



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

Date: September 11, 2007

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

Subject: Public hearing to approve the issuance year of 2007 tax-exempt bonding authority with the Housing and Redevelopment Authority of the City of Saint Paul

Recommendation: Adopt the attached resolution approving the Joint Powers Agreement between the City of Minneapolis and the Housing and Redevelopment Authority of the City of Saint Paul to jointly issue year 2007 Housing Revenue Entitlement Bond Allocation in an amount not to exceed \$7,000,000.

Previous Directives: In February of 2007 the City Council approved the 2007 Housing and Recycling Program which gave direction to staff for the use of it tax-exempt bonding authority with single family mortgage revenue bond activities. That directive reserved the right of the City Council to redirect the bonding authority toward multifamily housing activities.

Prepared by: Mark S. Anderson, Senior Contract Management Specialist Approved by: Elizabeth Ryan, Director Housing Policy & Development _____ Presenters in Committee: Mark S. Anderson

Financial Impact

No financial impact

Community Impact

City Goals – A Safe Place to Call Home – 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.

Supporting Information

The City of Saint Paul has requested that the City of Minneapolis authorize the joint issuance of up to \$7 million of Minneapolis’ 2007 tax-exempt bonding entitlement allocation to provide financing for the Winnipeg Apartments Project in the City of Saint Paul. This request comes to Minneapolis because Saint Paul staff advises that the financing for this project will exceed Saint Paul’s remaining 2007 tax exempt bonding authority. To accommodate their bonding needs, Saint Paul has made the following proposal to Minneapolis:

- Minneapolis would provide a commitment to Saint Paul to jointly issue up to \$7 million from Minneapolis' 2007 entitlement authority to finance the Winnipeg Apartments Project in the City of Saint Paul.
- Saint Paul would apply to the State of Minnesota Unified Pool for the needed bonding authority on or before September 10, 2007 which is the deadline for these applications.
- If Saint Paul does not receive an allocation from the State's Unified Pool, Minneapolis would jointly issue the bonds for this project.
- From its 2008 entitlement allocation, Saint Paul would return the entitlement authority to Minneapolis when it is needed for Minneapolis single family or multifamily housing projects or programs.

If these bonds are issued in connection with Saint Paul's Winnipeg Apartments Project, there will be sufficient 2007 entitlement allocation remaining in Minneapolis to meet all of Minneapolis' 2007 bonding needs. If Saint Paul receives entitlement allocation from the State's Unified Pool, Minneapolis staff will be coming back to the City Council later this year to obtain approval to carry this remaining 2007 entitlement authority forward into 2008 to be used to finance 2008 single family mortgage revenue bonding needs.

To accomplish this joint bond issuance the Minneapolis City Council must approve the attached resolution.

RESOLUTION
of the
City of Minneapolis

By Goodman

GIVING APPROVAL TO A HOUSING PROGRAM FOR WINNIPEG APARTMENTS LIMITED PARTNERSHIP AND AUTHORIZING THE JOINT ISSUANCE OF HOUSING REVENUE BONDS FOR A MULTIFAMILY HOUSING DEVELOPMENT UNDER MINNESOTA STATUTES, CHAPTER 462C, AS AMENDED; AND AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS

WHEREAS, under the terms of Minnesota Statutes, Chapter 462C, as amended (the "Act"), the City of Minneapolis (the "City") is authorized to develop and administer programs to finance multifamily housing developments and is authorized to issue and sell revenue bonds or obligations which shall be payable exclusively from the revenues of the programs and the developments; and

WHEREAS, Winnipeg Apartments Limited Partnership, a Minnesota limited partnership (the "Company"), has proposed that the Housing and Redevelopment Authority of the City of Saint Paul (the "HRA") and the City undertake housing programs in accordance with the terms of the Act and jointly issue revenue bonds under the Act to finance the acquisition, construction and equipping of a 56-unit multifamily residential rental housing development and related improvements, including a commercial space of approximately 6,000 square feet (the "Project"), to be located at 852-886 Rice Street in the City. In addition, the Company has proposed that the HRA and the City jointly finance any one or more of the following under their housing programs: (i) the funding of one or more reserve funds to secure the timely payment of the Bonds; (ii) the payment of interest on the Bonds; and (iii) the payment of the costs of issuing the Bonds; and

