2011.

Supporting Information

Schafer Richardson is proposing the historic rehabilitation of the Cameron building, located at 756 N 4th St in the North Loop neighborhood. The Cameron is a historic four-story warehouse building that has been vacant for 12 years. Upon rehabilitation, the project will provide 44 units of affordable housing, including studio, one- and two-bedroom apartments. Units will be affordable to households earning 50% and 60% of the area median income. Parking will be provided in the existing surface parking lot next to the building.

Schafer Richardson received approvals from the National Park Service in order to list the building on the National Register of Historic Places, making it eligible for historic tax credits. Formal Part II approval from the NPS was granted in July 2014.

Financing Information

The developer is currently working with Dougherty and Company to secure a HUD 221(d)(4) mortgage, to be utilized in combination with the Housing Revenue Bonds. The project was awarded \$430,000 through the City's 2012 Affordable Housing Trust Fund (AHTF) process. Since then, the project has secured a number of other funding sources from the State of Minnesota, the Metropolitan Council, and Hennepin County.

With the structure described below, private funding sources represent approximately 59% of the total development cost. The developer has proposed a total developer fee of approximately \$1.3 million that represents 11% of the total development cost. The project is scheduled to close the first week of May 2015.

Current Financing Structure

Source		Status
CPED AHTF	\$430,000	Committed
MHFA Super RFP	\$700,000	Committed
Met Council TBRA	\$14,000	Committed
Hennepin County ERF	\$218,000	Committed
Hennepin County AHIF	\$300,000	Committed
Historic Tax Credit Equity	\$3,209,700	Committed
LIHTC Equity	\$2,475,200	Pending
Housing Revenue Bonds/1 st Mortgage	\$2,882,600	Pending
Deferred Developer Fee	\$643,100	Committed
Developer Land Note	\$1,018,551	Committed
Total	\$11,891,151	

Uses	
Acquisition	\$1,200,000
Rehabilitation	\$6,594,093
Contingency	\$602,034
Soft Costs, Fees, Other	\$3,585,024
Total	\$11,891,151

The current status of the 2015 HRB Entitlement allocation is shown below.

Allocation	Amount
2013 Allocation Remaining	\$15,701,966
2014 Entitlement Allocation	\$48,759,326
2015 Entitlement Allocation	\$49,090,273
Total Available Allocation	\$113,551,565
Current Projects Approved	Amount
Broadway Flats	\$13,900,000
Cameron	\$6,500,000
Balance Available for Other Projects	\$93,151,565

Bond Purchaser/Underwriter
 Bond Counsel
 Council Member Informed

Dougherty and Company
 Stinson Leonard Street
 Yes, Ward 3

Attachments

- Project Data Worksheet
- Resolution

Resolution
Of the
City of Minneapolis

Authorizing the issuance, sale and delivery of multifamily housing revenue bonds for the Cameron Apartments Project and the execution and delivery of related documents

BE IT RESOLVED by the City Council (the "**City Council**") of the City of Minneapolis (the "**City**") as follows:

1. The City is authorized by the laws of the State of Minnesota, particularly Minnesota Statutes, Chapter 462C, as amended (the "**Act**"), to carry out the public purposes described therein by issuing its revenue bonds to finance multifamily rental housing developments and by entering into any agreements made in connection therewith and pledging them as security for the payment of the principal of and interest on any such bonds.
2. Cameron Building Limited Partnership, a Minnesota limited partnership (the "**Borrower**"), has requested the City to issue revenue bonds to finance the acquisition of an existing building at 756 North Fourth Street in the City and the rehabilitation and equipping thereof as a low-income housing project containing 44 units (the "**Project**").
3. The City proposes to issue its Multifamily Housing Revenue Bonds (Cameron Building Limited Partnership Project) Series 2015A and Series 2015B (together, the "**Bonds**") pursuant to the Act, this Resolution, the Program described below, and separate Trust Indentures (the "**Indentures**"), by and between the City and Wilmington Trust, National Association, as trustee (the "**Trustee**").
4. The Bonds and the interest thereon shall be payable solely from the revenues pledged thereto under the respective Indentures. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation on indebtedness. The Bonds shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City other than the City's interest in the trust estates pledged thereto.
5. In order to comply with certain requirements of the Act, in 2014, following a public hearing for which notice was duly published in accordance with the Act, the City adopted a Program for a Multifamily Housing Development (The Cameron) (the "**Program**"). Further, to comply with the requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "**Code**"), the Community Development Committee of the City Council on March 3, 2015, held an additional public hearing for which notice was duly published in accordance with the Code regarding the issuance of the Bonds.
6. For the purpose of financing the Project the City hereby authorizes the issuance of the Bonds in an aggregate principal amount not to exceed \$6,500,000. The Bonds of each series shall bear interest at such rates, shall be in such denomination, shall be numbered, shall be dated, shall mature, shall be subject to redemption prior to maturity, shall be in such form, and shall have such other details and provisions as are prescribed by the respective Indentures. The Bonds shall be special obligations of the City payable solely from the revenues of the Project and other revenues available therefore, in the manner provided in the Indentures. The Bonds do not constitute an indebtedness, liability, general or moral obligation (except to the extent of the trust estate pledged under the Indenture) or a pledge of the faith and credit or any taxing power of the City, Hennepin County (the

