

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

**Date:** September 22, 2009

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

**Subject:** Lyndale Green - Public Hearing and Request for Preliminary Approval of up to \$7.5 million in Tax Exempt Multi-family Housing Entitlement Revenue Bonds

**Recommendation:** Adopt the attached Resolution giving Preliminary Approval of up to \$7.5 million in Tax-Exempt Multi-family Housing Entitlement Revenue Bonds for the Lyndale Green project.

**Previous Directives:** 1) On April 18, 2008, the Council authorized the submission of a Hennepin County Transit Oriented Development (TOD) application and authorized submission of a Hennepin County ERF grant application; 2) on June 6, 2008, the Council authorized submission for Livable Communities Demonstration Account (LCDA) funding by the Metropolitan Council; 3) on August 8, 2008, the Council authorized acceptance of the County ERF grant funds; 4) on September 26, 2008, the Council authorized staff to execute a Cooperative Agreement with Hennepin County related to a TOD grant awarded to the project; 5) on October 24, 2008, the Council adopted a resolution approving the Lyndale Green Redevelopment Plan; 6) on December 12, 2008, the Council authorized an Affordable Housing Trust Fund loan to the project in the amount up to \$975,000; 7) on February 6, 2009, the Council authorized acceptance of the LCDA grant in the amount of \$850,000; and 8) on March 6, 2009, the Council granted Preliminary Analysis Authorization in response to a TIF application for the project.

Prepared by: Amy Geisler, CPED Senior Project Coordinator (612) 673-5266

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

Thomas A. Streitz, Director, Housing Policy & Development \_\_\_\_\_

Presenter in Committee: Amy Geisler

### Financial Impact

- The project will generate semi-annual administrative fees.

### Community Impact

- Neighborhood Notification – The Whittier Alliance has supported Brighton's proposal and has also been notified that this report is being considered by the City Council.
- City Goals: 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.
- Sustainability Targets: Affordable Housing Units – new construction.

- Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.11 Minneapolis will improve the availability of housing options for its residents.
- Zoning Code: On August 10, 2009, the City Planning Commission approved Brighton's land use applications related to the project (including a rezoning), which are expected to be considered for final approval by the City Council in September 2009.

### **Supporting Information**

Brighton Development Corp. is proposing to purchase a portion of the Salem English Lutheran Church site in order to develop a four-story, mixed-use building on the Lyndale Avenue frontage of the church's property. Brighton proposes to demolish a 1960s-era addition to the original church and surface parking lot, and construct the new building in their place. The original church will be retained and renovated, for shared use by the Salem English Lutheran Church and Lyndale United Church of Christ congregations.

### **Development Proposal**

The Lyndale Green project will include a total of 61 rental units, with 31 one-bedroom units and 30 two-bedroom units. Thirteen of the units (21%) will be affordable to households with incomes below 50% of MMI, which meets the 20% requirement under the City's Affordable Housing Policy.

The building will also contain approximately 8,400 square feet of commercial space, along the Lyndale Avenue frontage. The commercial space is expected to be occupied by retail, restaurant, and/or office users. A total of 52 spaces of underground parking will be reserved for the housing, with an additional 47 parking spaces located in a surface parking lot between the new building and the church. Building materials include cast stone, brick, concrete, metal, and glass. A site plan and building elevations are attached to this report.

### **Housing Revenue Bond Information**

The total development cost (TDC) of the project is estimated at \$12 million. To date, Brighton Development has been approved for \$975,000 in deferred loan funds from the Affordable Housing Trust Fund (AHTF), and has also submitted a request for approximately \$500,000 in TIF assistance. Pursuant to Council approval of Project Analysis Authorization (PAA) this past February, staff is currently analyzing the TIF request and expects to return to the Council later this fall or early winter with the proposed TIF Plan and redevelopment contract terms. Brighton has also received awards from the Metropolitan Council and Hennepin County.

Brighton has now submitted an application for housing entitlement revenue bond (HRB) financing and is requesting the issuance of up to \$7.5 million in tax-exempt housing revenue bonds from the City's 2008 entitlement allocation. The bonds are expected to be issued in two series: Series A (approximately \$5 million), including the TIF proceeds, to be used as permanent financing; and Series B (approximately \$2.5 million), to be used as part of the construction financing. The permanent bonds are proposed to be credit-enhanced by Freddie Mac through Wells Fargo. The

use of housing revenue bonds also automatically includes the availability of 4% low income housing tax credits, which in this case are expected to generate about \$3,200,000 in syndication proceeds. Additional information on the project is included on the attached Project Data Worksheet.

