



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

Date: November 9, 2004

To: Council Member Lisa Goodman, Community Development Cmte

Prepared by: Donna Wiemann, Senior Housing Project Coordinator, Phone 612-673-5257

Presenter in Committee: Donna Wiemann, Senior Housing Project Coordinator

Approved by: Elizabeth J. Ryan, Interim Director, Housing _____

Subject: Final Approval of up to \$6,000,000 in Multifamily Housing Revenue Bonds for Cecil Newman Apartments located at 701 – 729 Emerson Avenue North

RECOMMENDATION: Adopt the attached City Council Resolution giving final approval of up to \$6,000,000 in Housing Revenue Bonds for Cecil Newman Apartments located at 701-729 Emerson Avenue North by Cecil Newman Limited Partnership and approve the assumption by the new owner, Cecil Newman Limited Partnership, of the two existing City loans to Cecil Newman and the extension of the loan terms.

Previous Directives: In August, 2004, the City Council conducted a public hearing and granted preliminary approval of up to \$6,000,000 in Housing Revenue Bonds for Cecil Newman Apartments. In December, 2003, the City Council approved up to \$600,000 of Affordable Housing Trust Fund (AHTF) for the stabilization and preservation of Cecil Newman Apartments. In January, 2004, the City Council approved up to \$188,000 of Neighborhood Revitalization Program funds. In June, 2004, the City Council approved up to \$188,000 of AHTF for this project.

Financial Impact (Check those that apply)

- X** No financial impact - or - Action is within current department budget.
(If checked, go directly to next box)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (Summarize below)

Ward: Fifth Ward

Neighborhood Notification: The North Side Residents Redevelopment Council has reviewed and supports the proposed stabilization of Cecil Newman Apartments.

City Goals: Foster the development and preservation of a mix of quality housing types that are available, affordable, meet current needs, and promote future growth.

Comprehensive Plan: Sections 4.9 and 4.10: Minneapolis will grow by increasing its supply of housing and Minneapolis will increase and preserve its housing that is affordable to low and moderate income households.

Zoning Code: Project complies.

Living Wage/Job Linkage: Not Applicable.

Background/Supporting Information

Cecil Newman Plaza was constructed in the 1960's to provide 64 units of affordable low-income housing. It is located at 701-729 Emerson Avenue North and consists of five residential buildings and one resident community building. Cecil Newman is a 100% Project Based Section 8 development. The bedroom mix is eight (8) one bedrooms, 28 two bedrooms, and 28 three bedrooms.

The project is an important source of affordable family-sized rental units for the City. It consistently maintains 95-100% occupancy.

Project Description

Cecil Newman Corporation has owned Cecil Newman Plaza for almost 15 years. The entities comprising Cecil Newman Corporation are Twin Cities Housing Development Corporation and North Side Residents Redevelopment Council, both non-profit organizations.

Cecil Newman Limited Partnership proposes to acquire, stabilize, and preserve the project. The general partners will be North Side Residents Redevelopment Council and Legacy Management & Development Corporation, a for-profit development and

management company. In addition, Legacy will provide the professional property management services.

The transfer of ownership to the proposed limited partnership provides access to the use of low income housing tax credits which are automatically connected to the issuance of housing revenue bond funds. Cecil Newman is located in a key site and its renovation and professional management could positively impact the outcome of other developments in this area, such as the Heritage Park site directly adjacent to the east.

The acquisition and renovation of these units will be completed over a 13 month phased period of time. The phased construction is designed to minimize the cost of resident relocation and allow for greater participation in the renovation by minority contractors. Extensive exterior and interior stabilization is required. All buildings need new roofs, new heating and ventilating systems, new siding, and upgraded life-safety systems along with internal refurbishment. The roofs will be changed from flat roofs to pitched roofs to align better with other residential buildings in the area. The exterior envelope will be a combination of brick, stucco, and hardi-plank siding.

Input and direction about the stabilization of Cecil Newman Apartments has come from people and organizations with a wide range of expertise in housing renovation. The proposed project expenses have been reviewed and approved by HUD. The project analysis anticipates reductions in operating expenses with the completion of the stabilization scope of work. New roof systems with adequate insulation, new plumbing, new electric services, and new HVAC systems will significantly reduce the gas, water/sewer, and electric expenses.

All of Cecil Newman Apartments are subject to a HUD, Project Based, Section 8 Housing Assistance Payment Contract. The acquisition and renovation will position these units as an affordable housing asset to the City and community for the next 30 years and ensure long-term affordability to low-income families with incomes at or below 30% of MMI.