WHEREAS, for the purposes referenced above, the Company has requested that the City and the HRA jointly issue two series of revenue bonds to be designated (i) Multifamily Housing Revenue Bonds, Series 2007A (GNMA Collateralized Mortgage Loan - Winnipeg Apartments Project) (the "Series 2007A Bonds"); and (ii) Multifamily Housing Revenue Bond (Winnipeg Apartments Project), Series 2007B (the "Series 2007B Bond," and collectively with the Series 2007A Bonds, the "Bonds"). The Bonds are proposed to be issued in an aggregate principal amount of approximately \$7,000,000; and

WHEREAS, pursuant to a Joint Powers Agreement, dated on or after September 1, 2007 (the "Joint Powers Agreement"), between the City and the HRA, the City and the HRA will be joint-issuers of the Bonds; and

WHEREAS, the Series 2007A Bonds proposed to be issued by the City and the HRA to finance the Project will constitute revenue obligations to be issued under the terms of this resolution, a resolution of the HRA, and a resolution of the City of Saint Paul, and an Indenture of Trust, dated on or after September 1, 2007 (the "Indenture"), between the City, the HRA, and U.S. Bank National Association, as trustee (the "Trustee"), and the proceeds derived from the sale of the Series 2007A Bonds are to be loaned by the City and the HRA to the Company pursuant to the terms of a Financing Agreement, dated on or after September 1, 2007 (the "Financing Agreement"), between the City, the HRA, the Company, the Trustee, and MMA Mortgage Investment Corporation, a Florida corporation (the "Lender"); and

WHEREAS, pursuant to the Indenture and the Financing Agreement proceeds of the Bonds will finance a construction and permanent mortgage loan (the "Mortgage Loan"), insured by the Federal Housing Administration ("FHA") of the Department of Housing and Urban Development under Section 221(d)(4) of the National Housing Act of 1934, as amended (the "National Housing Act"), in connection with the construction of the Project, through the acquisition by the Trustee for the account of the City and the HRA of fully-modified pass-through mortgage-backed construction loan securities (the "CLs"), to be issued by the Lender, as construction of the Project progresses, which are to be guaranteed as to the timely payment of principal and interest by the Government National Mortgage Association ("GNMA") pursuant to Section 306(g) of the National Housing Act, and, upon the completion of construction of the Project and the satisfaction of certain other conditions, of the exchange by the Trustee of the CLs for a fully-modified, pass-through mortgage-backed project note security (the "PN"), to be issued by the Lender and to be guaranteed as to the timely payment of principal and interest by GNMA pursuant to Section 306(g) of the National Housing Act (hereinafter the CLs and the PN are sometimes collectively referred to as the "GNMA Securities"); and

WHEREAS, the Series 2007B Bond proposed to be issued by the City and the HRA to finance the Project will constitute a revenue obligation to be issued under the terms of this resolution and a Loan Agreement, dated on or after September 1, 2007 (the "Loan Agreement"), between the City, the HRA, and the Company; and

WHEREAS, the Series 2007B Bonds are to be secured solely by a Pledge Agreement, dated on or after September 1, 2007, between the HRA, and Lender (the "Pledge Agreement"), and other security provided or arranged by the Company; and

WHEREAS, the Bonds proposed to be issued by the City and the HRA to finance the Project will constitute revenue bonds secured solely by any one or more of the following: (i) the revenues derived from one or more loan agreements or financing agreements (collectively, the "Loan Agreements") between the City, the HRA, and the Company; (ii) a pledge and assignment of Project revenues; (iii) one or more reserve funds to be held by a trustee for the benefit of the holders of the Series 2007A Bonds; (iv) a first mortgage lien and security interest granted by the Company with respect to the Project; and (v) other security provided or arranged by the Company; and

WHEREAS, pursuant to Section 462C.04, subdivision 2, of the Act, prior to issuing revenue bonds under the terms of the Act, the City must prepare a housing program (the "Housing Program") in accordance with the terms of Section 462C.03 of the Act and must hold a public hearing on the Housing Program after one publication of notice in a newspaper circulating generally in the City, at least fifteen (15) days before the hearing and on or before the day on which notice of the public hearing is published, the City must submit the Housing Program to the Metropolitan Council for review and comment; and

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations promulgated thereunder, require that prior to the issuance of bonds the intent of which is not included in gross income for federal income tax purposes under the Code, the City Council must approve the bonds after conducting a public hearing thereon preceded by publication of a notice of public hearing (in the form required by Section 147(f) of the Code and applicable regulations) in a newspaper of general circulation at least fifteen (15) days prior to the public hearing date; and

WHEREAS, pursuant to the Act and the Code, the City of Saint Paul held a duly noticed public hearing on a housing program related to the Bonds and the Project on July 18, 2007, after which the City of Saint Paul adopted a resolution approving the housing program and providing preliminary approval for the HRA to issue the Bonds.

