



## **Request for City Council Committee Action from the Department of Community Planning Economic Development**

**Date:** July 12, 2011

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

**Subject:** Hi Lake Triangle Apartments - Public Hearing and Request for Preliminary Approval of up to \$6,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds

**Recommendation:** Approve the Attached Resolution Giving Preliminary Approval of up to \$6,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the Hi- Lake Triangle Apartments Project

**Previous Directives:** On January 28, 2011 the City Council approved \$1,034,000 Of Livable Communities Demonstration Account Funds (LCDA) for the Hi- Lake Triangle Apartments. On July 1, 2011 the City Council approved a recommendation for staff to proceed with Project Analysis Authorization.

Prepared by: Dollie Crowther, Principal Coordinator (612) 673-5263

Approved by: Thomas A. Streitz, Director of Housing Development \_\_\_\_\_

Charles T. Lutz, CPED Deputy Director \_\_\_\_\_

Presenter(s) in Committee: Dollie Crowther

**Financial Impact:** Project will generate semi-annual administrative fees

### **Community Impact**

- Neighborhood Notification: The East Phillips Neighborhood reviewed the development of this project on June 9, 2011.
- City Goals: This project addresses the following goals: A Place to call Home, Eco-Focused, many People-One Minneapolis, Jobs and economic vitality, Livable Communities-Healthy Lives
- Sustainable targets: Affordable Housing, increased density of development along light rail transit line.
- Comprehensive Plan: Section 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods; Section 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate automobile traffic and foster pedestrian movement, and expands the range of goods and services offered; Section 4.9

Minneapolis will grow by increasing its supply of housing; Minneapolis will increase its housing that is affordable to low and moderate income households

- Living wage/Business Subsidy Agreement: N/A
- Zoning Code: The project will comply
- Job Linkage: N/A
- Other

### **Supporting Information**

Hi- Lake Triangle Apartments is located at 2230 E. Lake Street, the NW corner of Lake Street and Hiawatha Avenues. It is currently owned by Wellington Management Inc. and will be conveyed at closing to the newly formed applicant, Hi Lake Triangle Limited Partnership. The property is currently vacant land. The newly constructed urban infill development will be located directly adjacent to the Lake Street/Midtown LRT Station. It will consist of 68 units of affordable senior rental housing in a 6 story building that encourages City Living for the elderly. The property is located in the East Phillips Neighborhood. The vacant site totals 2.5 acres and Wellington Management Inc. acquired the site from the Met Council in 2009 through a public auction. Wellington was the lowest bidder. At that time the site was vacant and did not require any clean-up.

The proposed development will be 68 units, 5- zero (0) bedrooms and 63-one (1) bedroom units that will be 650 sq. ft. and 750 sq. ft. All of the units will be handicapped accessible. The Hi- Lake Triangle development will also incorporate approximately 8,100 gross square feet of retail space on the ground floor level of the building with distinctive entrances on the Lake Street elevation, which will open directly to the sidewalks and the plaza area. The commercial tenants are yet to be determined but it is anticipated that it will include 4-6 smaller retail service type tenants that will complement the commercial tenants at the adjacent Hi-Lake Shopping Center.

All of the 68 units will be affordable to individuals and families earning at or below 60% of Area Median Income. The developer sees a growing diversity of demand patterns for housing choices for urban locations accessible by transit which now includes empty nesters and a growing senior population over the next 20 years. Hi- Lake Triangle will fill the need for this type of housing.

The project will be owned by Hi-Lake Triangle Limited Partnership which will be formed when the project is syndicated. The general partner will be Hi Lake Triangle LLC. The investor for the tax credits has yet to be identified. The Project Data Worksheet is attached as **Exhibit 1**.

### **Financing Overview**

The total development cost of the Hi Lake Project is \$9,788,325. Staff requested and received Project Analysis Authorization to proceed with TIF in June 2011. It is anticipated that this project will generate approximately \$800,000 in Pay As You Go TIF assistance which will include a housing and redevelopment TIF. This will assist with the construction of the building. The TDC amount includes the development of the commercial component which is approximately \$1,000,000. The developer equity in the project totals \$3,420,204 which includes deferring of a portion of the developer fee, syndication proceeds and a general partner cash contribution. The Housing Revenue Entitlement bonds carry an automatic 4% low income housing tax credit. The tax credits will generate approximately \$2,675,000 of syndication proceeds which is equity to the project. The developer is requesting up to \$6,500,000 in a Series A and B bonds. The Series A bonds in the amount of \$ 3,075,225 will be secured by a first mortgage on the property and credit enhanced by Freddie Mac. The bonds will be AAA rated. The Series B bonds will be secured by the deferred equity installments to be paid in by the limited partner who is securing the tax credits. The annual TIF income will also support the A bonds.