Financial Summary

The current debt on this project is as follows:

HUD First Mortgage	\$332,100	- Amortizing, 16.5%
FHF Mortgage	\$300,000	- 1%, deferred payment, due 6/1/22
Second FHF Mortgage	\$143,000	- 1%, deferred payment, due 6/1/22
MCDA Mortgage	\$604,000	- 1%, deferred payment, due 7/1/24
Second MCDA Mortgage	\$90,000	- 1%, deferred payment, due 7/1/24

The proposed stabilization of Cecil Newman Apartments will include the pay off of the HUD first mortgage. The partnership requests the assumption of the existing MCDA debt at the current interest rate (1% simple, accruing) and requests the extension of the loan terms to comply with the term of HUD's first mortgage insurance. At the present time, a 40 year term is projected for the first mortgage; based on a 12 month construction period and amortization starting four months thereafter, junior loans must be 41 ½ years.

The new financing on the project will include proposed housing revenue bonds, syndication equity, MHFA funds, City Affordable Housing Trust Fund money, NRP Affordable Housing Reserve Fund money, and Hennepin County environmental grant funds.

Housing Revenue Bond Information

Cecil Newman Limited Partnership has submitted an application for housing revenue bonds from the City's entitlement as its first mortgage financing for Cecil Newman Apartments. The Series A (approximately \$4 million) and Series B (approximately \$1.7 million) bonds will be in a total amount not to exceed \$6,000,000 and will also include an automatic 4% low-income housing tax credits. Cecil Newman Limited Partnership intends to use the HUD 221(d)(4) insured mortgage program as the credit enhancement for the bonds.

The attached Project Data Worksheet provides details about the project including the proposed development sources and uses.

Summary of Relocation Plan

The owner anticipates each unit being out of service for a period not to exceed 120 days. The owner will temporarily relocate residents in a three-phase process. Phase I will relocate 24 units, Phase II will relocate 24 units and Phase III will relocate 16 units along with the community center. All residents will be eligible to return to a unit of comparable, appropriate size in the newly rehabilitated Cecil Newman Apartments.

Status of 2003 and 2004 HRB Entitlements

Total 2003 Entitlement Authority	\$33,867,000	
East Phillips Commons	(153,000)	Closed
River Run	(7,600,000)	Final Approval
<u>Many Rivers II</u>	<u>(2,900,500)</u>	Final Approval
2003 Entitlement Remaining	\$23,213,500	

Sears	(24,000,000)	Approval pending
<u>St. Anne's Senior Housing</u>	<u>(6,250,000)</u>	Prelim. Approval/final pending
<u>Cecil Newman</u>	<u>(6,000,000)</u>	Prelim. Approval/final pending
2004 Entitlement	(13,036,500)	
<u>Total 2004 Entitlement Authority</u>	<u>\$36,410,000</u>	
2004 Entitlement Remaining	\$23,373,500	

Bond Counsel

Gray, Plant, Mooty, Mooty & Bennett

Council Member Notified

Yes. Ward 5.

Proposed Loan Agreement Contract Terms

The proposed business terms for the Cecil Newman apartment's project are summarized as follows:

- 1) The developer will rehabilitate 64 units of housing to households with incomes at or below 30% of MMI.
- 2) Tax exempt housing revenue bonds in an amount not to exceed \$6,000,000 will be allocated from the City's Entitlement authority to provide first mortgage financing which will also allow the utilization of 4% low income housing tax credits.
- 3) The City approved \$788,000 from the Affordable Housing Trust Fund for the project; this will be a deferred loan at 1% interest for 41 ½ years.
- 4) The City approved \$188,000 from the Neighborhood Revitalization Program; this will be a deferred loan at 1% interest for 41 ½ years.
- 5) Cecil Newman Limited Partnership will assume the existing \$604,000 loan at the same interest rate (1% simple, accruing) and extend the loan term and the new loan term will be 41 ½ years.
- 6) Cecil Newman Limited Partnership will assume the existing \$90,000 loan at the same interest rate (1%, simple, accruing) and extend the loan term and the new loan term will be 41 ½ years.

Authorizing the financing of a housing program under Minnesota Statutes, Chapter 462C, authorizing the issuance of Multifamily Housing Revenue Bonds in an aggregate principal amount not to exceed \$6,000,000 to finance the program, and approving and authorizing the execution of various documents in connection therewith.