"County"), the State of Minnesota, or any political subdivision thereof. The City hereby authorizes and directs the execution of the Bonds in accordance with the Indentures, and hereby provides that the Indentures shall provide the terms and conditions, covenants, rights, obligations, duties, and agreements of the bondholders, the City, and the Trustee as set forth therein.

7. The Bonds are hereby designated "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, as amended by Resolution 1977R-402 of the City adopted December 12, 1997.

8. The following documents relating to the Bonds have been submitted to the City for approval:

- (a) Indentures;
- (b) separate Loan Agreements, each by and between the City and the Borrower, providing for the loan by the City of proceeds of each series of Bonds to the Borrower;
- (c) Regulatory Agreement, by and between the City, the Borrower and the Trustee; and
- (d) separate Bond Purchase Agreements, each by and between the City, the Borrower and Dougherty & Company LLC, the original purchaser of each series of the Bonds (the **"Underwriter"**).

The documents listed in (a) through (d) above are hereby referred to as the **"Documents"**.

9. The City authorizes the sale and delivery of the Bonds to the Underwriter at prices and upon terms approved by the Finance Officer of the City (the **"Finance Officer"**) upon satisfaction of conditions set forth in the Indentures.

10. The City Council hereby authorizes and directs the Finance Officer to execute and deliver the Documents on behalf of the City. All of the provisions of the Documents, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated herein and shall be in full force and effect from the date of execution and delivery thereof. The Documents shall be substantially in the forms on file with the City, which are hereby approved, with such necessary or desirable and appropriate variations, omissions and insertions as approved by the Finance Officer, and the execution thereof by the Finance Officer on behalf of the City shall be conclusive evidence of such approval. The City authorizes the use of its entitlement allocation of volume cap for private activity bonds for the Bonds.

11. The Finance Officer is further authorized and directed to execute and deliver any and all certificates, agreements or other documents which are necessary or convenient in connection with the issuance of the Bonds and the delivery of the Documents or any other agreements, certificates or documents which are deemed necessary by bond counsel or the City Attorney to evidence the validity or enforceability of the Bonds, the Indenture or the other documents referred to in this Resolution, or to evidence compliance with Section 142(d) of the Internal Revenue Code of 1986, as amended; and all such agreements or representations when made shall be deemed to be agreements or representations, as the case may be, of the City.

12. The Trustee is hereby appointed as Paying Agent and Bond Registrar for the Bonds.

13. No covenant, stipulation, obligation or agreement herein contained or contained in the Documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City Council, or any officer, agent or employee of the City in that person's individual capacity, and neither the City Council nor any officer or employee executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

No provision, covenant or agreement contained in the Documents, the Bonds or in any other document related to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in the Documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Loan Agreement and related security instruments which are to be applied to the payment of the Bonds, as provided therein and in the Indenture.

Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Bonds issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Bonds issued under the provisions of this resolution.

14. In case any one or more of the provisions of this resolution, or of the Documents, or of the 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, or of the Documents, or of the Bonds, but this resolution, the Documents, and the Bonds shall be construed and endorsed as if such illegal or invalid provision had not been contained therein.

15. The officers of the City and its attorneys, agents and employees are hereby authorized to do all acts and things required of them by or in connection with this resolution, the Documents, and the Bonds for the full, punctual and complete performance of all the terms, covenants and agreements contained in the Bonds, the Documents and this resolution. In the event that for any reason the Finance Officer is unable to carry out the execution of any of the Documents or other acts provided herein, the Acting Finance Officer shall be authorized to act in his capacity and undertake such execution or acts on behalf of the City with full force and effect, which execution shall be valid and binding on the City.

16. This resolution shall be in full force and effect from and after its approval and publication.