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

Date: July 24, 2007

To: Council Member Lisa Goodman, Chair, Community Development Committee

Subject: Final Approval of Up to \$3,915,000 in Tax Exempt Multi-Family Housing Entitlement Revenue Bonds for Minnehaha Avenue Apartments (a.k.a. Vantage Flats)

Recommendation: It is recommended that the City Council adopt the attached Resolution giving Final Approval of up to \$3,915,000 in Tax-Exempt Multi-family Rental Housing Entitlement Bonds for the Minnehaha Avenue Apartments.

Previous Directives: 1) On December 22, 2006, the City Council approved \$1,104,000 in AHTF funds to support this project; 2) On June 29, 2007, the City Council granted preliminary approval of up to \$3,915,000 in Tax-Exempt Multi-family Rental Housing Entitlement Bonds; and 3) On July 10, 2007, the City Council considered the adoption of the Minnehaha Avenue Apartments Redevelopment Plan and approval of a supplemental request for \$402,000 in AHTF funds.

Prepared by: Jerry LePage, Senior Project Coordinator, 673-5240
Approved by: Elizabeth Ryan, Director for Housing Policy and Development _____
Presenter in Committee: Kevin Walker

Reviews

Permanent Review Committee (PRC): Approval NA Date _____
Policy Review Group (PRG): Approval NA Date _____

Financial Impact

Project will generate semi-annual administrative fees.

Community Impact

Neighborhood Notification – The Nokomis East Neighborhood Association expressed its support for the proposed project in a letter dated June 7, 2006.

City Goals: In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city's infrastructure will be well-maintained and people will feel safe in the city.

Sustainability Targets: Affordable housing preservation.

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. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

Zoning Code: Application process for rezoning underway.

Living Wage/Business Subsidy Agreement Yes_____ No_X_____

Job Linkage
Other

Yes _____ No_X_____

Supporting Information

Minnehaha Avenue Apartments (a.k.a. Vantage Flats) is a 37-unit mixed-income affordable housing project located at 5341, 5345, 5359 Minnehaha Avenue with green features. The development, close to the Veterans Administration transit stop on the Hiawatha Light Rail Line, is comprised of 37 rental one-, two, and three-bedroom units in a four-story elevator building over below-grade parking. There will be additional covered parking for a total of 41 parking spaces.

The proposed project will replace an existing single-family home, vacant lot, and multi-purpose residential/commercial structure. The developer has submitted a relocation plan and will comply with all applicable requirements related to the relocation of residential tenants.

Financial Summary

The total development cost of Minnehaha Avenue Apartments is \$7,761,587. The project sources and uses are outlined on the attached Project Data Worksheet.

The request for tax-exempt entitlement housing revenue bonds (HRB) from the City's 2007 entitlement allocation will also include an allocation of 4% low income housing tax credits. Last December, the project received an initial \$1,104,000 award of Affordable Housing Trust Fund dollars, and on July 20, 2007, the City Council considered approval of an additional \$402,000 in AHTF funds.

The project is expected to draw upon private equity and financing for about 65% of project costs, with the remainder funded from sources from the City of Minneapolis, Family Housing Fund, Minnesota Housing, and Hennepin County.

Housing Revenue Bond Information

In June, the City Council granted preliminary approval of up to \$3,915,000 in entitlement revenue bonds, and MDI Partnership #64 is now requesting final bond approval in an amount not to exceed \$3,915,000. These bonds also automatically include 4% low income housing tax credits (LIHTC). Syndication of these tax credits is anticipated to generate approximately \$2.2 million in additional equity investment in the project.

The proposed form of credit enhancement will be the Federal Housing Administration 221(d) program. The bonds will have a 40-year amortization schedule.

Status of 2007 HRB Entitlement

2007 MCDA Entitlement Authority	\$39,509,000
Blaisdell Apartments	\$ 3,380,000
Blue Goose Apartments	\$ 3,300,000
Minnehaha Apartments	\$ 3,915,000
Amount Remaining	\$28,914,000

Bond Counsel	Underwriter	Council Member Informed
Faegre & Benson	Dougherty Mortgage, LLC	Yes, Ward 12

Proposed Timetable:

- City Council considers final HRB August 3, 2007
- Project Pre-closing August 2007
- Construction start September/October 2007

RESOLUTION

of the

City of Minneapolis

Authorizing the issuance, sale and delivery of Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan – Vantage Flats Project), Series 2007A and Subordinate Multifamily Housing Revenue Bonds (Vantage Flats Project), Series 2007B; prescribing the form of and authorizing the execution of related documents; authorizing the use of an official statement; and providing for the security, rights and remedies of the holders of said revenue bonds.

