



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

Date: March 21, 2006
To: Council Member Lisa Goodman, Community Development Committee
Subject: 2100 Bloomington Avenue South: Approve Resolution for Refunding Bonds

Recommendation: Approve the Attached City Council Resolution Granting Approval to Refund \$3,250,000 in tax-exempt Multifamily Entitlement Housing Revenue Bonds

Previous Directives: On January 28, 2005 the City Council approved \$300,000 from the Affordable Housing Trust Fund (AHTF) for the 2100 Bloomington Avenue South project. On November 18, 2005, the City Council approved preliminary and final approval of up to \$3,250,000 in tax-exempt Multifamily Housing Entitlement Bonds for 2100 Bloomington project.

Prepared by: Dollie Crowther, Principal Project Coordinator **Phone: 673-5263**
Approved by: Elizabeth Ryan, Directory of Housing Policy & Development _____

Permanent Review Committee (PRC) Approval Not Applicable X

Presenter in Committee: Dollie Crowther, Principal Project Coordinator

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: Action is within the plan. Action requires a change to plan.
- X Other financial impact (Explain): Annual bond fees will be collected when the bonds are issued.
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: On September 14, 2004, the general membership of Ventura Village neighborhood reviewed the proposed acquisition and rehabilitation of 2100 Bloomington Ave S and passed a motion of support in favor of the project.

City Goals: Foster the development and preservation of a mix of quality housing types that are

Available, affordable, meets current needs and promotes future growth.

Comprehensive Plan:

Section 4.1: Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods;

Section 4.9 Minneapolis will grow by increasing its supply of housing;

Section 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens;

Section 4.15 Minneapolis will carefully identify project sites where housing redevelopment or housing revitalization are the appropriate response to neighborhood conditions and market demand;

Policy 35: Within the constraints imposed by state and federal regulations, the City should continue to sell tax-exempt revenue bonds to provide below market rate housing development financing.

Zoning Code: In compliance.

Other: N/A

Background/Supporting Information

2100 Bloomington Limited Partnership (2100 Bloomington LP), a partnership between Dominion Development and Acquisition, LLC (DDA) and Volunteers of America of Minnesota (VOA), intends to acquire and rehabilitate 90 units of rental housing with Section 236 project based rental assistance located at 2100 Bloomington Avenue South in the Ventura Village neighborhood.

The unit mix consists of 61 one-bedroom and 29 two-bedroom apartments. Because of the project based assistance, all 90 units will remain affordable to households earning less than 30% of the metropolitan median income (MMI).

Dominion Management Services, Inc. will provide property management services for the property. VOA will coordinate and provide support services for the residents on-site. Since both partners have been involved with the acquisition and rehabilitation planning, they have considered how the proposal will improve future property operations.

Financial Summary

2100 Bloomington is a \$6.1 million project. In January 2005, the 2100 Bloomington project received \$300,000 in deferred loan funds from the City of Minneapolis' Affordable Housing Trust Fund (AHTF). In November 2005, 2100 Bloomington LP was approved for up to \$3,250,000 in tax-exempt housing entitlement revenue bonds (HRB), which will also include an allocation of 4% low-income housing tax credits. The HRB/tax credit financing was the last sources for funds required for the project.

In addition to the AHTF, HRB and tax credits, the developer has obtained financing approvals for deferred financing from other lenders. (see attached data worksheet)

Housing Revenue Bond Information

2100 Bloomington LP has been approved for up to \$3,250,000 in HRB for use as construction and first mortgage financing. Syndication of the companion tax credit allocation will generate an additional equity investment of \$1,836,400 in the project.

The bonds will be a direct placement with US Bank which fulfills the City's multifamily Bond financing guidelines.

This project used Year 2004 Housing Revenue Bond Entitlement authority which required that it close no later than December 31, 2005. If the project failed to close, any unused 2004 entitlement

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remaining would be loss to the City in the Year 2006 Entitlement allocation. The other lender's committing funds to the project were not ready to close in December 2005 so the bonds were parked. Approval of a refunding of the bonds is required at this time which will also include closing with the other lenders. Rehabilitation of 2100 Bloomington will proceed at this time.

Attachments: Data Worksheet
Resolution

03-21-06DC 2100 BLOOMINGTON APPROVE RESOLUTION REFUNDING BONDS/M Drive/CPEd/Housing and Policy
Dev/Multifamily/Crowther folder

Authorizing the issuance and sale of the \$3,250,000 Multifamily Housing Revenue Refunding Notes Series 2006A, B and C (2100 Bloomington Court Project).

RESOLVED by The City Council of the City of Minneapolis:

Section 1. Findings.

