

Minneapolis Community Development Agency

## Request for City Council Action

Date: September 30, 2003

To: Council Member Lisa Goodman, Community Development Committee

Prepared by Donna Wiemann, Senior Project Coordinator, Phone 612-673-5257

Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

**Subject: Public Hearing giving Preliminary and Final Approval of up to \$7,845,000 in Student Residence Revenue Bonds for Riverton Community Housing Project**

**Previous Directives:** In June, 2000, the City Council approved up to \$12 million in student housing revenue bonds for Riverton Community Housing to acquire 2300 E. Franklin and 2329 South 9<sup>th</sup> Street, to rehabilitate 1405 Fifth Street S.E. (Marshall Student Housing Cooperative), and to refund existing bond debt on 1000 – 8<sup>th</sup> Street S.E. and 700 – 10<sup>th</sup> Avenue S.E. (Marcy Park). In June, 1995, the Council approved the issuance of up to \$1,250,000 in student housing bonds for the acquisition of 1000 – 8<sup>th</sup> Street S.E. and 700 – 10<sup>th</sup> Avenue S.E. (Marcy Park).

**Ward:** Ward 2

**Neighborhood Group Notification:** The following neighborhood groups have been notified: Southeast Como Improvement Association, Seward Neighborhood Group, and Marcy-Holmes Neighborhood Association.

**Consistency with *Building a City That Works*:** The project provides a diversity of housing choices within each community by providing financial tools for new and existing housing.

**Comprehensive Plan Compliance:** In compliance.

**Zoning Code Compliance:** In compliance.

**Impact on MCDA Budget:** (Check those that apply)

- No financial impact  
 Action requires an appropriation increase to the MCDA Budget  
 Action provides increased revenue for appropriation increase

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Action requires use of contingency or reserves  
 Other financial impact (Explain): Issuance of bonds.

**Living Wage / Business Subsidy:** Not applicable.

**Job Linkage:** Not applicable.

**Affirmative Action Compliance:** Will comply.

**RECOMMENDATION:**

**City Council Recommendation: The Executive Director recommends that the City Council adopt the attached resolution giving approval of up to \$7,845,000 in Variable Rate Student Residence Bonds for Riverton Community Housing Project. Summary publication of the Resolution is requested.**

**Background/Supporting Information**

Riverton Community Housing is a 501 (c)(3) organization formed 30 years ago to provide affordable housing for students and faculty in a post secondary, educational environment.

In June, 2000, the City Council approved up to \$12 million in student housing revenue bonds for Riverton Community Housing to acquire 2300 E. Franklin and 2329 South 9<sup>th</sup> Street, to rehabilitate 1405 Fifth Street S.E. (Marshall Student Housing Cooperative), and to refund existing bond debt on 1000 – 8<sup>th</sup> Street S.E. and 700 – 10<sup>th</sup> Avenue S.E. (Marcy Park). In June, 1995, the Council approved the issuance of up to \$1,250,000 in student housing bonds for the acquisition of 1000 – 8<sup>th</sup> Street S.E. and 700 – 10<sup>th</sup> Avenue S.E. (Marcy Park).

**Project Description**

Riverton Community Housing is the owner of (i) the 127 unit apartment building known as the Chateau located at 425 13<sup>th</sup> Avenue S.E. in Minneapolis; (ii) the 36 unit town house project known as Cole Avenue Townhomes located at 2525 Cole Avenue S.E. in Minneapolis; and (iii) the 182 unit apartment complex known as Franklin located at 2300 East Franklin Avenue in Minneapolis.

Riverton Community Housing is requesting the issuance of up to \$7,845,000 Variable Rate Student Residence Bonds to refinance and renovate 425 – 13<sup>th</sup> Avenue S.E. and 2525 Cole Avenue S.E. and to renovate 2300 East Franklin. There is a total of 275 units in the project.

The unit type and rents by building are as follows:

**Chateau Cooperative – 425 –13<sup>th</sup> Avenue S.E.**

<u>Number of Units</u>	<u>Type</u>	<u>Rents</u>
15	Efficiency	\$515-526
24	1 Bedroom	585-590
10	1 Bedroom+	601-606
48	2 Bedroom	771
18	3 Bedroom	892
<u>12</u>	4 Bedroom	1,131
57		

**Cole Avenue Apartments – 2525 Cole Avenue S.E.**

<u>Number of Units</u>	<u>Type</u>	<u>Rents</u>
12	2 Bedroom	\$1,175
<u>24</u>	3 Bedroom	1,375
36		

**Franklin – 2300 E. Franklin**

<u>Number of Units</u>	<u>Type</u>	<u>Rents</u>
1	Efficiency	\$585
79	1 Bedroom	640
100	2 Bedroom	795
<u>2</u>	3 Bedroom	1,245
182		

The Bonds will be guaranteed as to principal and interest by LaSalle Bank National Association by means of a letter of credit issued to the Trustee. Similar obligations of LaSalle Bank National Association have received a rating of AA- from S&P, and a similar rating is expected with respect to the Bonds.

