

Minneapolis Community Development Agency

## Request for City Council Action

Date: December 16, 2003

To: Council Member Lisa Goodman,  
Community Development Committee

Prepared by Bernadette Lynch, Phone 612-673-5236

Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

**Subject: Public Hearing Regarding Preliminary Approval of up to \$6,000,000 in Tax Exempt Multi-Family Housing Development Bonds for the St. Anne's Senior Housing Project**

**Previous Directives:** None

**Ward:** Third Ward

**Neighborhood Group Notification:** The Jordan Area Community Council (JACC) has been notified in writing of the application for housing revenue bonds. JACC has also reviewed the St. Anne's Senior Housing project proposal and expressed its "wholehearted support" for the project in a letter to CPED dated September 11, 2003.

**Consistency with *Building a City That Works*:** Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the City.

**Comprehensive Plan Compliance:** 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 Compliance:** Parcels are currently zoned C-1, C-2 and R-1. The developer will be submitting an application to rezone the site to accommodate the proposed mixed-use development.

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**Impact on MCDA Budget:** (Check those that apply)

- No financial impact
- Action requires an appropriation increase to the MCDA Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact: Annual bond fees will be collected when the bonds are issued.

**Living Wage / Business Subsidy:** NA

**Job Linkage:** NA

**Affirmative Action Compliance:** Will comply

**RECOMMENDATION:** The Executive Director recommends that the City Council adopt the attached City Council Resolution granting preliminary approval of up to \$6,000,000 in tax-exempt Multifamily Housing Development Bonds for the St. Anne's Senior Housing project. Summary publication of the Resolution is also recommended.

### **Background/Supporting Information**

St. Anne's Senior Housing is a new mixed-use development on West Broadway between Queen and Russell Avenues.

66 units of housing occupy three floors above the first floor lobby and commercial space. 33 one and 33 two-bedroom units are proposed. 48 of the units (73%) are targeted at households earning 50% of median income and the other 18 units (27%) are at market rate with no income restrictions. Half of the two-bedroom units are fully accessible, making it possible for people with a wide range of disabilities to be accommodated, including those with attendants. 33 units (50%) are proposed to have project-based Section 8 certificates, making them affordable to households at 30% of median. While the proposal can move forward without Section 8, St. Anne's CDC is committed to advocating with HUD to approve the project-based units. The first floor accommodates changing program needs, with 10,000 square feet to be used for commercial rental, anticipated to be office and service retail space. Parking will be underground to provide security and convenience.

An "age-in-place" concept is incorporated into building and unit design; the number of units can increase incrementally to 90 units by non-structural conversion of two-bedroom units into efficiency units and changing usage of first floor space. Commercial space is designed to convert to kitchen/dining, staff offices and medical programming if needed in the future.

Catholic Eldercare (Eldercare), also a nonprofit corporation, will provide property management and coordinate support services for residents. Eldercare has been involved in the project since the beginning, sharing its experience with senior housing,

including assisted living and nursing home care. Currently, Eldercare operates a highly respected 100-bed nursing home and Minneapolis' first assisted living community. In addition, Eldercare is in the process of building 60 units of assisted living and an independent senior building in Northeast Minneapolis.

In addition to housing revenue bonds, St. Anne's Community Development Corporation (St. Anne's CDC) has also submitted an application for Public Financial Assistance for Tax Increment Financing (TIF) to assist in the cost of developing the site, which includes assembling 12 parcels and demolishing the existing structures. Staff has analyzed the developer's pro forma and plans to seek Project Analysis Authorization to move forward with a TIF feasibility analysis in conjunction with this preliminary approval for housing revenue bonds.

### **Housing Revenue Bond Information**

St. Anne's Community Development Corporation, the general partner of the St. Anne's A LLP, has submitted an application to CPED for tax-exempt housing revenue bonds as it first mortgage financing, which automatically includes 4% low income housing tax credits (LIHTC). St. Anne's CDC has requested up to \$6,000,000 in housing revenue bonds for the St. Anne's Senior Housing project.

St. Anne's CDC proposes to place the bonds directly with US Bank. As an institutional grade buyer, the sale of the bonds directly to US Bank fulfills the City's Multifamily Tax-Exempt Revenue Bond Financing Guidelines. The bonds will have an 18-year term (30-year amortization).

St. Anne's CDC has also pledged \$2,500,000 in private funds as additional equity for the project. In addition, St. Anne's CDC has been awarded \$350,000 from the Federal Home Loan Bank, with additional applications pending for Affordable Housing Trust Fund and NRP dollars. St. Anne's CDC plans to pursue the final gap funds required from MHFA and Hennepin County in the next funding rounds.

See attached project datasheet for complete sources and uses.

### **Status of 2003 HRB Entitlement**

2003 Entitlement Authority	\$33,867,000
East Phillips Commons	(100,000)
Heritage Park Phase II	(393,000)
St. Anne's Senior Housing	<u>(6,000,000)</u>
Amount Remaining	\$27,374,000

**Bond Counsel** Gray Plant Mooty

**Underwriter** US Bank

**Council Member Informed** Yes, Ward 3

### **Neighborhood Review**

St. Anne's CDC presented their proposal for the St. Anne's Senior Housing Project to JACC on September 10, 2003. After reviewing the proposal with the developer, JACC expressed its "wholehearted support" for the project in a letter to CPED dated September 11, 2003.

### **Project Timetable/ Future Actions**

Assuming Council action on the preliminary approval of the proposed housing revenue bonds, staff will proceed with the PAA for the TIF. Assuming approval of the PAA, staff expects to bring back a report to the City Council and the MCDA Board in the third quarter of 2004 for approval of the TIF Plan and final approval of the housing revenue bonds. The developer plans to close this project and start construction by the end of 2004.

Giving preliminary approval to the issuance of a tax-exempt multifamily housing revenue bond under Minnesota Statutes, Chapter 462C for the purpose of financing a housing program consisting of the acquisition and construction of a senior rental housing development for the benefit of St. Anne's Assisted Living Limited Partnership, or an affiliate.

WHEREAS, the City of Minneapolis, Minnesota (the "City") is authorized, pursuant to Minnesota Statutes, Chapter 462C, as amended (the "Act") to develop and administer programs to finance one or more multifamily housing developments within its boundaries; and

WHEREAS, Section 462C.07 of the Act authorizes the City to issue and sell revenue bonds or obligations to finance programs for the multifamily housing developments; and

WHEREAS, representatives of St. Anne's Assisted Living Limited Partnership, a Minnesota limited partnership whose general partner is St. Anne's Community Development Corporation, or an affiliated entity (the "Developer"), has requested that the City adopt a multifamily housing development program (the "Program") to provide for the issuance of a tax-exempt senior housing revenue bond in the amount of approximately \$5,800,000 (the "Bond") for the purpose of loaning the proceeds thereof to the Developer to finance the acquisition and construction by the Developer of a 66-unit senior rental housing development consisting of one four-story building to be located at the 2300 block of West Broadway Avenue in the City (the "Project"); and

WHEREAS, the Community Development Committee of the Minneapolis City Council, on behalf of the City held a public hearing on the Program and proposed issuance of the Bond after at least 15 days published notice thereof and after submission of the Program to the Metropolitan Council for review and comment; and

WHEREAS, the City has been advised by the Developer that conventional commercial financing is available to pay the capital costs of the Project only on a limited basis and at such high costs of borrowing that the scope of the Project and the economic feasibility of its operations would be significantly affected; and

WHEREAS, the City shall not be liable on the Bond, and the Bond shall not be a debt of the City within the meaning of any state constitutional provision or statutory limitation, and will not constitute or give rise to a charge against the general credit or taxing power of the City or a pecuniary liability of the City, nor shall the Bond be payable out of any funds or properties other than those provided as security therefor;

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

That the Program is hereby approved and adopted by the City.

Be It Further Resolved that the issuance of the Bond pursuant to the Program in a principal amount of approximately \$5,800,000 is preliminarily approved.

Be It Further Resolved that the foregoing preliminary approval of the issuance of Bond shall be subject to final determination by the City of terms and conditions and shall not constitute an irrevocable commitment on the part of the City to issue the Bond.

Be It Further Resolved that the staff of the Minneapolis Community Development Agency is hereby authorized, in cooperation with bond counsel to take all steps necessary and desirable to proceed to develop the Program and financing therefor.

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