The City Council has heretofore determined, and does hereby determine, as follows:

1.1. The City proposes to redeem and refund its \$3,250,000 Multifamily Housing Revenue Note of 2005 (2100 Bloomington Court Project) (the “Prior Note”) issued for the benefit of 2100 Bloomington Limited Partnership, a Minnesota limited partnership (the “Borrower”) to provide for the acquisition and renovation of a 90-unit multifamily housing facility located at 2100 Bloomington Avenue South, Minneapolis (the “Project”) and to enter into a Loan Agreement with the Borrower (the “Loan Agreement”) to provide for repayment of the Note for the public purposes expressed in Minnesota Statutes, Chapter 462C, as amended;

1.2. In authorizing the refinancing of the Prior Note and financing of the Project the City’s purpose is, and in its judgment the effect thereof will be, to promote the public welfare by providing affordable housing facilities in the community;

1.3. It is desirable to issue the \$3,250,000 Multifamily Housing Revenue Refunding Notes, Series 2006A, B and C (2100 Bloomington Court Project) in the form of three Notes totaling no more than \$3,250,000 (collectively, the “Notes”) to redeem and refund the Prior Note and finance the Project; and

1.4. The Notes and the interest accruing thereon do not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation and do not constitute or give rise to a pecuniary liability or a charge against the general credit or taxing powers of the City and neither the full faith and credit nor the taxing powers of the City is pledged for the payment of the Notes or interest thereon.

Section 2. The Notes.

2.1. Authorized Amount and Form of Notes. The Notes issued pursuant to this Resolution shall be in substantially the forms set forth on Exhibit A to the Loan Agreement, with such appropriate variations, omissions and insertions as are permitted or required by this Resolution, and in accordance with the further provisions hereof; and the total principal amount of the Notes that may be outstanding hereunder is expressly limited to \$3,250,000 unless a duplicate Note is issued pursuant to Section 2.7.

2.2. The Notes. The Notes shall be dated as of the date of delivery, shall be payable at the times and in the manner, shall bear interest at the rate, and shall be subject to such other terms and conditions as are set forth therein.

2.3. Execution. The Notes shall be executed on behalf of the City by the signatures of its Finance Officer, registered by the Finance Officer, and shall be sealed with the seal of the City. In case any officer whose signature shall appear on the Notes shall cease to be such officer before the delivery of the Notes, such signature shall nevertheless be valid and sufficient for all purposes, the same as if it had remained in office until delivery. In the event of the absence or disability of the Finance Officer

such officers of the City as, in the opinion of the City Attorney, may act in their behalf, shall without further act or authorization of the City Council execute and deliver the Notes.

2.4. Delivery of Notes. Before delivery of the Notes there shall be filed with U.S. Bank National Association (the “Lender”) (except to the extent waived by the Lender) the following items:

- (a) an executed copy of each of the following documents:
 - (1) the Loan Agreement;
 - (2) the Pledge Agreement between the City and Lender (the “Pledge Agreement”);
 - (3) the Mortgage, Security Agreement, Assignment of Rents and Leases and Fixture Financing Statement from the Borrower to the City (the “Mortgage”);
 - (4) the Assignment of Mortgage from the City to the Lender (the “Assignment”);
 - (5) the Amendment to Regulatory Agreement among the City, the Borrower and the Lender (the “Amendment”); and
 - (6) such other security and disbursing documents as required by the Lender.
- (b) an opinion of Counsel for the Borrower as prescribed by Bond Counsel and the Lender;
- (c) the opinion of Bond Counsel as to the validity and tax exempt status of the Notes; and
- (d) such other documents and opinions as Bond Counsel may reasonably require for purposes of rendering its opinion required in subsection (c) above or that the purchasers may reasonably require for the closing.

2.5. Disposition of Note Proceeds. Upon delivery of the Notes, the purchase price paid will be disbursed in accordance with the Disbursing Agreement between the Borrower and the Lender.

2.6. Registration of Transfer. The City will cause to be kept with the transcript of the documents relating to the Notes a Note Register in which, subject to such reasonable regulations as it may prescribe, the City shall provide for the registration of transfers of ownership of the Notes. The Notes shall be initially registered in the name of the original purchasers and shall be transferable upon the Note Register by the holders in person or by an agent duly authorized in writing, upon surrender of a Note together with a written instrument of transfer satisfactory to the Finance Officer, duly executed by the holder or its duly authorized agent. The following form of assignment shall be sufficient for such purpose.

For value received _____ hereby sells, assigns and transfers unto _____ the within Note of the City of Minneapolis, Minnesota, and does hereby irrevocably constitute and appoint _____ attorney to transfer such Note on the books of such City with full power of substitution in the premises. The undersigned certifies that the transfer be made in accordance with the provisions of Section 2.9 of the Resolution relating to the above Note.

Dated: _____

Registered Owner

Upon such transfer the Finance Officer shall note the date of registration and the name and address of the new holder in the Note Register and in the registration blank appearing on the Note.

2.7. Mutilated, Lost or Destroyed Note. In case any Note issued hereunder shall become mutilated or be destroyed or lost, the City shall, if not then prohibited by law, cause to be executed and delivered, a new Note of like outstanding principal amount, number and tenor in exchange and substitution for and upon cancellation of such mutilated Note, or in lieu of and in substitution for such Note destroyed or lost, upon the holder's paying the reasonable expenses and charges of the City in connection therewith, and in the case of a Note destroyed or lost, the filing with the City of evidence satisfactory to the City with indemnity satisfactory to it. If the mutilated, destroyed or lost Note has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Note prior to payment.