The developer has received approval for \$1,034,000 of LCDA Funds from the Metropolitan Council and has been approved for \$450,000 of Hennepin County TOD Funds.

The developer will not be seeking AHTF from the City of Minneapolis and will be securing a commercial loan for the ground floor space and will defer almost one half of their developer fee as a source of funds for the housing portion. They will also be making a general partner capital contribution of \$295,204. The total developer fee amount is \$927,500 which falls within the CPED Housing developer fee policy.

**Housing Revenue Bond Information**

The developer is requesting preliminary bond approval for the issuance of up to \$6,500,000 in tax exempt multi- family housing entitlement revenue bonds from the city's 2010 allocation. Of this amount a portion will be TIF supported through the issuance of a pay go TIF Note of up to \$800,000 and the rest will be supported by project revenues. The Series A bonds will be credit enhanced by Freddie Mac and have a 35- 37 year term. Staff anticipates this project will close September 2011.

The current status of the 2010/2011 HRB Entitlement allocation is shown below:

2010 HRB Entitlement	\$120,608,911
Less Riverside Plaza	\$ 69,950,000
2010 HRB Balance	\$ 50,658,911
Plus 2011 HRB Entitlement	\$ 45,326,000
Total HRB Available	\$ 95,984,911
Less- Longfellow Station	\$ 17,000,000
Less- Hi Lake Triangle	\$ 6,500,000
Less City Lofts	\$ 5,500,000
HRB Entitlement Remaining	\$ 66,984,911

Bond Purchaser/underwriter	Freddie Mac
Bond Counsel	Kennedy & Graven
Council Member Informed	Ward 9

Resolution  
of the  
City of Minneapolis

Granting preliminary approval to the issuance of tax-exempt multifamily housing revenue bonds under Minnesota Statutes, Chapter 462C, for the purpose of financing a housing program consisting of the acquisition, construction, and equipping of a multifamily rental housing development for the benefit of HiLake Limited Partnership, a Minnesota limited partnership.

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 multifamily housing developments; and

WHEREAS, representatives of HiLake Limited Partnership, a Minnesota limited partnership (the "Developer"), have requested that the City adopt a multifamily housing development program (the "Program") to provide for the issuance of tax-exempt multifamily housing revenue bonds in an aggregate principal amount of approximately \$6,500,000 (the "Bonds") for the purpose of loaning the proceeds thereof to the Developer to finance the acquisition, construction, and equipping of a 68-unit multifamily rental apartment development and facilities functionally related and subordinate thereto, located at the northwest corner of Lake Street and Hiawatha Avenue in the City to be owned by HiLake Limited Partnership, a Minnesota limited partnership, or its affiliates or assigns; and

WHEREAS, the Community Development Committee of the Minneapolis City Council, on behalf of the City, held a public hearing on the Program and the proposed issuance of the Bonds on a date at least fifteen (15) days following the publication in a newspaper of general circulation in the City of a notice of such public hearing; and

WHEREAS, the Program was submitted to the Metropolitan Council for its review and comment in accordance with the requirements of the Act; 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 Bonds shall not constitute a general or moral obligation of the City or debt of the City within the meaning of any state constitutional provision or statutory limitation, the Bonds shall not constitute or give rise to a charge against the general credit or taxing powers of the City, the Bonds shall not constitute or

give rise to a pecuniary liability of the City, and the Bonds shall be payable solely out of any funds and properties expressly pledged 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.

That the issuance of the Bonds pursuant to the Program in an aggregate principal amount of approximately \$6,500,000 is hereby preliminarily approved.

That the foregoing preliminary approval of the issuance of the Bonds shall be subject to final determination by the City of terms and conditions of the Bonds and shall not constitute an irrevocable commitment on the part of the City to issue the Bonds.

That the staff of the City is hereby authorized, in cooperation with bond counsel, to take all steps necessary and desirable to proceed to develop the Program and financing therefor.