

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 7/25/2017
Referral: N/A
From: Community Planning & Economic Development
Lead Staff: Dollie Crowther
Presented by: Dollie Crowther
File Type: Resolution

Subject:

1500 Nicollet Apartments bond issuance

Description:

Passage of Resolution giving preliminary and final approval to the issuance of Tax Exempt Multifamily Housing Revenue Entitlement Bonds in an amount not to exceed \$29,000,000 for the 1500 Nicollet Apartments project.

Previous Actions:

None

Ward/Address:

Ward 7
1500 Nicollet Avenue

Background/Analysis:

The property located at 1500 Nicollet Avenue is a 1.46 acre site being redeveloped from existing surface parking and commercial space to a 183 unit multifamily housing project with commercial space. Currently, four existing buildings contain the 15th Street Market, Bashaal Café, Caring Medical, Vision Management, and Jerusalem's Restaurant. The terms of the purchase agreement require the seller to vacate the existing buildings prior to the developer taking ownership of the property. The buyer, Minneapolis Leased Housing Associates IX, LLLP, will assist in the relocation of the tenants in accordance with the City Relocation Policy. The plan is to demolish the existing buildings and redevelop the site into affordable housing, with an associated common area and a commercial component. The planned redevelopment will provide much needed affordable workforce housing in the Loring Park neighborhood of Minneapolis.

The project is located at the southwestern quadrant of the intersection of Nicollet Avenue and West 15th Street. The site stretches from that corner west to Oak Grove Street, and south to the Interstate 94 right of way.

There will be approximately 123 heated underground parking stalls available to residents for an additional charge. Other amenities include on-site management and maintenance, 24 hour emergency maintenance, a lobby, outdoor common patios and courtyards, a clubroom, fitness center and bike storage.

The unit mix will consist of an SRO unit and 1, 2, and 3 bedroom apartments in a six story building. Forty three of the 183 total units will be one bedroom, 95 will be two bedroom units,

44 will be three bedroom units, and one unit will be an SRO unit. The square footage of the units ranges from 710 to 1,260 square feet.

All of the units will be designed and constructed to be affordable to persons and families with household incomes at or below sixty percent of area median income (AMI). The project will also comply with the Minnesota Green Communities Criteria. It is proposed that the project will also include approximately 5,463 square feet for commercial use to be located on the first floor of the building. The commercial space will be financed by sources other than tax exempt obligations, including equity of the owner.

Project Financing

The total development cost of the project is \$57,334,600. The project is seeking final bond approval at this time because the developer intends to close in early September. Secured funds include Met Council environmental clean-up funds. Proposed financing for the project does not include a request for any City gap financing. Please refer to the attached Project data Worksheet for information on the project sources and uses.

Tax Exempt Housing Revenue Bond Financing

The developer, Minneapolis Leased Housing Associates IX, LLLP, is requesting preliminary/final approval for the issuance of up to \$29,000,000 in Tax Exempt Multifamily Housing Entitlement Revenue Bonds from the City of Minneapolis. Proceeds of the Series 2017 bonds, Low Income Housing Tax Credit equity, and other funds of the Borrower will be used to acquire and construct the project. The developer is also deferring a large percentage of their developer fee (36%) to assist the project. Simultaneously with the closing and issuance of the bonds, the Borrower will close a Federal Housing Administration-insured mortgage loan on the project with Dougherty Mortgage LLC to provide construction and permanent financing for the Project. The proceeds of the FHA Insured Mortgage Loan will be deposited by the FHA Lender into a Collateral Fund against the simultaneous release of the equivalent amount of tax exempt bond proceeds to pay project costs. With the syndication of the Low Income Housing Tax Credits (LIHTC) to the project, proceeds generated will equal approximately \$20,000,000. WNC & Associates will act as the syndicator for the tax credits and provide the equity financing.

The current status of HRB Entitlement allocation is shown in the table below:

Allocation	Amount
2016 Entitlement Allocation Remaining	\$36,743,189
2017 Entitlement Allocation	\$49,655,014
Total Available Allocation	\$86,398,203
East Town Preliminary Approval	\$ 9,000,000
Remaining Balance	\$77,398,203
1500 Nicollet Apartments Final Approval	\$29,000,000
Balance Remaining for Other Projects	\$48,398,203

Bond Purchaser/Underwriter
 Tax Credit Equity Investor
 Bond Counsel

Dougherty & Company LLC
 WNC & Associates
 Kennedy & Graven

Select financial statement.

Future budget impact anticipated.

Project will generate semi-annual administrative fees

Enter future budget impact

Enter SUPB goals explanation.

Attachments:

1. Project data Worksheet
2. Final Bond Resolution