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Community Development Committee of the City Council of the City conducted a public hearing on Tuesday, September 11, 2007, with respect to the proposal to undertake and finance the Project and the issuance of the Bonds, as requested by the Company. A notice of the hearing, in the form required by the Act and Section 147(f) of the Code, was published once in a newspaper of general circulation in the City at least fifteen (15) days prior to the date of the public hearing.

2. It is hereby found and determined that the Project furthers the purposes set forth in the Act and the Project constitutes a "multifamily housing development" within the meaning of the Act.

3. For the purposes set forth above, there is hereby authorized the issuance, sale, and delivery of the Series 2007A Bonds jointly by the City and the HRA. The Series 2007A Bonds may be provided such other designation as is deemed appropriate by the City's Finance Officer (the "Finance Officer"), in his discretion. The Series 2007A Bonds shall be issued under the terms of the Indenture. The Series 2007A Bonds shall bear interest at fixed rates established by the terms of the Indenture. The Series 2007A Bonds shall be designated, 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 terms, details, and provisions as are prescribed in the Indenture, in the form now on file with the City, with the amendments referenced herein. The City hereby authorizes the Series 2007A

Bonds to be issued as "tax-exempt bonds" the interest on which is not includable in gross income for federal and State of Minnesota income tax purposes.

All of the provisions of the Series 2007A Bonds, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Series 2007A Bonds shall be substantially in the form in the Indenture on file with the City, which form is hereby approved, with such necessary and appropriate variations, omissions, and insertions (including changes to the aggregate principal amount of the Series 2007A Bonds, the stated maturities of the Series 2007A Bonds, the principal amount of Series 2007A Bonds maturing on each maturity date, the interest rates on the Series 2007A Bonds of each maturity, and the terms of redemption of the Series 2007A Bonds) as the Finance Officer, in his discretion, shall determine. The execution of the Series 2007A Bonds with the manual or facsimile signature of the Finance Officer and the delivery of the Series 2007A Bonds by the City shall be conclusive evidence of such determination.

4. For the purposes set forth above, there is hereby authorized the issuance, sale, and delivery of the Series 2007B Bond jointly by the City and the HRA. The Series 2007B Bond may be provided such other designation as is deemed appropriate by the Finance Officer in his discretion. The Series 2007B Bond shall be issued under the terms of the Loan Agreement. The Series 2007B Bond shall initially bear interest at the interest rate established by the terms of the Loan Agreement. The Series 2007B Bond shall be designated, 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 terms, details, and provisions as are prescribed in the Loan Agreement, in the form now on file with the City, with the amendments referenced herein. The City hereby authorizes the Series 2007B Bond to be issued as a "tax-exempt bond," the interest on which is not includable in gross income for federal and State of Minnesota income tax purposes.

All of the provisions of the Series 2007B Bond, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Series 2007B Bond shall be substantially in the form in the bond on file with the City, which form is hereby approved, with such necessary and appropriate variations, omissions, and insertions (including changes to the aggregate principal amount of the Series 2007B Bond, the stated maturities of the Series 2007B Bond, the principal amount of Series 2007B Bond maturing on each maturity date, the initial interest rate on the Series 2007B Bond and the provisions for adjusting the interest rate on the Series 2007B Bond, and the terms of redemption of the Series 2007B Bond) as the Finance Officer, in his discretion, shall determine. The execution of the Series 2007B Bond with the manual or facsimile signatures of the Finance Officer and the delivery of the Series 2007B Bond by the City shall be conclusive evidence of such determination.

