



## Request for MCDA Board of Commissioners Action from the Department of Community Planning & Economic Development - CPED

July 24, 2007

To: Council Member Lisa Goodman, Community Development Committee

Referral to: MCDA Board of Commissioners

**Subject:** A Public Hearing and Request for Preliminary and Final Approval of up to \$1,100,000 in 501(c)(3) Bank Qualified Bank Direct Tax-exempt Minneapolis Community Development Agency Revenue Bonds for: 1822 Park, LLC (aka: Central Community Housing Trust - CCHT)

**Recommendation: City Council Recommendation: Adopt the attached Resolution, giving Preliminary and Final Approval to the issuance of up to \$1.1 million in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Minneapolis Community Development Agency Revenue Bonds, Series 2007, for: 1822 Park, LLC (aka: Central Community Housing Trust - CCHT)**

**MCDA Board Recommendation: Forward this report to the Minneapolis Community Development Agency Board of Commissioners for their approval and adoption of the attached Resolution giving Preliminary and Final Approval of up to \$1.1million in Tax-exempt 501(c)(3) Bank Qualified Bank Direct Revenue Bonds, Series 2007, for: 1822 Park, LLC (aka: Central Community Housing Trust - CCHT)**

**Previous Directives:**

- Dec. 22, 2006 \$495,000 from the Affordable Housing Trust Fund.
- Mar. 1, 2005 \$300,000 in AHTF funds.
- Dec. 19, 2003 of \$475,000 AHFT funds and a \$24,500 grant from the Non-profit Development Assistance Fund.

Prepared by: Greg Davidson, Sr. Economic Development Specialist, 612-673-5070

Approved by: Charles T. Lutz, Deputy Director CPED \_\_\_\_\_

Presenters in Committee: Greg Davidson

**Reviews** – Not applicable

Permanent Review Committee (PRC): Approval \_\_\_\_ Date \_\_\_\_\_

## Financial Impact

Other financial impact: The issuance of these revenue bonds will generate annual revenue bond administrative fees of approximately \$2,750 that are used to support the small business assistance programs of the City of Minneapolis.

## Community Impact

**Neighborhood Notification** - Ventura Village Neighborhood voted to accepted this project.

**City Goals** - These bonds will help meet the needs of affordable housing and neighborhood sustainability.

**Sustainability Targets** - Further fosters the mix of housing types and promotes public and private partnerships.

**Comprehensive Plan** - Currently discussions are on-going regarding whether a Conditional Use Permit for on-site social services may be required.

**Zoning Code** - Complies: NP/North Phillips Overlay District ( ` 01)  
R6/Multiple Family District ( ` 99)

**Living Wage/Business Subsidy Agreement** Yes  No

Borrower is exempt from the City's and State's Business Subsidy Acts because these are conduit bonds to a non-profit that employs fewer than 100, assists in affordable and supportive housing, and the ratio of the highest to lowest paid employee is not greater than ten to one.

**Job Linkage** Yes  No  (Under consideration by CCHT.)

## Supporting Information

This bonding request is the final financing needed to complete the major renovations on this building. The fact that Central Community Housing Trust (CCHT) will be the borrower and will oversee the on-going management of this site, strengthens the long term viability of turning around of this formerly problematic building. An additional strength is that Oak Grove Residential Care Center will be the onsite manager and service provide for tenants. This bond is a fully amortizing mortgage, and not a grant. All units are under 50% of MMI affordability, six are under 30%.

Since 1986, CCHT, a 501(c)(3), has provided housing for more than 2,500 individuals annually. Currently CCHT manages 27 buildings. Approximately 25% are Section 8. It serves the community with award-winning real estate development of affordable apartments and townhomes, historic preservation, long-term asset management and resident services. This 1822 Park project will specifically provide affordable housing for individuals experiencing mental /cognitive disabilities; as well has provide six units for long term homeless persons at a 30% of MMI affordability.

CCHT's 2004 census was: 21% were 19 years old or younger, 38% African-American, 31% African immigrants, 18% Caucasian, 2% Latino/Hispanic, 1% Asian/Pacific Islanders, 1% Native American, 1% Middle Eastern, and 8% unknown. Average earned income was \$15,356.