2.8. Ownership of Note. The City may deem and treat the person in whose name the Note is last registered in the Note Register and by notation on the Note whether or not such Note shall be overdue, as the absolute owner of such Note for the purpose of receiving payment of or on account of the principal balance, redemption price or interest and for all other purposes whatsoever, and the City shall not be affected by any notice to the contrary.

2.9. Limitation on Note Transfers. The Notes have been issued without registration under state or other securities laws, pursuant to an exemption for such issuance; and accordingly the Notes may not be assigned or transferred in whole or part, nor may a participation interest in the Notes be given pursuant to any participation agreement, except in accordance with an applicable exemption from such registration requirements.

2.10. Issuance of New Notes. Subject to the provisions of Section 2.9, the City shall, at the request and expense of a holder, issue new notes, in aggregate outstanding principal amount equal to that of the Notes surrendered, and of like tenor except as to number, principal amount, and the amount of the monthly installments payable thereunder, and registered in the name of the holder or such transferee as may be designated by the holder.

2.11. Designation as "Program Bonds." The Notes are hereby designated "Program Bonds" and are determined to be within the "Economic Development 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 August 12, 1997.

Section 3. General Covenants.

3.1. Payment of Principal and Interest. The City covenants that it will promptly pay or cause to be paid the principal of and interest on the Notes at the place, on the dates, solely from the source and in the manner provided herein and in the Notes. The principal and interest are payable solely from and secured by revenues and proceeds derived from the Loan Agreement, the Pledge Agreement, the Mortgage and the other security documents required by the Lender (the "Security Documents"), which revenues and proceeds are hereby specifically pledged to the payment thereof in the manner and to the extent specified in the Notes and the Security Documents; and nothing in the Notes or in this Resolution shall be considered as assigning, pledging or otherwise encumbering any other funds or assets of the City.

3.2. Performance of Covenants. The City covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Resolution, in the Notes and in all proceedings of the City Council pertaining thereto. The City agrees to enforce all covenants and obligations of the Borrower under the Loan Agreement, upon request of the holders of the Notes and being indemnified to the satisfaction of the City for all expenses and claims arising therefrom, and to perform all covenants and other provisions pertaining to the City contained in the Notes and the Loan Agreement and subject to Section 3.4.

3.3. Nature of Security. Notwithstanding anything contained in the Notes, the Security Documents or any other document referred to in Section 2.4 to the contrary, under the provisions of the Act the Notes may not be payable from or be a charge upon any funds of the City other than the revenues and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon, nor shall the Notes otherwise contribute or give rise to a pecuniary liability of the City or, to the extent permitted by law, any of the City's officers, employees and agents. No holder of the Notes shall ever have the right to compel any exercise of the taxing power of the City to pay the Notes or the interest thereon, or to enforce payment thereof against any property of the City other than the revenues pledged under the Pledge Agreement; and the Notes shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City; and the Notes shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation. The City has made the covenants and agreements herein for the benefit of the purchasers; provided that in any event, the agreement of the City to perform or enforce the covenants and other provisions contained in the Notes, the Loan Agreement and the Pledge Agreement shall be subject at all times to the availability of revenues under the Loan Agreement sufficient to pay all costs of such performance or the enforcement thereof, and neither the City nor any of its officers, employees or agents shall be subject to any personal or pecuniary liability thereon.

Section 4. Miscellaneous.

4.1. Severability. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions or in all cases because it conflicts with any provisions of any constitution or statute or rule or public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever. The invalidity of any one or more phrases, sentences, clauses or paragraphs in this Resolution contained shall not affect the remaining portions of this Resolution or any part thereof.

4.2. Authentication of Transcript. The officers of the City are directed to furnish to Bond Counsel certified copies of this Resolution and all documents referred to herein, and affidavits or certificates as to all other matters which are reasonably necessary to evidence the validity of the Notes. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute recitals of the City as to the correctness of all statements contained therein.

4.3. Authorization to Execute Agreements. The forms of the proposed Loan Agreement and the Pledge Agreement are hereby approved in substantially the form heretofore presented to the City Council, together with such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by Bond Counsel prior to the execution of the documents, and the Finance Officer is authorized to execute the Loan Agreement and the Pledge Agreement in the name of and on behalf of the City and such other documents as Bond Counsel consider appropriate in connection with the issuance of the Note. In the event of the absence or disability of the Finance Officer such officers of the City as, in the opinion of the City Attorney, may act in his behalf, shall without further act or

authorization of the City Council do all things and execute all instruments and documents required to be done or executed by such absent or disabled officers. The execution of any instrument by the appropriate officer or officers of the City herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof.

Be It Further Resolved that this Resolution shall take effect upon publication.