Proposed renovation at 2525 Cole Avenue S.E. (Cole Avenue Townhomes) will be external repairs (e.g. roof, and balconies) and upgrading appliances and carpets. The proposed renovation at 425 - 13<sup>th</sup> Avenue will be carpet, cabinets, HVAC valves, boiler burner replacement and upgrades to the ventilation system. The proposed renovation at 2300 Franklin will include: roof repair, interior painting, plumbing and heating work, add air exchange system to improve ventilation, kitchen appliances and cabinets, bathroom floors and fixtures, and so forth.

The estimated sources and uses:

**SOURCES OF FUNDS**

Tax Exempt and Taxable Bonds	\$7,700,000
Cash Flow from Operations	179,962
<b>TOTAL SOURCES</b>	<u><u>\$7,879,962</u></u>

**USES OF FUNDS**

Underwriter's Expense	\$ 154,000
Costs of Issuance	176,038
First Quarterly LOC Payment	32,197
Bank LOC Commitment Fee	97,568
Loan Payoff -- Cole Avenue Townhomes	3,243,535
Loan Payoff -- Chateau First Mortgage	1,215,000
Loan Payoff -- Chateau Second Mortgage	1,180,919
Franklin Renovation	1,609,705
Chateau Renovation	135,000
Cole Renovation	36,000
<b>TOTAL USES</b>	<u><u>\$7,879,962</u></u>

The affordability requirements of the project are as follows:

- 40% of the units in the Chateau Cooperative are occupied by families or individuals with income at or below 60% of area median income.
- 75% of the units in the Cole Avenue Townhomes and Franklin Cooperative are occupied by families or individuals with income at or below 80% of area median income and, of that 75%, at least 20% are occupied by families or individuals with income at or below 50% of area median income.

HRB Entitlement

501 (c)(3) bonds are outside the cap.

Bond Counsel

Fredrikson and Byron, P.A.

Underwriter

Dougherty & Company LLC

Council Member Informed

Yes, Ward 2

For further information, contact Donna Wiemann at 612-673-5257.

**Giving Preliminary and Final Approval to the issuance of the City of Minneapolis, Minnesota, Variable Rate Demand Student Residence Revenue Bonds (Riverton Community Housing Project) Series 2003A and 2003T pursuant to Minnesota Statutes, Chapter 462C, for the purpose of refinancing and rehabilitating Multifamily Housing Developments for Student Housing, Funding any Required Reserves for and Paying Certain Costs of Issuance of the Series 2003A and 2003T Bonds; Prescribing the forms and Authorizing the Execution and Delivery, of a Loan Agreement and Indenture; Authorizing the Execution and Delivery of the Series 2003A and 2003T Bonds.**

**WHEREAS**, the City of Minneapolis, Minnesota (the “City”) is a municipal corporation and political subdivision of the State of Minnesota; and

**WHEREAS**, pursuant to the Constitution and laws of the State of Minnesota, particularly the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C (the “Act”) the City is authorized to carry out the public purposes described therein and contemplated thereby by issuing its revenue bonds to undertake the financing and rehabilitation of multifamily housing for persons of low and moderate income to be located within its corporate boundaries; and

**WHEREAS**, the City Council (the “City Council”) of the City has prepared the Housing Plan for Local Housing for the City of Minneapolis, Minnesota, revised June, 1984 (the “Plan”) which Plan was adopted pursuant to the Act on July 13, 1984; and

**WHEREAS**, the Act requires adoption of a housing finance program after a public hearing held thereon for which notice was published in a newspaper of general circulation in the City at least fifteen (15) days in advance of the hearing; and

**WHEREAS**, there has been proposed a program (the “Program”) for the issuance of bonds to finance the refinancing and rehabilitation by Riverton Community Housing, a Minnesota nonprofit corporation (the “Company”) of a 36-unit student housing residence located at 2525 Cole Avenue SE, known as the Cole Avenue Townhomes and of a 127-unit student housing residence located at 425 - 13th Avenue SE, known as the Chateau Cooperative, and the rehabilitation of a 182-unit student housing residence known as Franklin Student Cooperative and located at 2300 Franklin Avenue East (collectively, the “Project”) and to pay costs of issuance of, and to fund any required reserves to secure repayment of, the revenue bonds proposed to be issued to finance the Project; and