Whereas, pursuant to the Minnesota Municipal Housing Act, Minnesota Statutes Chapter 462C (the "Act"), a city is authorized to carry out programs for the financing of multifamily housing for persons of low and moderate income; and

Whereas, on August 10, 2004, the Community Development Committee of this City Council held a public hearing with respect to a program (the "Program") for the issuance of bonds to make a loan to finance the acquisition and substantial renovation of 64 units of multifamily rental housing (the "Project") located at 701 to 729 Emerson Avenue North in the City, by Cecil Newman Apartments Limited Partnership, a Minnesota limited partnership or its affiliates and assigns (the "Company"); and

Whereas, the Program is to be financed from the proceeds of the City's Multifamily Housing Revenue Bonds, Series 2004A and Series 2004B (collectively, the "Bonds"), in an aggregate principal amount not to exceed \$6,000,000, to be issued by the City, and the revenues from the Project shall be pledged for the security of and payment for the Bonds (except as may be otherwise set forth in the financing documents hereinafter referred to); and

Whereas, each series of Bond proceeds will be used by the City to provide for funding of a loan (collectively, the "Loans") to the Company to finance the acquisition and substantial renovation of the Project; and

Whereas, each series of Bonds and the interest on said Bonds shall be payable solely from the revenues pledged therefor and the Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation nor give rise to a pecuniary liability of the City or a charge against its general credit or assets 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 said Project; and

Whereas, forms of the following documents (including the exhibits referred to therein) have been submitted to the City:

a. The Indenture of Trust relating to the Series 2004A Bonds (the "Indenture") to be made and entered into among the City and the trustee named therein (the "Trustee"), providing for the issuance of the Series 2004A Bonds, prescribing the

form thereof, pledging the trust estate described therein for the security of the Series 2004A Bonds, and setting forth proposed recitals, covenants and agreements by the parties with respect thereto;

- b. The form of the Series 2004B Bond;
- c. The Financing Agreement and Loan Agreement to be executed by the City and the Company (collectively, the "Financing Agreements"), pursuant to which the proceeds of the respective series of Bonds are applied to make a loan to the Company;
- d. The Pledge Agreement relating to the Series 2004B Bond, between the City and Western Bank as purchaser of the Series 2004B Bond (the "Lender");
- e. The Bond Purchase Agreement relating to the Series 2004A Bonds, to be dated as of the date of execution thereof (the "Bond Purchase Agreement"), by and among the City, the Company and Piper Jaffray & Co. (the "Underwriter"), providing for the purchase of the Series 2004A Bonds by the Underwriter;
- f. The Regulatory Agreement to be executed by the City, the Company and the Trustee, as required to maintain the tax-exempt status of the Bonds; and
- g. A preliminary disclosure document relating to the offer of the Series 2004A Bonds (the "Preliminary Official Statement").

The agreements described and referred to in paragraphs a through f above shall hereinafter sometimes be referred to collectively as the "Agreements."

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That it is hereby found, determined and declared that:

- a. The preservation of the quality of life in the City is dependent upon the construction, maintenance, provision, and preservation of an adequate housing stock which is affordable to persons and families of low or moderate income, that accomplishing this is a public purpose, and that many would-be providers of housing units in the City are either unable to afford mortgage credit at present market rates of interest or are unable to obtain mortgage credit because the mortgage credit market is severely restricted;
- b. The development and implementation of the Program, and the issuance and sale of the Bonds by the City, and the execution and delivery of the Agreements and the performance of all covenants and agreements of the City contained therein and of all other acts and things required under the Constitution and Laws of the State of

Minnesota to make the Agreements and the Bonds valid and binding obligations of the City in accordance with their terms, are authorized by the Act;

c. The implementation of the Program for the purposes and in the manner contemplated by the Agreements conforms or will conform to all pertinent statutes, regulations and ordinances of the State of Minnesota and the City;

d. It is desirable that the Bonds in the aggregate principal amount not to exceed \$6,000,000 be issued by the City, on the terms set forth in the Bonds and in the Indenture, the Financing Agreements and the Bond Purchase Agreement, as applicable;

e. The payments required or provided for by the Financing Agreements are intended to produce income and revenues sufficient to provide for the payment when due of principal of and interest on the Bonds, and payments are required to be made for such expenses of, among other things, administration of the Program, as will be necessary to protect the interests of the City, the Trustee and the Lender; and

f. Pursuant to the provisions of the Act, and as provided in the Agreements, the Bonds shall be retired solely from the revenues of the Project and other revenues specifically pledged therefor.

Be It Further Resolved that the Program and the Agreements in substantially the forms submitted to the City at this meeting are hereby approved. Such of the documents as require the execution of the City are hereby authorized and directed to be executed or accepted, as the case may be, and delivered in the name and on behalf of the City by its Finance Officer (or Assistant Finance Officer) upon execution thereof by the parties thereto as appropriate. The Bonds and the Agreements shall be executed and delivered as provided therein. Copies of all the documents necessary for the consummation of the transactions described herein and in the Agreements shall be delivered, filed and recorded as provided herein and in the Agreements.