5. The Series 2007A Bonds shall be special limited obligations of the City payable solely from the revenues provided by the Company pursuant to the Financing Agreement and from the revenues and security pledged, assigned, and granted pursuant to the Indenture. The City Council of the City hereby authorizes and directs the Finance

Officer to execute and deliver to the Trustee the Indenture, and hereby authorizes and directs the execution of the Series 2007A Bonds in accordance with the terms of the Indenture, and hereby provides that the Indenture shall provide the terms and conditions, covenants, rights, obligations, duties, and agreements of the owners of the Series 2007A Bonds, the City, the HRA, and the Trustee as set forth therein.

All of the provisions of the Indenture, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Indenture shall be substantially in the form on file with the City, which is hereby approved, with such necessary and appropriate variations, omissions, and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

6. The Series 2007B Bond shall be a special limited obligation of the City payable solely from the revenues provided by the Company pursuant to the Loan Agreement and from other revenues and security pledged, assigned, and granted pursuant by the Company. The City Council of the City hereby authorizes and directs the Finance Officer to execute and deliver to the Series 2007B Bond Lender the Loan Agreement, and hereby authorizes and directs the execution of the Series 2007B Bond in accordance with the terms of the Loan Agreement, and hereby provides that the Loan Agreement shall provide the terms and conditions, covenants, rights, obligations, duties, and agreements of the owners of the Series 2007B Bond, the Company, the City, and the HRA, as set forth therein.

All of the provisions of the Loan Agreement, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Loan Agreement shall be substantially in the form on file with the City, which is hereby approved, with such necessary and appropriate variations, omissions, and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution thereof by the Finance Officer shall be conclusive evidence of such determination.

7. The loan repayments to be made by the Company under the Financing Agreement and the Loan Agreement are fixed to produce revenues sufficient to provide for the prompt payment of principal of, premium, if any, and interest on the Bonds issued under this resolution when due, and the Financing Agreement and the Loan Agreement also provide that the Company is required to pay all expenses of the operation and maintenance of the Project, including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all lawfully imposed taxes and special assessments levied upon or with respect to the Project and payable during the term of the Financing Agreement and the Loan Agreement.

8. As provided in the Financing Agreement and the Loan Agreement, the Bonds shall not be payable from nor charged upon any funds other than the revenue pledged to their payment, nor shall the City, the HRA, or the City of Saint Paul be subject to any

liability thereon, except as otherwise provided in this paragraph. No holder of the Bonds shall ever have the right to compel any exercise by the City, the HRA or the City of Saint Paul of any taxing powers to pay the Bonds or the interest or premium thereon, or to enforce payment thereof against any property of the City, the HRA or the City of Saint Paul except the interests of the City and the HRA in the Financing Agreement and the Loan Agreement and the revenues and assets thereunder, which will be assigned to the Trustee under the terms of the Indenture. The Bonds shall recite that the Bonds are issued pursuant to the Act, and that the Bonds, including interest and premium, if any, thereon, are payable solely from the revenues and assets pledged to the payment thereof, and the Bonds shall not constitute a debt of the City, the HRA or the City of Saint Paul within the meaning of any constitutional or statutory limitations.

9. The Finance Officer is hereby authorized and directed to execute and deliver the Financing Agreement, the Joint Powers Agreement, and a Bond Purchase Agreement, dated on or after September 1, 2007 (the "Series 2007A Bond Purchase Agreement"), between the City, the HRA, Piper Jaffray & Co. (the "Underwriter"), and the Company with respect to the Series 2007A Bonds. All of the provisions of the Financing Agreement, the Joint Powers Agreement, and the Series 2007A Bond Purchase Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Financing Agreement, the Joint Powers Agreement, and the Series 2007A Bond Purchase Agreement shall be substantially in the forms on file with the City which are hereby approved, with such omissions and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine, and the execution of the Financing Agreement, Joint Powers Agreement, and the Series 2007A Bond Purchase Agreement, by the Finance Officer shall be conclusive evidence of such determination.

10. To ensure compliance with certain rental and occupancy restrictions imposed by the Act and Section 142(d) of the Code, the HRA shall enter into a Housing Regulatory Agreement, dated on or after September 1, 2007 (the "Regulatory Agreement"), between the HRA, the Borrower, and the Trustee. All of the provisions of the Regulatory Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Regulatory Agreement shall be substantially in the form on file with the City which is hereby approved, with such omissions and insertions as do not materially change the substance thereof, or as the Finance Officer, in his discretion, shall determine.