**WHEREAS**, the cost of the Program is presently estimated to be in excess of \$7,845,000; and

**WHEREAS**, under the provisions of the Act the City has adopted the Plan and prepared and approved the Program after having duly called and held the required public hearings on September 30, 2003, after at least 15 days' published notice, as required by the Act; and

**WHEREAS**, the Program was submitted to the Metropolitan Council on or prior to the date of publication of notice of the public hearing on such Program, and the Metropolitan Council has been afforded an opportunity to present comments at the public hearing, all as required by the Act; and

**WHEREAS**, the City desires to facilitate the development of student rental housing within the community, encourage the preservation of affordable housing opportunities for residents of the City, encourage the preservation of housing facilities designed for occupancy by persons of low or moderate income within the boundaries of the City, and the maintenance of affordable units in the Project would assist the City in achieving these objectives; and

**WHEREAS**, the Program will result in the provision of decent, safe and sanitary rental housing opportunities to students and faculty within the community; and

**WHEREAS**, this City Council has been advised that conventional, commercial financing to pay the capital costs of the Program is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Project would be significantly reduced, but the City Council has been further advised that with the aid of municipal financing and resulting low borrowing costs, the Project is economically more feasible; and

**WHEREAS**, the staff of the City considers the proposed Program to be in furtherance of the housing policies of the State of Minnesota as stated in the Act and of the City as stated in the Plan;

**WHEREAS**, Riverton Community Housing Association, Inc., a Minnesota non-profit corporation (the "Company") has requested that the City issue, on or about October 15, 2004, its \$7,385,000 Variable Rate Demand Student Residence Revenue Bonds (Riverton Community Housing Project), Series 2003A (the "Series 2003A Bonds") and its \$460,000 Taxable Variable Rate Demand Student Residence Revenue Bonds (Riverton Community Housing Project), Series 2003T (the "Series 2003T Bonds") (collectively, the "Bonds") to provide for the funding of a loan (the "Loan") to the Company for the purpose of financing the Project; and

**WHEREAS**, the Bonds will be payable solely from the revenues of the Project and other moneys, if any, provided by the Company, and the Bonds will not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers; and

**WHEREAS**, it is proposed that:

(a) The City issue (i) the Series 2003A Bonds in an aggregate principal amount not to exceed \$7,385,000, the interest on which is intended to be exempt from federal income taxation; and (ii) the Series 2003T Bonds in an aggregate amount not to exceed \$460,000, the interest on which is intended to be subject to federal income taxation; and

(b) The City enter into a Loan Agreement (the “Loan Agreement”), with the Company, to provide for the City’s loan of the proceeds of the Bonds;

(c) The City enter into an Indenture of Trust (the “Indenture”) between the City and LaSalle Bank National Association (the “Trustee”), authorizing the issuance of the Bonds and pledging certain revenues, including those to be derived from the Loan Agreement, as security for the Bonds, and setting forth proposed recitals, covenants and agreements relating thereto;

(d) The Company enter into a Mortgage and Security Agreement and Fixture Financing Statement and an Assignment of Rents and Leases, to secure the payment of the Bonds to the City; and

(e) The City assign its interests in the Mortgage and Security Agreement and Fixture Financing Statement and the Assignment of Rents and Leases to the Trustee to secure the payment of the Bonds, pursuant to Assignments of the Mortgage and Security Agreement and Fixture Financing Statement and the Assignment of Rents and Leases (the “Assignments”); and

**WHEREAS**, at least seventy-five percent (75%) of the dwelling units in the Cole Avenue Townhomes and Franklin Student Cooperative portions of the Project shall be held for occupancy by families or individuals with adjusted gross income not in excess of eighty percent (80%) of the median family income estimated by the United States Department of Housing and Urban Development for the Minneapolis/St. Paul Standard Metropolitan Statistical Area and, of that 75%, at least twenty percent (20%) of the dwelling units in the Cole Avenue Townhomes and Franklin Student Cooperative portions of the Project shall be held for occupancy by families or individuals with adjusted gross income not in excess of fifty percent (50%) of such median family income; and

**WHEREAS**, at least forty percent (40%) of the dwelling units in the Chateau Cooperative portion of the Project shall be held for occupancy by families or individuals with adjusted gross income not in excess of sixty percent (60%) of the median family income estimated by the United States Department of Housing and Urban Development for the Minneapolis/St. Paul Standard Metropolitan Statistical Area;