CCHT has received numerous regional and national awards, including: 2005 'Leadership Award' from the Sheltering Arms Foundation and from the National Assoc. of Local Finance Agencies for St. Barnabas Apartments, 2002 'Quality of Life' from the Minneapolis Regional Chamber of Commerce, 2000 National 'Maxwell Award of Excellence – Honorable Mention' for the Phillips ReDesign Housing project from the Fannie Mae Foundation, 1999 the national 'John J. Gunther Blue Ribbon Best Practices' award from the U. S. Dep't. of Housing and Urban Development for Alliance Apartments; among seven others. Their most recent development is the historic Ripley Memorial Hospital / Ripley Gardens at Penn Av. N and Glenwood in North Minneapolis which will include rental and home ownership opportunities for households from very low to moderate income levels, as well as neighborhood-scale commercial space.

A unique aspect of CCHT is it's involvement with its tenants and neighborhood residents. For example, based upon its annual residents satisfaction survey, CCHT started Football Sundays, free Movie Nights, 'Mary Kay' parties and playtimes for kids. CCHT also counsels residents regarding financial aid, mental and chemical health support and employment services. Annually approximately 800 volunteers contribute over 4,200 volunteer hours.

Annual revenues are over \$3.3 million of which approximately 42% are from private contributors. Total assets are over \$13 million of which approximately \$2 million is un-restricted.

Board Members include: Justin Cummins, Esq. Chair and works as a Civil Rights Attorney at Miller O'Brien; Katherine Lewis, Vice-Chair and former Assoc. Priest at St. Marks Episcopal Cathedral; Mike Rose, Chartered Financial Analyst who also volunteers for the Jewish Community Foundation, the United Way and the Minnesota Humanities Commission Board; and Beth Widstrom-Anderson, CFO of the Metropolitan Council. Additionally there are 15 others including several residents of CCHT properties.

**Project Location & Description:** 1822 Park Ave. Minneapolis, MN 55404

This building is a 17,330 square feet, 3-storey walk-up. These bonds are part of a larger financing arrangement to renovate this formerly distressed building (described below).

In 2000 CCHT became the Court appointed administrator of this property. In 2001 this property was acquired by a Contract for Deed. In 2003 ownership was transferred via a mortgage from the Housing Partnership Fund. Due to its deteriorating condition and lead abatement problems, the building was vacated in 2005.

This financing will help provide for major renovations to include: new roof, plumbing, lead abatement, tuck-pointing, remodeling of the units to include new kitchen cabinets, windows, new entry doors, upgrading of fire-alarm system, common area improvements, and enclosing stairs to provide a safe exit in case of an emergency. Exterior improvements will include: fencing, exterior lightings, a trash enclosure, land-fill and dry well to improve drainage, and minor landscaping.

Renovation of the lower-level will be for new offices to permanently house the Oak Grove Residential Care Treatment Center, a 20 year old social services agency which serves individuals with serious and persistent mental illness. The lower level will be redesigned to include programmatic space for Oak Grove, a resident services office, a commercial kitchen, exercise room, laundry facility and a community room/dining facility. By having Oak Grove onsite, tenants of 1822 and the public sector will benefit from substantial savings by each of

the residents using onsite services rather than having the residents use more expensive situations such as nursing homes or hospitals.

**Type of Financing:**

Tax-exempt conduit revenue bonds. Term of 10 years, amortized over 25 years. Priced at approximately 5.25%, not to exceed 6%. The initial Debt Service Coverage Ratio (DSCR) is 1.10:1. Minimum ongoing DSCR of 1.0:1. There is a prepayment fee of 2% of amount being prepaid.