WHEREAS, the City of Minneapolis, Minnesota (the “City”) is a municipal corporation and political subdivision duly organized and existing under the Constitution and laws of the State of Minnesota; and

WHEREAS, pursuant to the Constitution and laws of the State of Minnesota, particularly Minnesota Statutes, Chapter 462C, as amended (the “Act”), the City is authorized to carry out the public purposes described therein and contemplated thereby in the financing of housing within its jurisdiction, by issuing revenue bonds to defray, in whole or in part, the development costs of a low and moderate income rental housing development, and by entering into any agreements made in connection therewith and by pledging any such agreements as security for the payment of the principal of and interest on any such revenue bonds; and

WHEREAS, MDI Limited Partnership #64, a Minnesota limited partnership (the “Owner”) has requested the City to issue its Multifamily Housing Revenue Bonds (GNMA Collateralized Mortgage Loan – Vantage Flats Project) Series 2007A (the “Senior Bonds”) and its Subordinate Multifamily Housing Revenue Bonds (Vantage Flats Project), Series 2007B (the “Subordinate Bonds” and together with the Senior Bonds, the “Bonds”); and

WHEREAS, the proceeds of the Bonds will be loaned to the Owner and used to finance a project consisting of 37 units of multifamily housing in a four-story elevator building over below grade parking (the “Project”), to be located on the site with current addresses of 5341, 5345 and 5359 Minnehaha Avenue in the City; and

WHEREAS, by Resolution 2007R-302 adopted June 29, 2007 and published July 7, 2007, the City adopted a housing finance program for the issuance of the Bonds (the "Program") after a public hearing held thereon and gave its preliminary approval to the issuance of the Bonds to finance the Project which was referred to therein as Minnehaha Apartments, but has since been renamed Vantage Flats; and

WHEREAS, the Bonds shall be payable solely from amounts pledged therefor under the Indenture hereinafter referred to, and neither the City (except to the extent of the trust estate pledged in the Indenture or pledged to the payment of the Subordinate Bonds), Hennepin County (the "County") nor the State of Minnesota nor any political subdivision thereof shall be liable on the Bonds, and the Bonds shall not be a debt of the City (except to the extent of the trust estate pledged in the Indenture or pledged to the payment of the Subordinate Bonds), the County or the State of Minnesota or any political subdivision thereof, and in any event shall not give rise to a charge against the credit or taxing power of the Issuer, the County, the State of Minnesota, or any political subdivision thereof;

WHEREAS, forms of the following documents (including the exhibits referred to therein) (the "Senior Bond Documents") have been submitted to the City for approval:

- (a) The Indenture of Trust relating to the Senior Bonds;
- (b) The Financing Agreement relating to the Senior Bonds;
- (c) The Housing Regulatory Agreement; and
- (d) The Preliminary Official Statement relating to the Senior Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

That the City acknowledges, finds, determines, and declares that the preservation of the quality of life in the City is dependent upon the maintenance, provision, and preservation of an

adequate housing stock, which is affordable to persons and families of low or moderate income, and that accomplishing this is a public purpose.

Be It Further Resolved that the Project constitutes a “multifamily housing development” authorized by the Act, and furthers the purposes of the Act.

Be It Further Resolved that under the provisions of Section 462C.07 of the Act, the Bonds shall be special obligations of the City payable solely from the revenues of the Project. 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 the Subordinate Bond documents) or a pledge of the faith and credit or any taxing power of the City, Hennepin County, the State of Minnesota, or any political subdivision thereof.

Be It Further Resolved that for the purpose of financing a portion of the cost of the Project, there is hereby authorized the issuance of the Bonds, in an aggregate principal amount not to exceed \$3,915,000. The Bonds shall bear interest at such rates, not to exceed 6.5% per annum for the Senior Bonds and not to exceed 7.5% per annum for the Subordinate Bonds, shall be in such denominations, 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 Indenture described herein, as to the Senior Bonds, and the Subordinate Bond documents, as to the Subordinate Bonds. The final principal amount and interest rate shall be approved by the Finance Officer of the City (the “Finance Officer”), in his discretion; provided that the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

Be It Further Resolved that the City hereby authorizes and directs the Finance Officer to execute the Senior Bond Documents and the documents prepared in connection with the issuance of the Subordinate Bonds (the "Subordinate Bond Documents"), and hereby authorizes and directs the execution of the Bonds in accordance with the Indenture and the Subordinate Bond Documents, and hereby provides that the Indenture and Subordinate Bond Documents shall provide the terms and conditions, covenants, rights, obligations, duties, and agreements of the bondholders, the City, and the Trustee as set forth therein.