**WHEREAS**, the City has received an offer from Dougherty & Company LLC (the “Original Purchaser”), for the purchase of the Bonds at an initial interest rate not to exceed Three Percent (3%) for the Series A Bonds and Four Percent (4%) for the Series T Bonds, pursuant to the terms of a Bond Purchase Agreement (the “Bond Purchase Agreement”); and

**WHEREAS**, no litigation is pending or, to the actual knowledge of the members of this Council, threatened against the City questioning the organization or boundaries of the City, or in any manner questioning the right and power of the City to execute and deliver the Bonds, or otherwise questioning the validity of the Bonds or the proposed Loan Agreement or Indenture; or questioning the appropriation of revenues for the payment of the Bonds or the right of the City to lend the proceeds of the Bonds to the Company; and

**WHEREAS**, the Council believes all acts and things required under the Constitution and the laws of the State of Minnesota to make the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Assignments and the Bonds the valid and binding obligations of the City in accordance with their terms will have been done upon adoption of this Resolution and the execution and delivery of the Loan Agreement, the Indenture and the Bonds; and

**WHEREAS**, the City intends to treat the Series 2003A Bonds as an acquired program investment as defined in Treasury Regulation 1.148-1(b); and

**WHEREAS**, it is necessary and proper at this time that the City (a) approve the Program, (b) authorize the issuance of the Bonds and the application of the proceeds thereof to provide for the funding of the Loan (c) authorize the execution and delivery of the Loan Agreement, the Bond Purchase Agreement, and the Assignments, (d) authorize the execution and delivery of the Indenture, and (d) confirm and approve the sale of the Bonds to the Original Purchaser.

**Now, Therefore, Be It Resolved by the City Council of the City of Minneapolis, Minnesota, as follows:**

Section 1. The Program is hereby approved and the City is authorized by the Act to issue the Bonds and to loan the proceeds thereof to the Company to finance the refinancing and rehabilitation of a 36-unit student housing residence located at 2525 Cole Avenue SE, known as the Cole Avenue Townhomes and of a 127-unit student housing residence located at 425 - 13th Avenue SE, known as the Chateau Cooperative, and the rehabilitation of a 182-unit student housing residence known as Franklin Student Cooperative and located at 2300 Franklin Avenue East and to pay costs of issuance of, and to fund any required reserves to secure repayment of, the Bonds.

Section 2. Pursuant to the above, there have been prepared and presented to this Council copies of the following documents (in the aggregate, the Documents) all of which are now placed on file in the office of the City Clerk;

- (a) The Series 2003A Bonds and the Series 2003T Bonds;
- (b) The Loan Agreement;
- (c) The Indenture;
- (d) The Mortgage;
- (e) The Assignment of Leases and Rents; (the "Assignment of Leases") from the Company to the Trustee;
- (f) The Assignments from the City to the Trustee;

- (g) A Bond Purchase Agreement (the “Bond Purchase Agreement”) by and among the Original Purchaser, the Company, and the City, providing for the purchase of the Bonds from the City by the Original Purchaser and setting the terms and conditions of purchase; and
- (h) The Preliminary Official Statement (the “Preliminary Official Statement”) pursuant to which the Bonds will be offered.

Section 3. The forms of the Documents listed above are approved, with such changes therein, not inconsistent with this Resolution and not materially adverse to the City, as may be permitted by the Act and approved by the officers executing the same on behalf of the City. The Mayor, the City Clerk and the Finance Officer are hereby authorized and directed to execute, attest, and deliver the Loan Agreement, the Indenture, the Bond Purchase Agreement, and the Assignments. All of the provisions of the Loan Agreement, the Indenture, the Bond Purchase Agreement, and the Assignments, 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 Loan Agreement, the Indenture, the Bond Purchase Agreement, and the Assignments shall be substantially in the forms submitted to the City, with such changes therein not inconsistent with this Resolution and not substantially adverse to the City as may be permitted by the Act and approved by the officers executing the same on behalf of the City.