**Type of Financing - continued:**

|          |                |  |
|----------|----------------|--|
| Sources: | \$900,000      | Tax-exempt Revenue Bonds, first mortgage   |
|          | 160,766        | Developer's Fee equity   |
|          | 775,000        | City's HOME-CDBG   |
|          | 495,000        | City's HOME-CDBG   |
|          | 24,500         | nonprofit HAD  |
|          | 700,000        | Minnesota Housing Finance Agency   |
|          | 250,000        | Hennepin County – AHIF   |
|          | 5,000          | Hennepin County – ERF  |
|          | 390,000        | Hennepin County – ERF (to support relocation of Oak Grove)   |
|          | 180,000        | Family Housing Fund  |
|          | 180,000        | Federal Home Loan Bank   |
|          | <u>125,000</u> | various foundations  |
|          | \$4,185,266    |  |
| Uses:    | \$ 569,500     | Payoff bridge loan to off Franklin Bank for original acquisition and other predevelopment sources that initially paid holding costs. |
|          | 1,959,736      | Construction costs   |
|          | 110,000        | Construction contingency   |
|          | 220,165        | Environmental remediation  |
|          | 662,207        | Fees: engineering, architecture design, development-consultation, legal and accounting.  |
|          | 494,208        | other soft costs: construction loan interest, SAC/WAC, taxes, equipment.   |
|          | <u>169,450</u> | Initial operating costs and replacement reserves   |
|          | \$4,185,266    |  |

**Present Employment:** CCHT currently employs 24. Five FTEs retained by Oak Grove.

**New Employment:** One ¾ time position for a property maintenance person.

**Assessor’s Estimate**

**Annual Tax Increase:** approximately \$3,050.<sup>00</sup>

**Affirmative Action Compliance:** A plan has been accepted by the City’s Civil Rights Dep’t. as of August 22, 2006. Monitoring of Davis Bacon will occur.

**CITY IRB POLICIES:**

Job Component Not-applicable - Minimum standard of one (1) job per 1,000 square feet of building area.

Property Improvements Not-applicable - No more than 25% of the bond proceeds may be used for land and acquisition. If purchasing an existing building, an amount equal to at least 15% of the acquisition cost must be spent on rehabilitation expenditures.

Development Standards Complies with the Land Use Plan of the City’s Comprehensive Plan.

Equipment Financing Not-applicable - Limited to companies that create or preserve a significant number of jobs, and the equipment financed must be sufficiently secured. No more than 10% of the bond proceeds may be used to finance movable equipment not constituting a fixture.

Restaurant/Bank Not-applicable - IRB financing is allowed for a restaurant or a bank if it is built or rehabilitated in an CPED Redevelopment Area. No more than 25% of the bond proceeds can be used to finance retail food and beverage establishments, automobile dealerships or recreation or entertainment facilities.

Tax-exempt Institution Complies - Refinancing is permitted when new jobs are created or when a significant number of jobs are preserved.

**BOND COUNSEL:** Gray Plant Mooty, LLP – Minneapolis, MN.

**UNDERWRITER:** Wells Fargo, Minneapolis, MN

RESOLUTION  
of the  
City of Minneapolis

Giving preliminary and final approval to and authorizing the financing of a project on behalf of 1822 Park LLC (the “Company”), and authorizing the issuance of a revenue bond of the Minneapolis Community Development Agency therefor.

Whereas, pursuant to Laws of Minnesota 1980, Chapter 595, as amended (“Chapter 595”), the City Council of the City of Minneapolis, Minnesota (the “City”) established the Minneapolis Community Development Agency (the “Agency”) and granted certain powers and duties to the Agency; and

Whereas, pursuant to such granted powers, the Agency has been authorized to issue revenue obligations for various purposes; and

Whereas, it has been proposed that the Agency issue a revenue bond or note in an amount not to exceed \$1,100,000 (the “Bond”) to finance the improvement by the Company of an 18-unit apartment building located at 1822 Park Avenue in the City, to be used by the Company for rental housing with services for persons with mental disabilities; and

Whereas, the Agency expects to give final approval to the issuance of the Bond by a resolution to be adopted on the date hereof; and

Whereas, the Bond shall bear interest at an initial interest rate (subject to adjustment) expected to not exceed 6.00% per annum, shall have a final maturity date not later than December 1, 2032, and shall have such other terms as required or permitted by the Agency’s resolution, which terms are to be incorporated herein by reference;

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

That the City Council hereby gives preliminary and final approval to the issuance by the Agency of the Bond in a principal amount of up to \$1,100,000 for the purpose of financing the rental housing facility described above.

That the 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.