11. The Finance Officer and other officers, employees, and agents of the City are hereby authorized to execute and deliver, on behalf of the City, such other documents as are necessary or appropriate in connection with the issuance, sale, and delivery of the Bonds, including various certificates of the City, the Information Return for Tax-Exempt Private Activity Bond Issues, Form 8038, a certificate as to arbitrage and rebate, and similar documents. The City hereby approves the execution and delivery by the Trustee of the Indenture and all other instruments, certificates, and documents prepared in conjunction with the issuance of the Bonds that require execution by the Trustee. The Trustee is hereby appointed as bond registrar and paying agent with respect to the Series 2007A Bonds. The City hereby authorizes Kennedy & Graven, Chartered, as bond counsel of the City, to prepare, execute, and deliver its approving legal opinions with respect to the Bonds.

12. The City has not participated in the preparation of the Preliminary Official Statement or the Official Statement relating to the offer and sale of the Series 2007A Bonds (the "Official Statement"), and has made no independent investigation with respect to the information contained therein, including the appendices thereto, and the City assumes no responsibility for the sufficiency, accuracy, or completeness of such information. Subject to the foregoing, the City hereby consents to the distribution and the use by the Underwriter of the Official Statement in connection with the offer and sale of the Series 2007A Bonds. The Official Statement is the sole material consented to by the City for use in connection with the offer and sale of the Series 2007A Bonds. The City hereby approves the Continuing Disclosure Agreement, dated on or after September 1, 2007 (the "Continuing Disclosure Agreement"), between the Company and the Trustee, in the form now on file with the City, and hereby authorizes the Trustee to execute and deliver the Continuing Disclosure Agreement.

13. Except as otherwise provided in this resolution, all rights, powers, and privileges conferred and duties and liabilities imposed upon the City or the City Council by the provisions of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City Council, or such officers, board, body, or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation, or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the City Council of the City, or any officer, agent, or employee of the City in that person's individual capacity, and neither the City Council of the City 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.

No provision, covenant, or agreement contained in the aforementioned documents, the Bonds, or in any other document relating to the Bonds, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants, and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Loan Agreement and the Financing Agreement which are to be applied to the payment of the Bonds, as provided therein and in the Indenture and the Loan Agreement.

14. Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents, expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation, other than the City or any holder of the Bonds issued under the provisions of this resolution, any right, remedy, or claim, legal or equitable, under and by reason of this resolution or any provisions hereof, this resolution, the aforementioned documents and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and any holder from time to time of the Bonds issued under the provisions of this resolution.

15. In case any one or more of the provisions of this resolution, other than the provisions contained in Section 8 hereof, or of the aforementioned 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, or of the aforementioned documents, or of the Bonds, but this resolution, the aforementioned documents, and the Bonds shall be construed and endorsed as if such illegal or invalid provisions had not been contained therein.

16. The Bonds, when executed and delivered, shall contain a recital that they are issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Bonds and the regularity of the issuance thereof, and that all acts, conditions, and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Bonds, and to the execution of the aforementioned documents to happen, exist, and be performed precedent to the execution of the aforementioned documents have happened, exist, and have been performed as so required by law.

17. The officers of the City, bond counsel, other attorneys, and other agents or employees of the City are hereby authorized to do all acts and things required of them by or in connection with this resolution, the aforementioned documents, and the Bonds for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Bonds, the aforementioned documents, and this resolution. In the event that for any reason any of the Finance Officer is unable to carry out the execution of any of the documents or other acts provided herein, such documents may be executed and such actions may be taken by any official or employee of the City delegated the duties of any such Finance Officer with the same force and effect as if such documents were executed and delivered by such Finance Officer.

18. The Company has agreed and it is hereby determined that any and all costs incurred by the City in connection with the financing of the Project will be paid by the Company. It is understood and agreed that the Company shall indemnify the City against all liabilities, losses, damages, costs, and expenses (including attorney's fees and expenses incurred by the City) arising with respect to the Project or the Bonds, as provided for and agreed to by and between the Company, the HRA, and the City in the Loan Agreement and in the Financing Agreement.