Section 4. For the purpose of funding the Loan, there is hereby authorized the issuance of not to exceed (i) \$7,385,000 aggregate principal amount of City of Minneapolis, Minnesota Variable Rate Demand Student Residence Revenue Bonds (Riverton Community Housing Project), Series 2003A, the interest on which is intended to be exempt from federal income taxation; and (ii) \$460,000 aggregate principal amount of City of Minneapolis, Minnesota Taxable Variable Rate Demand Student Residence Revenue Bonds (Riverton Community Housing Project), Series 2003T, the interest on which is intended to be subject to federal income taxation. The Bonds shall be issued at an initial interest rate not to exceed Three Percent (3%) for the Series A Bonds and Four Percent (4%) for the Series T Bonds and shall be substantially in the forms and upon the terms set forth in the Indenture, which terms are for this purpose incorporated in this resolution and made a part hereof, provided, however, that the maturities of the Bonds, the actual initial interest rates thereon, the rights of optional or mandatory redemption with respect thereto and the principal amounts of the Bonds shall all be as set forth in the final form of Indenture to be approved, executed and delivered by the officers of the City authorized to do so by the provisions of this Resolution, which approval shall be conclusively evidenced by such execution and delivery. The Mayor, the City Clerk or the Finance Officer are authorized and directed to prepare and execute the Bonds as prescribed in the Indenture and to deliver them to the Trustee, together with a certified copy of this Resolution and the other documents required by the Indenture, for authentication, registration and delivery to the Original Purchaser. As provided in the Indenture, each Bond shall contain a recital that it is issued pursuant to the Act, and such recital shall be conclusive evidence of the validity and the regularity of the issuance thereof.

Section 5. The Bonds may be issued in book-entry form in accordance with the terms of the Indenture. All Bonds not issued in book-entry form shall be executed by the facsimile

signatures of the Mayor and the City Clerk and the Finance Officer and the facsimile of the official seal of the City shall be imprinted thereon. The Trustee is hereby appointed authenticating agent. All Bonds not issued in book-entry form shall contain an authentication certificate, to be executed by the Trustee as authenticating agent.

Section 6. The City hereby consents to the circulation by the Original Purchaser of the Preliminary Official Statement, in form substantially similar to the form on file with the City Clerk, with respect to offering the Bonds for sale; provided, however, that the City has not participated in the preparation of the Preliminary Official Statement or independently verified the information in the Preliminary Official Statement and takes no responsibility for, and makes no representations or warranties as to, the accuracy or completeness of such information.

Section 7. In the absence of the Mayor, the City Clerk or the Finance Officer, the Bonds and any of the other documents authorized by this Resolution to be executed and delivered, may be executed and delivered by any other member of the City Council in place of the Mayor and by the Assistant Finance Officer in place of the Finance Officer, or such other officers of the City as, in the opinion of City's Counsel, have authority to execute and deliver such documents.

Section 8. In case any one or more of the provisions of this Resolution, the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Assignments, or 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, the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Assignments, or the Bonds, but this Resolution, the Loan Agreement, the Indenture, the Bond Purchase Agreement, the Assignments, and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

Section 9. The Bonds shall contain a recital that the Bonds are being 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 Constitution and 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 Loan Agreement, the Bond Purchase Agreement, the Assignments, and the Indenture to happen, to exist, and to be performed precedent to and in the adoption of this Resolution and precedent to the issuance of the Bonds and precedent to the execution of the Loan Agreement, the Bond Purchase Agreement, the Assignments, and Indenture have happened, do exist and have been performed as so required by law.

Section 10. The Members of the City Council, 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 Bonds, the Loan Agreement, the Bond Purchase Agreement, the Assignments, and the Indenture for the full, punctual and complete performance of all the terms, covenants, and agreements contained therein.

Section 11. The Mayor, City Clerk, Finance Officer, and other officers of the City are hereby authorized and directed to prepare and furnish to Fredrikson & Byron, P.A., bond counsel, to the Company, to the Trustee, to the Original Purchaser, and to counsel of such

parties, certified copies of all proceedings and records of the City relating to the Project and the Bonds, and such other affidavits and certificates as may be required to show the facts appearing from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the truth of all statements contained therein.

Section 12. The designation of LaSalle Bank National Association, in Chicago, Illinois, as Trustee is hereby approved.

Section 13. The Trustee is hereby appointed as Bond Registrar for the Bonds pursuant to the Indenture.

Section 14. Terms not otherwise defined in this Resolution, but defined in the Indenture, shall have the same meanings in the Resolution as provided in the Indenture.

Section 15. In the event any conflict or conflicts between the provisions of this Resolution and of any prior ordinances, resolutions, orders or parts thereof, the provisions of this Resolution shall prevail.

Section 16. The Bonds are hereby designated "Program Bonds" and are 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, 1977.

Section 17. This Resolution shall be effective upon publication in the official newspaper of the City of Minneapolis.