RESOLUTION

of the

MCDA

**Relating to the Minneapolis Community Development Agency Revenue Bond (1822 Park LLC Project) Series 2007; authorizing the issuance thereof pursuant to Minnesota Statutes, Chapter 462C, as amended.**

Be It Resolved by the Board of Commissioners (the "Board") of the Minneapolis Community Development Agency (the "Agency"), as follows:

Section 1. Definitions.

1.01. In this Resolution the following terms have the following respective meanings unless the context hereof or use herein clearly requires otherwise:

"Act" means Minnesota Statutes, Chapter 462C, as amended;

"Agreement" means the Loan Agreement to be entered into between the Agency and the Company relating to the Bond;

"Bond" means the Revenue Bond (1822 Park LLC Project), Series 2007 to be issued by the Agency pursuant to this Resolution in the principal amount of up to \$1,100,000;

"Bond Documents" means the Agreement, the Pledge Agreement and the Bond;

"City" means the City of Minneapolis, Minnesota;

"Company" means 1822 Park LLC, a Minnesota limited liability company, its successors and assigns;

"Holder" means the registered holder of the Bond;

"Pledge Agreement" means the Pledge Agreement to be entered into between the Agency and the Holder relating to the Agreement and the Bond;

"Program" means the Agency's Chapter 462C Housing Program relating to the Bond and the Project;

“Project” means the improvement of an 18-unit apartment building located at 1822 Park Avenue in the City, to be used by the Company for rental housing with services for persons with mental disabilities;

“Resolution” means this resolution of the Agency.

## Section 2. Findings.

2.01. It is hereby found and declared that:

(a) based upon representations made to the Agency by representatives of the Company as to the nature of the Project as described in the Agreement, the Project constitutes a project authorized by the Act;

(b) the purpose of the Project is and the effect thereof is to promote the provision of affordable housing facilities;

(c) the financing of the Project, the issuance and sale of the Bond, the execution and delivery of the Bond Documents and the performance of all covenants and agreements of the Agency contained in the Bond Documents and of all other acts and things required under the Constitution and laws of the State of Minnesota to make the Bond Documents valid and binding obligations of the Agency in accordance with their terms are authorized by the Act;

(d) it is desirable that the Bond be issued by the Agency upon the terms set forth herein and that the Agency pledge its interest in the Agreement and grant a security interest therein to the Holder as security for the payment of the principal of, premium, if any, and interest on the Bond;

(e) the payments contained in the Agreement are fixed and are required to be revised from time to time as necessary, so as to produce income and revenue sufficient to provide for prompt payment of the principal of, premium, if any, and interest on the Bond when due, and the Agreement also provides that the Company is required to pay all expenses of the operation and maintenance of the Project, including, but not limited to, adequate insurance thereon and all taxes and special assessments levied upon or with respect to the Project and payable during the term of the Agreement;

(f) under the provisions of the Act, the Bond is not to be payable from nor charged upon any funds of the Agency or City other than the revenue pledged to the payment thereof; the Agency and City are not subject to any liability thereon; no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the Agency or City to pay the Bond or the interest thereon nor to enforce payment thereof against any property of the Agency or City; the Bond, premium, if any, and interest thereon shall not constitute an indebtedness of the Agency or City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Agency or City or a charge against their general credit or taxing powers and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Agency or City;

(g) the execution and delivery of the Bond Documents shall not conflict with or constitute, on the part of the Agency, a breach of or a default under any existing agreement, indenture, mortgage, lease or other instrument to which the Agency is subject or is a party or by which it is bound; provided that this finding is made solely for the purpose of estopping the Agency from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding;

(h) no litigation is pending or, to the best knowledge of the members of this Board, threatened against the Agency questioning the organization of the Agency or the right of any officer of the Agency to hold his or her office or in any manner questioning the right and power of the Agency to execute and deliver the Bond or otherwise questioning the validity of the Bond or the execution, delivery or validity of the Bond Documents or questioning the pledge of revenues to payment of the Bond or the right of the Agency to make available the proceeds of the Bond to the Company;

(i) all acts and things required under the Constitution and the laws of the State of Minnesota to make the Bond Documents the valid and binding limited obligations of the Agency in accordance with their terms shall have been done upon adoption of this Resolution and execution of the Bond Documents; provided that this finding is made solely for the purpose of estopping the Agency from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding; and

(j) the Agency is duly organized and existing under the Constitution and the laws of the State of Minnesota and is authorized to issue the Bond in accordance with the Act and Chapter 422 of the City Code of Ordinances.

### Section 3. Authorization and Approval of Documents.

3.01. Authorization. The Agency is authorized by the Act to issue revenue bonds and enter into revenue agreements to finance (or refinance) the acquisition, construction, installation and equipping of facilities constituting a "project" as defined in the Act, and to make all contracts, execute all instruments and do all things necessary or convenient in the exercise of such authority.

3.02. Approval of Documents. Pursuant to the foregoing, there have been prepared copies of the following documents, all of which are now or shall be placed on file in the office of the Agency:

- (a) the Agreement;
- (b) the Pledge Agreement;
- (c) the Bond; and
- (d) the Program.

The forms of the documents listed above are approved, with such variations, insertions and additions as are deemed appropriate by the parties and approved by the Agency.

#### Section 4. Execution of Bond Documents.

4.01. Upon the completion of the Bond Documents approved in Section 3.02 hereof and the execution thereof by the other parties thereto, the Executive Director (or Deputy Executive Director) and the Finance Officer (or Assistant Finance Officer) shall execute the same on behalf of the Agency, and the foregoing persons and other officers of the Agency shall execute such other certifications, documents or instruments as bond counsel shall require, subject to the approval of the Agency, and all certifications, recitals and representations therein shall constitute the certificates, recitals and representations of the Agency. Execution of any instrument or document by one or more appropriate officers of the Agency shall constitute and shall be deemed the conclusive evidence of the approval and authorization by the Agency and the Board of the instrument or document so executed.

#### Section 5. The Bond.

5.01. Form and Authorized Amount. The Bond shall be issued substantially in the form on file with the Agency on the date hereof with such appropriate variations, omissions and insertions as are permitted or required by this Resolution. The terms of the Bond are set forth therein, and such terms, including, but not limited to, provisions as to interest rate, dates and amount of payment of principal and interest and prepayment privileges, are incorporated by reference herein. The Bond shall bear an initial interest rate that does not exceed 6.00% per annum. The Bond shall mature on or before December 1, 2032.

5.02. Execution. The Bond shall be executed on behalf of the Agency by the persons described in Section 4.01 hereof. In case any officer whose signature shall appear on the Bond shall cease to be such officer before the delivery thereof, such signature shall, nevertheless, be valid and sufficient for all purposes.

5.03. Delivery and Use of Proceeds. Prior to delivery of the Bond, the documents referred to in Section 3.02 hereof shall be completed and executed in form and substance as approved by the Agency. The Agency shall thereupon deliver to the Holder the Bond together with a certified copy of this Resolution and such closing certificates as are required by bond counsel.

#### Section 6. Limitations of the Agency's and City's Obligations.

6.01. Notwithstanding anything contained in the Bond Documents, the Bond and any premium and interest thereon shall not constitute an indebtedness of the Agency or City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the Agency or City or a charge against their general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the Agency or City, and no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the Agency or City to pay the Bond or the interest thereon or to enforce payment thereof against any property of the Agency or City. The agreement of the Agency to perform the covenants and other provisions contained in this Resolution or the Bond Documents shall be subject at all times

to the availability of revenues furnished by the Company sufficient to pay all costs of such performance or the enforcement thereof, and neither the Agency or City nor any of their officers, employees or agents shall be subject to any personal or pecuniary liability thereon.

Section 7. Agency Representative.

7.01. The Finance Officer or Assistant Finance Officer of the Agency is hereby designated and authorized to act on behalf of the Agency for purposes of the Bond Documents.

Section 8. Governmental Program.

8.01. The 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.

Section 9. Bank Qualification.

9.01. In order to qualify the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Agency makes the following representations:

(a) The Agency hereby designates the Bond as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code;

(b) The reasonably anticipated amount of tax-exempt obligations (other than obligations described in clause (ii) of Section 265(b)(3)(C) of the Code) which will be issued by the Agency (and all subordinate entities whose obligations will be aggregated with those of the Agency) during this calendar year 2007 will not exceed \$10,000,000; and

(c) Not more than \$10,000,000 of tax-exempt obligations issued by the Agency during this calendar year 2007 have been designated as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.