The current status of the 2008 HRB Entitlement allocation is shown below. The Blue Goose Apartments was the first project to be presented for approval from the 2008 Entitlement. Nokomis Senior Assisted Living has also received approval from the 2008 Entitlement.

2008 HRB Entitlement	\$59,272,000
Blue Goose Apartments	\$2,832,089
Nokomis Senior Assisted Living	\$2,500,000
Lyndale Green	\$7,500,000
2008 Entitlement Remaining	\$46,434,911

Bond Purchaser/Underwriter      Wells Fargo/US Bank  
Bond Counsel                              Leonard Street and Deinhard  
Council Member Informed              Yes, Ward 6

### **Project Timeline**

The proposed project timeline is as follows:

- Consideration of Preliminary Approval of housing revenue bonds in September 2009.
- Consideration of redevelopment contract business terms, the creation of the Housing TIF District, and final housing revenue bond approval by the City Council in fall 2009/winter 2010.
- Closing and construction start in spring 2010.

### **Attachments**

- Project Data Worksheet
- Site Plan and Building Elevations
- Resolution

**RESOLUTION  
of the  
City of Minneapolis**

APPROVING A HOUSING FINANCE PROGRAM FOR A MULTIFAMILY HOUSING  
DEVELOPMENT AND PRELIMINARILY APPROVING THE ISSUANCE OF  
HOUSING REVENUE BONDS

WHEREAS, pursuant to Minnesota Statutes, Chapter 462C (the "Act"), the City of Minneapolis, Minnesota (the "City") is authorized to carry out programs to finance multifamily housing designed to be affordable to persons of low and moderate income; and

WHEREAS, Brighton Lyndale Development, LLC ("Developer") has proposed that the City issue its multifamily housing revenue obligations an aggregate principal amount of approximately \$7,500,000 (the "Bonds") and loan the proceeds to Lyndale Salen Green Limited Partnership, a Minnesota limited partnership formed or to be formed in which BLD will be the general partner (the "Owner"), to finance the acquisition and construction of the portion of a mixed-use facility constituting a 61-unit multifamily housing development (the "Project") pursuant to a Housing Finance Program in substantially the form attached hereto as **Exhibit A** (the "Program"); and

WHEREAS, the Project is to be located at the northeast corner of the intersection of Lyndale Avenue South and 28th Street in the City, and is designed to be affordable to low and moderate income persons as required under the Act and Minnesota Statutes, Section 474A.047; and

WHEREAS, on September 22, 2009, the Community Development Committee of the City Council conducted a public hearing regarding the Program, as required by the Act, and regarding the issuance of the Bonds, as required by Section 147(f) of the Internal Revenue Code of 1986, as amended, for which not fewer than fifteen day's notice was duly published in a newspaper of general circulation in the City; and

WHEREAS, a copy of the Program was provided to the Metropolitan Council at or prior to the date notice of the public hearing was published; and

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

1. The City hereby approves the Program in substantially the form attached hereto and gives preliminary approval to the issuance of the Bonds to finance the Project. The officers and staff of the City are authorized to take all actions as may be necessary or appropriate to carry out the Program in accordance with the Act and any other applicable laws or regulations.

2. On the basis of information available to the City Council, it appears, and the City Council hereby finds, that the project constitutes a multifamily rental housing development and furthers the purposes of the Act; that the Project is designed for rental by low and moderate income persons and families; that the availability of financing under the Act and the willingness of the Issuer to furnish such financing will be a substantial inducement to the Owner to develop and operate the Project, and that the effect of financing the Project, if undertaken, will be to promote the availability of adequate affordable housing to elderly residents of the City.

3. Any and all costs incurred by the City in connection with the financing of the Project, whether or not the proposed financing of the Project is carried to completion and whether or not the issuance of Bonds is approved by the Issuer, will be paid by the Owner.

4. Nothing in this resolution shall be construed to require the City to approve any element of the Project or the issuance of the Bonds, nor shall this resolution be construed as vesting in the Owner any cause of action against the City arising from any failure or refusal by the City to approve the issuance of the Bonds.

5. Nothing in this resolution or the documents prepared pursuant hereto shall authorize the expenditure of any municipal funds on the financing of the Project or the payment of the Bonds other than the revenues derived from the Project or otherwise granted to the City for this purpose. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any direct liability thereon. The holder of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Bonds or the interest thereon, or to enforce payment thereon against any property of the City. The Bonds shall recite in substance that the Bonds, including the interest thereon, are payable solely from the revenue and proceeds pledged to the payment thereof. The Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision.