



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

Date: January 17, 2006

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Bernadette Hornig, Senior Project Coordinator, Phone 612-673-5236

Presenter in

Committee: Bernadette Hornig, Senior Project Coordinator

Approved by: Elizabeth Ryan, Director, Housing _____

Subject: St. Anne's Senior Housing: Final Housing Revenue Bond Approval

RECOMMENDATION: Approve the attached City Council Resolution granting final approval of up to \$6,250,000 in tax-exempt Multifamily Housing Development Bonds.

Previous Directives: On November 19, 2004, the City Council approved the TIF Plan, authorized issuance of a Pay-As-You-Go TIF Financing Note, approved redevelopment contract terms and authorized City official to sign a Redevelopment Contract with St. Anne's Community Development Corporation. On November 5, 2004, the City Council approved \$100,000 from the Commercial Economic Development Fund (CEDF) for the commercial portion of the project. On January 30, 2004, the City Council approved \$350,000 from the NRP Affordable Housing Reserve Fund (AHRF) for the housing portion of the project. On December 29, 2003, the City Council granted preliminary approval of housing revenue bond financing and Project Analysis Authorization for the project. On December 15, 2003, the City Council approved \$468,000 from the Affordable Housing Trust Fund (AHTF) for the housing portion of the project and \$30,000 in Non-Profit Admin assistance for St. Anne's Community Development Corporation (St. Anne's CDC).

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- 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): Annual bond fees will be collected when the bonds are issued.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward: 3

Neighborhood Notification: The Jordan Area Community Council (JACC) was notified in writing of the initial application for housing revenue bonds in November 2003. JACC most recently reviewed the St. Anne's Senior Housing project proposal and expressed its support for the project in a letter to CPED dated September 14, 2005. In addition, JACC reviewed the project in conjunction with the proposed sale of 2523 Queen Ave N at its Housing Committee meeting on January 3, 2006.

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:

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

4.9 Minneapolis will grow by increasing its supply of housing.

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

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.

Living Wage/Job Linkage: N/A

Other: N/A

Background/Supporting Information

St. Anne's Senior Housing will be a new, mixed-income, mixed-use development consisting of 59 units of senior rental housing and approximately 2,000 square feet of commercial space, located at the intersection of West Broadway and Queen Avenue N, in the Jordan neighborhood. The project includes underground parking. The new development will locate 27 permanent FTE jobs along West Broadway and will provide housing for low and moderate-income seniors.

The first floor includes street-front commercial space along West Broadway, with office, lobby and community space oriented toward a residential entry on 26th Avenue N, and housing units above. The housing component of the project consists of 13 studios, 27 one-bedroom and 19 two-bedroom apartments. 7% of the units (4 units) will be affordable to and occupied by “chronically homeless” seniors earning well below 30% of Area Median Income (AMI); 32% (19 units) will be affordable to seniors at 50% of AMI; and 61% (36 units) will be affordable to seniors at 60% of AMI. All units are “adaptable,” making it possible for people with a wide range of disabilities to be accommodated, including those with attendants.

An “age-in-place” concept is incorporated into the building and unit design so that the number of units can be increased incrementally to 76 by converting two-bedroom units into efficiencies and changing the usage of the first floor space. The commercial space is designed to convert to a kitchen/ dining area, offices and medical space, if necessary 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, People Serving People, Inc. will provide support services to the 4 units providing chronically homeless housing.

Financial Summary

St. Anne’s Senior Housing is a \$11.9 million project. The project sources and uses are outlined on the attached Project Data Worksheet.

In November 2003, St. Anne’s CDC received preliminary approval from the City Council for tax-exempt housing revenue bonds (HRB) from the City’s 2003 Entitlement pool, which will also include an allocation of 4% low-income housing tax credits. In addition, the City has authorized issuance of “pay-go” TIF note in an amount not to exceed \$719,900 that will be used as additional project revenue to amortize the HRB.

In addition to the HRB and tax credits, the developer has committed to raise over \$2,000,000 in private contributions and obtained commitments for \$1,964,000 in deferred/ subsidized financing from the City of Minneapolis (CPED), NRP, MHFA and Hennepin County. The private equity contribution, equating to approximately 17% of the total development cost, is a rare step for a non-profit developer and demonstrates the commitment of the St. Anne’s CDC Board to the project and its long-term viability.

The financial leverage ratios for St. Anne’s Senior Housing are shown below. In this analysis, “private investment” includes housing revenue bonds supported by project revenues, tax credit syndication proceeds and the private equity contribution from St. Anne’s CDC. “City funds” include TIF funded housing revenue bonds, AHTF (Levy),

Non-Profit Admin, NRP, CEDF and Empowerment Zone. "Other public funds" include funds from Hennepin County and MHFA.

- Private investment to total public funds: 3.63 : 1.00
- Private investment to City funds: 5.16 : 1.00
- Private and other public funds to City funds: 5.59 : 1.00

Housing Revenue Bond Information

St. Anne's CDC, the general partner of the St. Anne's A LLP, has submitted an application to CPED for tax-exempt housing revenue bonds, which automatically includes 4% low income housing tax credits (LIHTC). Syndication of these tax credits is expected to generate an additional equity investment of \$4,037,958 in the project. St. Anne's CDC has requested final approval for up to \$6,250,000 in housing revenue bonds for use as construction and first mortgage financing. The City previously granted final approval for this housing revenue bond request in November 2004. However, the project did not close within 12 months of the approval date so an updated approval is required.

St. Anne's CDC proposes to place the bonds directly with US Bank. As an institutional grade investor, 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).

Pursuant to state statutes the proposed housing program for St. Anne's Senior Housing has been submitted to the Metropolitan Council (Met Council) and the Met Council has confirmed that the program is consistent with regional plans.

Status of 2005 & 2006 HRB Entitlements

Total 2005 Entitlement Authority	\$36,709,000	
Single Family	(21,000,000)	Received
<u>St. Anne's</u>	<u>(6,250,000)</u>	Final approval pending

2005 Entitlement Remaining \$9,459,000

Bond Purchaser/ Underwriter	Bond Counsel	Council Member Informed
US Bank	Gray Plant Mooty	Yes, Ward 3

Projected Timetable

The following is a tentative timetable for the St. Anne's Senior Housing project:

- City Council considers: final HRB approval and land sale of 2523 Queen Ave N January 17, 2006
- Project pre-closing February 2006
- Construction start March 2006
- EZ Decision March 2006
- EZ closing April 2006

PROPOSED RESOLUTION

OF THE

CITY OF MINNEAPOLIS

BY GOODMAN

Relating to the City of Minneapolis, Minnesota Multifamily Housing Revenue Bond (St. Anne's Senior Housing Project) Series 2006; authorizing the issuance thereof pursuant to Minnesota Statutes, Chapter 462C.

Be It Resolved by the City Council of the City of Minneapolis, Minnesota (the "City"), 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 among the City and the Borrower relating to the Bond;

"Assignment" means the Assignment of Mortgage from the City to the Holder relating to the Bonds;

"Bond" means the Multifamily Housing Revenue Bond (St. Anne's Senior Housing Project), Series 2006 to be issued by the City pursuant to this resolution in the principal amount of up to \$6,250,000;

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

"Borrower" means St. Anne's Community Development Limited Partnership, a Minnesota limited partnership, its successors and assigns;

"Holder" means U.S. Bank National Association, as holder of the Bond, and its successors and assigns;

"Pledge Agreement" means the Pledge Agreement to be entered into among the City and the Holder relating to the Agreement and the Bond;

"Project" means the multifamily housing development to be financed with the proceeds of the Bond, as further defined in the Agreement;

"Regulatory Agreement" means the Regulatory Agreement to be entered into among the City, the Holder and the Borrower relating to the Project;

"Resolution" means this resolution of the City.

Section 2. Findings.

2.01. It is hereby found and declared that:

(a) based upon representations made to the City by representatives of the Borrower 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 decent, sanitary and safe housing accommodations for low and moderate income persons;

(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 City contained in the Bond Documents and of all other acts and things required under the charter of the City and the Constitution and laws of the State of Minnesota to make the Bond Documents valid and binding obligations of the City in accordance with their terms are authorized by the Act;

(d) it is desirable that the Bond be issued by the City upon the terms set forth herein and that the City 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 loan 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 Borrower 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 City other than the revenue pledged to the payment thereof; the City is 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 City to pay the Bond or the interest thereon nor to enforce payment thereof against any property of the City; the Bond, premium, if any, and interest thereon shall not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the City other than its interest in the Project;

(g) the execution and delivery of the Bond Documents shall not conflict with or constitute, on the part of the City, a breach of or a default under any existing agreement, indenture, mortgage, lease or other instrument to which the City 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 City 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 City Council, threatened against the City questioning the organization of the City or the right of any officer of the City to hold his or her office or in any manner questioning the right and power of the City 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 City to loan the proceeds of the Bond to the Borrower;

(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 obligations of the City in accordance with their terms shall have been done upon adoption of this Resolution and execution of the Documents; provided that this finding is made solely for the purpose of estopping the City from denying the validity of the Bond Documents by reason of the existence of any facts contrary to this finding; and

(j) the City 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.

Section 3. Authorization and Sale.

3.01 Authorization. The City is authorized by the Act to issue revenue bonds and loan the proceeds thereof to finance the acquisition, construction and installation of facilities constituting a “multifamily housing development” 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 Minneapolis Community Planning and Economic Development Department:

- (a) the Agreement;
- (b) the Pledge Agreement;
- (c) the Bond;
- (d) the Regulatory Agreement;
- (e) the Assignment; and
- (f) the Program for a Multifamily Housing Development.

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 City.

Section 4. Authorizations.

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 Finance Officer (or Assistant Finance Officer) shall execute the same on behalf of the City, and the foregoing person and other officers of the City shall execute such other certifications, documents or instruments as bond counsel shall require, subject to the approval of the City, and all certifications, recitals and representations therein shall constitute the certificates, recitals and representations of the City. Execution of any instrument or document by one or more appropriate officers of the City shall constitute and shall be deemed the conclusive evidence of the approval and authorization by the City and the City Council 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 described above 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 initial interest rate on the Bond (until the Tender Date as defined in the Bond) shall not exceed an annual rate of 7.00%.

5.02. Execution. The Bond shall be executed on behalf of the City 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 City. The City 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 City's Obligations.

6.01. Notwithstanding anything contained in the Bond Documents, the Bond, premium, if any, and interest thereon shall not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory limitation and shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than its interest in the Project, and no Holder of the Bond shall ever have the right to compel any exercise of the taxing power of the City to pay the Bond or the interest thereon or to enforce payment thereof against any property of the City other than its interest in the Project. The agreement of the City 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 Borrower 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 7. City Representative.

7.01. The Finance Officer or Assistant Finance Officer of the City is hereby designated and authorized to act on behalf of the City 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.