Be It Further Resolved that the form and terms of the Agreements may be varied prior to execution and delivery by the parties thereto, provided that any such variance shall not be, in the opinion of the City's legal counsel, materially adverse to the interests of the City. The execution and delivery of the Agreements as provided above shall be conclusive evidence of the determination that any such variance was not materially adverse to the interests of the City.

Be It Further Resolved that in anticipation of the collection of revenues of the Project, there shall be issued forthwith the Bonds, in an aggregate principal amount not to exceed \$6,000,000, which issuance is approved, substantially in the form and upon the terms set forth therein and in the Indenture (with respect to the Series 2004A Bonds), the terms of which are for this purpose incorporated in this resolution and made

a part hereof as if fully set forth herein. The Bonds shall be dated as of the date and shall mature on the dates (subject to redemption on such earlier dates as provided therein), bear interest and be payable at the rates, all determined as set forth therein, provided that such rates shall result in an average weighted interest rate on an aggregate basis not greater than 7.0%, and provided further that the Bonds shall mature within 43 years of the date of issuance thereof. The City may at its option issue additional bonds at a later date to be used to pay or reimburse costs of the Project not paid from the proceeds of the Bonds, in a principal amount not to exceed the amount set forth in the Program.

Be It Further Resolved that all actions of the employees and staff of the City heretofore taken in furtherance of the Program are hereby approved, ratified and confirmed.

Be It Further Resolved that the sale of the Series 2004A Bonds and the Series 2004B Bonds to the Underwriter and Lender, respectively, is hereby approved, and the Series 2004A Bonds are hereby directed to be sold to the Underwriter upon the terms and conditions set forth in the Bond Purchase Agreement. The Finance Officer (or Assistant Finance Officer) of the City is hereby authorized and directed to prepare and execute by manual or facsimile signature the Bonds and to deliver the Series 2004A Bonds to the Trustee (which is herein designated as the authenticating agent under Minnesota Statutes, Section 475.55) for authentication and delivery to or as instructed by the Underwriter, and to deliver the Series 2004B Bond to the Lender, together with a certified copy of this resolution, and the other documents required by the Agreements.

Be It Further Resolved that the Finance Officer (or Assistant Finance Officer) and other officers of the City are authorized and directed to prepare and furnish when the Bonds are issued, certified copies of all proceedings and records of the City relating to the Bonds and such other affidavits and certificates (including but not limited to those required by bond counsel) as may be required to show the facts relating to the legality, tax exemption and marketability of the Bonds as such facts appear from the books and records in said 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 City as to the truth of all statements made by the City and contained therein. Said officers are further authorized to execute such additional documents as shall be determined by the Finance Officer to be necessary and desirable to provide for the issuance of the Bonds.

Be It Further Resolved that the Finance Officer (or Assistant Finance Officer) and other officers of the City consent to the distribution of the Preliminary Official Statement relating to the Series 2004A Bonds, substantially in the form on file with the City. Said officers further consent to the use by the Underwriter in connection with the sale of the Series 2004A Bonds of a final Official Statement, substantially in the form of the Preliminary Official Statement described above. The Preliminary Official Statement and

the final Official Statement are the sole materials consented to by said officers for use in connection with the offer and sale of the Series 2004A Bonds. Said officers have not participated in the preparation thereof, have not made any independent investigation of the information contained therein and shall have no liability in connection with the contents of or use of such offering materials.

Be It Further Resolved that all covenants, stipulations, obligations and agreements of the City contained in this resolution and the aforementioned documents shall be deemed to be the covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the City. Except as otherwise provided in this resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City by the provisions of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City, or such officers, board, body or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties.

Be It Further Resolved that no covenant, stipulation, obligation or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City, 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.

Be It Further Resolved that no provision, covenant or agreement contained in the aforementioned 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 such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Project or the proceeds of the Bonds which are to be applied to the payment of the Bonds, as provided therein and in the Indenture and Pledge Agreement. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal of the Bonds or the interest thereon, or to enforce payment thereof against any property of the City. The Bonds shall recite in substance that the Bonds, including the interest thereon, are payable solely from the revenues and proceeds pledged to the payment thereof. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

Be It Further Resolved that 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.

Be It Further Resolved that in case any one or more of the provisions of this resolution, or of the aforementioned 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 aforementioned documents, or of the Bonds, but this resolution, the aforementioned documents, and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Be It Further Resolved that the Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the Bonds and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

Be It Further Resolved that in the event any of the officers of the City authorized to execute documents on behalf of the City under this resolution shall have resigned or shall for any reason be unable to do so, any member of the City, or officer of the City, is hereby directed and authorized to do so on behalf of the City, with the same effect as if executed by the officer authorized to do so in this resolution.

Be It Further Resolved that each Bond is hereby designated as a "Program Bond" and is 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.

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

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