19. This resolution shall be in full force and effect from and after its passage.

THE CITY OF MINNEAPOLIS

HOUSING PROGRAM FOR A MULTIFAMILY HOUSING DEVELOPMENT

Pursuant to Minnesota Statutes, Chapter 462C (the "Act"), the City of Minneapolis (the "City") is authorized to develop and administer programs to make or purchase loans to finance multifamily housing developments under the circumstances and within the limitations set forth in the Act. Minnesota Statutes, Section 462C.07 provides that such programs for multifamily housing developments may be financed by revenue bonds issued by the City.

The City has received a proposal that it approve a program providing for the joint financing with the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "Authority") of the acquisition, construction and equipping of a 56-unit multifamily residential rental housing development and related improvements, including a commercial space of approximately 6,000 square feet (the "Project"), to be located at 852-886 Rice Street in the City of Saint Paul (the "City of Saint Paul"). The acquisition, construction and equipping of the Project is to be funded in part through the joint issuance by the City and the Authority of a series of revenue bonds in an aggregate principal amount of approximately \$3,000,000 (the "Series 2007A Bonds"), the proceeds of which will be loaned by the City and the Authority to Winnipeg Apartments Limited Partnership, a Minnesota limited partnership (the "Company"). In addition, the acquisition, construction and equipping of the Project is to be funded in part through the joint issuance by the City and the Authority of a revenue bond in an aggregate principal amount of approximately \$4,000,000 (the "Series 2007B Bond"), the proceeds of which will be loaned to the Company. The Company will operate the Project or will retain a manager to operate the Project. It is expected that the dwelling units of the Project will be subject to rental and occupancy limits imposed by federal income tax law and regulations, applicable provisions of the Act, and policies of the City and the Authority such that only persons and families within designated income limits will be permitted to occupy certain designated units of the Project.

The City, in establishing this multifamily housing program (the "Housing Program"), has considered the information contained in the City's comprehensive plan. The Project will be acquired, constructed, and equipped in accordance with the requirements of Subdivisions 1 and 2 of Section 462C.05 of the Act.

Standards and Requirements Relating to the Financing of the Project Pursuant to this Housing Program

Section A. Definitions. The following terms used in this Housing Program shall have the following meanings, respectively:

“Act” shall mean Minnesota Statutes, Chapter 462C, as currently in effect and as the same may be amended from time to time.

“Authority” shall mean the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota.

“City” shall mean the City of Minneapolis.

“Company” shall mean Winnipeg Apartments Limited Partnership, a Minnesota limited partnership.

“Housing Program” shall mean this housing program for the financing of the Project pursuant to the Act.

“Housing Unit” shall mean any one of the dwelling units, each located in the Project, occupied by one person or family, and containing complete living facilities.

“Land” shall mean the real property upon which the Project is situated.

“Project” shall mean the 56-unit multifamily residential rental housing development and related improvements, including a commercial space of approximately 6,000 square feet, to be acquired, constructed, and equipped by the Company.

“Series 2007A Bonds” shall mean the revenue bonds, designated as the Multifamily Housing Revenue Bonds, Series 2007 (GNMA Collateralized Mortgage Loan – Winnipeg Apartments Project), to be jointly issued by the City and the Authority to finance a portion of the costs of the Project, fund one or more reserves, and pay the costs of issuing the Series 2007A Bonds and the Series 2007B Bond.

“Series 2007B Bond” shall mean the revenue obligation to be designated as the Multifamily Housing Revenue Bond (Winnipeg Apartments Project), Series 2007B, to be jointly issued by the City and the Authority to finance a portion of the costs of the Project and pay the costs of issuing the Series 2007A Bonds and the Series 2007B Bond.

Section B. Program For Financing the Project. It is proposed that the City establish this Housing Program to provide financing for the acquisition, construction and equipping of the Project at a cost and upon such other terms and conditions as are set forth herein and as may be agreed upon in writing between the City, the Authority, the initial purchaser of the Series 2007A Bonds, the initial purchaser of the Series 2007B Bond, and the Company. The City and the Authority expect to issue the Series 2007A Bonds and the Series 2007B Bond as soon as the terms of the Series 2007A Bonds and the Series 2007B Bond have

been agreed upon by the City, the Authority, the Company, the initial purchaser of the Series 2007A Bonds, and the initial purchaser of the Series 2007B Bond. The proceeds of the Series 2007A Bonds and the Series 2007B Bond will be loaned by the City and the Authority to the Company to finance the acquisition, construction, and equipping of the Project, to fund required reserves and to pay the costs of issuing the Series 2007A Bonds and the Series 2007B Bond. It is expected that a trustee will be appointed by the City and the Authority to provide for the payment of the principal of and interest on the Series 2007A Bonds. It is expected that the Series 2007B Bond will be sold to a single institutional purchaser and all principal and interest payments on the Series 2007B Bond will be paid directly to the owner of the Series 2007B Bond.