Be It Further Resolved that all of the provisions of the Senior Bond Documents and Subordinate Bond Documents, when executed as authorized herein, shall be in full force and effect from the date of execution and delivery thereof. The Senior Bond Documents and the Subordinate Bond Documents shall be substantially in the forms on file with the City on the date hereof, and are hereby approved, with such necessary and appropriate variations, omissions, and insertions as are not materially inconsistent with such forms and as the Finance Officer, in his discretion, shall determine; provided that the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

Be It Further Resolved that the Finance Officer is hereby designated as the representative of the City with respect to the issuance of the Bonds and the transactions related thereto and is hereby authorized and directed to accept and execute the Bond Purchase Agreements for the sale of the Bonds to the initial purchasers thereof. All of the provisions of the Bond Purchase Agreements, when executed and delivered as authorized herein, shall be in full force and effect from the date of execution and delivery thereof. The Bond Purchase Agreements shall be substantially in the forms on file with the City on the date hereof, and are

hereby approved, with such necessary and appropriate variations, omissions, and insertions as are not materially inconsistent with such forms as the Finance Officer, in his discretion, shall determine; provided that the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

Be It Further Resolved that 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, the Indenture, the Subordinate Bond Documents or other documents authorized hereby shall be exercised or performed by the City, or by such officers, board, body, or agency as may be required or authorized by law to exercise such powers and to perform such duties. No covenant, stipulation, obligation, representation, or agreement herein contained or contained in the Indenture, the Subordinate Bond Documents or other documents authorized hereby shall be deemed to be a covenant, stipulation, obligation, representation, or agreement of any officer, agent, or employee of the City in that person's individual capacity, and neither the members of this 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 except as herein otherwise expressly provided, nothing in this Resolution or in the Indenture, expressed or implied, is intended or shall be construed to confer upon any person, firm, or corporation other than the City, and the Trustee, as fiduciary for owners of the Bonds, any right, remedy, or claim, legal or equitable, under and by reason of this Resolution or any provision hereof or of the Indenture or any provision thereof; this Resolution, the Indenture and all of their provisions being intended to be and being for the sole

and exclusive benefit of the City and the Trustee as fiduciary for owners of the Bonds issued under the provisions of this Resolution, the Indenture and the Subordinate Bond Documents, and the Owner to the extent expressly provided in the Indenture and the Subordinate Bond Documents.

Be It Further Resolved that in case any one or more of the provisions of this Resolution or of the Indenture, the Subordinate Bond 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, the Indenture, the Subordinate Bond Documents or of the Bonds, but this Resolution, the Indenture, the Subordinate Bond Documents and the Bonds shall be construed as if such illegal or invalid provision had not been contained therein. The terms and conditions set forth in the Indenture and the Subordinate Bond Documents, the pledge of revenues derived from the Project referred to in the Indenture and the Subordinate Bond Documents, the pledge of collateral derived from the Project referred to in the Indenture and the Subordinate Bond Documents, the creation of the funds provided for in the Indenture and the Subordinate Bond Documents, the provisions relating to the application of the proceeds derived from the sale of the Bonds pursuant to and under the Indenture and the Subordinate Bond Documents, and the application of said revenues, collateral, and other monies are all commitments, obligations, and agreements on the part of the City contained in the Indenture and the Subordinate Bond Documents, and the invalidity of the Indenture or the Subordinate Bond Documents shall not affect the commitments, obligations, and agreements on the part of the City to create such funds and to apply said revenues, other monies, and proceeds of the Bonds for the purposes, in the manner, and according to the terms and conditions fixed in the Indenture or the Subordinate Bond Documents, it being the intention hereof that such

commitments on the part of the City are as binding as if contained in this Resolution separate and apart from the Indenture and the Subordinate Bond Documents.

Be It Further Resolved that the Mayor, the City Clerk and the Finance Officer of the City, officers of the City, and attorneys and other agents or employees of the City are hereby authorized to do all acts and things required by them by or in connection with this Resolution and the Indenture, the Subordinate Bond Documents and the other documents referred to above for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Bonds, the Indenture, the Subordinate Bond Documents and the other documents referred to above, and this Resolution.

Be It Further Resolved that the City hereby authorizes the use by the Underwriter in connection with the sale of the Senior Bonds, of a preliminary and final Official Statement, in substantially the form of the Preliminary Official Statement on file with the City as of the date hereof. The Official Statement is the sole material authorized by the City for use in connection with the offer and sale of the Senior Bonds. The City has not made any independent investigation of the information contained in the Official Statement, makes no representations or warranties as to 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 the Finance Officer and other officers of the City are authorized and directed to execute any and all certificates, agreements or other documents which are required by the Indenture, the other Senior Bond Documents, the Subordinate Bond Documents or the Bond Purchase Agreements, or any other agreements, certificates or documents which are deemed necessary or appropriate by bond counsel to evidence the validity

or enforceability of the Bonds, the Indenture, the Subordinate Bond Documents or the other documents referred to in this Resolution, or to evidence compliance with Section 42(m) or 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.

Be It Further Resolved that if for any reason the Finance Officer of the City is unable to execute and deliver those documents referred to in this Resolution, any member of the City Council of the City may execute and deliver such documents with the same force and effect as if such documents were executed by the Finance Officer.

Be It Further Resolved that this Resolution shall be in full force and effect upon publication.