It is anticipated that the Series 2007A Bonds will have a maturity not expected to exceed forty-five (45) years and will bear interest at a variable rate or at fixed rates consistent with the market at the time of issuance. It is anticipated that the Series 2007B Bond will have a maturity not expected to exceed ten (10) years and will bear interest at a variable rate or at fixed rates consistent with the market at the time of issuance.

The City will hire no additional staff for the administration of the Housing Program. Insofar as the City will be contracting with underwriters, legal counsel, bond counsel, the trustee, and others, all of whom will be reimbursed from bond proceeds and revenues generated by the Housing Program, no administrative costs will be paid from the City's budget with respect to this Housing Program. Neither the Series 2007A Bonds nor the Series 2007B Bond will be general or moral obligations of the City, but are to be paid only from properties pledged to the payment thereof, which may include additional security such as additional collateral, insurance, a letter of credit, or other credit enhancement.

Section C. Standards and Requirements Relating to the Financing of the Project Pursuant to the Housing Program. The following standards and requirements shall apply with respect to the operation of the Project by the Company pursuant to this Housing Program:

(1) Substantially all of the proceeds of the sale of the Series 2007A Bonds and the Series 2007B Bond will be applied to the acquisition, construction, and equipping of the Project, the payment of the costs of issuing the Series 2007A Bonds, and the funding of appropriate reserves. The proceeds of the Series 2007A Bonds will be made available to the Company pursuant to the terms of a financing agreement (or other revenue agreement) which will include certain covenants to be made by the Company to the City and the Authority regarding the use of proceeds and the character and use of the Project. The proceeds of the Series 2007B Bond will be made available to the Company pursuant to the terms of a loan agreement (or other revenue agreement) which will include certain covenants to be made by the Company to the City and the Authority regarding the use of proceeds and the character and use of the Project.

(2) The Project qualifies as a "multifamily housing development," within the meaning of the Act, since it is comprised of an apartment facility, the units of which are rented to persons or families for use as residences.

(3) The Company, and any subsequent owner of the Project, will not arbitrarily reject an application from a proposed tenant because of race, color, creed, religion, national origin, sex, marital status, or status with regard to public assistance or disability.

(4) It is expected that: (i) twenty percent (20%) of the Housing Units will be held for occupancy by families or individuals with gross income not in excess of fifty percent (50%) of median family income, adjusted for family size; or (ii) forty percent (40%) of the Housing Units will be held for occupancy by families or individuals with gross income not in excess of sixty percent (60%) of median family income, adjusted for family size. This set aside will satisfy the low-income occupancy requirements of Section 462C.05, subdivision 2, of the Act.

(5) Pursuant to the policies of the City and the Authority, it is expected that at least ten percent (10%) of the Housing Units will be held for occupancy by families or individuals with gross income not in excess of fifty percent (50%) of median family income, adjusted for family size and an additional ten percent (10%) of the Housing Units will be held for occupancy by families or individuals with gross income not in excess of thirty percent (30%) of median family income, adjusted for family size. The Housing Units set aside to meet these requirements may be the same Housing Units set aside to meet the requirements delineated in Section C(4) above.

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(6) The unit mix, size of units, and proposed monthly rents per unit are shown on the following table:

<u>Unit Type</u>	<u>Number of Units</u>	<u>Square Footage of Units</u>	<u>Proposed Monthly Rent Per Unit</u>
1BR	2	655	\$190
1BR	3	655	\$705
1BR	21	655	\$705
2BR	3	892	\$222
2BR	3	892	\$840
2BR	22	892	\$840
3BR	1	1,409	\$252
3BR	<u>1</u>	1,409	\$967
Total	56		

Subsection D. Evidence of Compliance. The City may require from the Company, at or before the issuance of the Series 2007A Bonds and the Series 2007B Bond, evidence satisfactory to the City of compliance with the standards and requirements for financing established by the City, as set forth herein; and in connection therewith, the City or its representatives may inspect the relevant books and records of the Company in order to confirm such ability, intention and compliance. In addition, the City may periodically require certification from the Company concerning continuing compliance with various aspects of this Housing Program.

Subsection E. Issuance of Series 2007A Bonds. To finance the Housing Program authorized by this Section, the City and the Authority will jointly issue and sell (i) the Series 2007A Bonds in an aggregate principal amount of approximately \$3,000,000; and (ii) the Series 2007B Bond in an aggregate principal amount of approximately \$4,000,000. The Series 2007A Bonds and the Series 2007B Bond will be issued pursuant to Section 462C.07, subdivision 1, of the Act, and will be payable primarily from the revenues of this Housing Program and the Project. The costs of the Project, including costs of issuance of the Series 2007A Bonds and the Series 2007B Bond and required reserve funds, are presently expected to be in excess of the principal amount of the Series 2007A Bonds and the Series 2007B Bond. It is expected that the Company will contribute to the Project the difference between the total costs of the Project and the principal amount of the Series 2007A Bonds and the Series 2007B Bond available to finance the Project. The costs of the Project may change between the date of preparation of this Housing Program and the date of issuance of the Series 2007A Bonds and the Series 2007B Bond. The Series 2007A Bonds and the Series 2007B Bond are expected to be issued within the final four months of calendar year 2007.

Subsection F. Severability. The provisions of this Housing Program are severable and if any of its provisions, sentences, clauses or paragraphs shall be held unconstitutional, contrary to statute, exceeding the authority of the City or otherwise illegal or inoperative by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions.

Subsection G. Amendment. The City shall not amend this Housing Program, while the Series 2007A Bonds or the Series 2007B Bond authorized hereby are outstanding, to the detriment of the holders of the Series 2007A Bonds or the Series 2007B Bond.

Subsection H. State Ceiling. The City will allocate a portion of the "entitlement issuer allocation" made to the City for calendar year 2007 pursuant to Minnesota Statutes, Section 474A.03, subdivision 2a, of the annual volume cap for private activity bonds pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, and Minnesota Statutes, Chapter 474A, as amended (the "Allocation Act"). Pursuant to an agreement between the City, the Authority and the City of Saint Paul, a portion of the "entitlement issuer allocation" made to the City of Saint Paul for calendar year 2008 pursuant to Minnesota Statutes, Section 474A.03, subdivision 2a, will be made available for a project located in the City to be financed under the Act.

Pursuant to the terms and requirements of the Allocation Act: (i) the Project will meet the requirements of Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the incomes of the occupants of the Project; (ii) the maximum rent for at least twenty percent (20%) of the units in the Project will not exceed the area fair market rent or exception fair market rents for existing housing, if applicable, as established by the United States Department of Housing and Urban Development; (iii) the Company will enter into a binding agreement with the Minnesota Housing Finance Agency under which the Company is obligated to extend any existing low-income affordability restrictions and any contract or agreement for rental assistance payments for the maximum term permitted, including any renewals thereof; and (iv) the Minnesota Housing Finance Agency will certify that the Project reserves will be maintained on the date of issuance of the Series 2007A Bonds and budgeted in future years at the lesser of: (A) the level described in Minnesota Rules, part 4900.0010, subpart 7, item A, subitem (2), effective May 1, 1997; or (B) the level of project reserves available prior to the issuance of the Series 2007A Bonds and the Series 2007B Bond, provided that additional money is available to accomplish repairs and replacements needed at the time of the issuance of the Series 2007A Bonds and the Series 2007B Bond.

Prior to the issuance of the Series 2007A Bonds and the Series 2007B Bond, the Company will enter into a fifteen-year agreement with the City and the Authority that specifies the maximum rental rates of the rent-restricted units in the Project and the income levels of the residents of the Project occupying the income-restricted units. Such rental rates and income levels must be within the limitations established in accordance with the preceding paragraph. The Company will be required to annually certify to the City and the Authority over the term of the agreement that the rental rates for the rent-restricted units are within the limitations under the preceding paragraph. The City or the Authority may

request individual certification of the income of residents of the income-restricted units of the Project. The Minnesota Department of Finance may request from the City and the Authority a copy of the annual certification prepared by the Company. The Minnesota Department of Finance may require the City and the Authority to request individual certification of all residents of the income-restricted units of the Project.