



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

Date: March 20, 2007
To: Council Member Lisa Goodman, Community Development Committee

Subject: Public Hearing and Request for Final Approval of up to \$8,200,000 in Tax Exempt Multi-Family Housing Entitlement Revenue Bonds for the Blaisdell Apartments Project

Recommendation: Approve the Attached City Council Resolution granting preliminary and final approval of up to \$8,500,000 in Tax Exempt Multi-family Housing Entitlement Revenue Bonds for the Blaisdell Apartments Project. Summary Publication of the Resolution is also recommended.

Previous Directives: None.

Prepared by: Dollie Crowther, Principal Coordinator, 612-673-5263 _____
Approved by: Elizabeth J. Ryan, Director, Housing Policy and Development _____
Presenters in Committee: Dollie Crowther

Reviews

Permanent Review Committee (PRC): Not Applicable.
Policy Review Group (PRG):

Financial Impact

- No financial impact
- Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact: Annual bond fees will be collected when the bonds are issued.
- Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

Neighborhood Notification: The Whittier Alliance Neighborhood group will be informed at their next scheduled neighborhood meeting on March 12, 2007.

City Goals: Foster the development and preservation of a mix of quality of housing types that are available, affordable, meets current needs and promotes future growth.

Comprehensive Plan:

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

4.9 Minneapolis will grow by increasing its supply of housing.

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

Policy 35: Within the constraints imposed by state and federal regulations, the City should continue to sell tax-exempt bonds to provide below market rate housing development financing.

Zoning Code: In compliance.

Living Wage/Business Subsidy Agreement Yes _____ No X

Job Linkage: Yes _____ No X

Other: N/A

Supporting Information

Blaisdell Apartments consists of 5 buildings located at 2119 Pillsbury, 2200, 2215, 2221 and 2312 Blaisdell Avenue South. There are a total of 150 units in the project and includes underground and off-street parking for the tenants. The buildings were built in the 1970's, and the properties are currently owned by Blaisdell Avenue Corporation. Blaisdell Housing Limited Partnership has proposed to acquire the 5 properties with Housing Revenue Entitlement Bonds.

Blaisdell Housing Limited Partnership is a single-purpose entity formed for the sole purpose of acquiring and owning the development. Blaisdell Housing LP proposes to bring the properties to like new construction through an extensive rehabilitation that addresses all the current needs of the buildings. The properties are a mix of studios, one and two bedroom units and the target population is singles and mothers with one or two children. The proposed rehabilitation will not result in the displacement of the existing tenants or a change in the target population. Most of the existing tenants will qualify under the proposed rent and income restrictions which require 20% of the units at 50% of AMI. The remaining units will be at 60% of AMI. There are a small amount of Section 8 certificate holders in the units.

Rehabilitation includes roof repair/replacement, window replacement, new floor coverings, upgrade electrical, upgrade plumbing, replace security system, sheet rock repairs and new appliances. Each building has a lobby and laundry rooms.

Financial Summary

The total development costs of the project is \$13,397,357. The project sources and uses are outlined on the attached Project Data Worksheet.

The request for tax-exempt multifamily entitlement housing revenue bonds from the City's Year 2006 and Year 2007 entitlement allocation will also include an allocation of 4% low-income housing tax credits. The developer is not requesting any additional funds from the City for this transaction. They are deferring a large portion of the developer fee to assist the project.

Housing Revenue Bond Information

Blaisdell Housing Limited Partnership has submitted an application to CPED for tax exempt entitlement housing revenue bonds which includes an automatic allocation of 4% low income housing tax credits. Syndication of these tax credits is anticipated to generate approximately \$4,144,820 of additional equity investment in the project.

The proposal is to privately place the bonds with one or two investors and sell the bonds in increments of \$100,000. The sale of the bonds directly to a private investor fulfills the City's Multifamily Tax-Exempt Revenue Bond financing guidelines. The bonds will have a 35 year amortization schedule.

Status of 2006 HRB Entitlement	\$36,848,000
Single Family	(31,848,000)
Blue Goose/Family Tree	3,300,000
Blaisdell Apartments	<u>1,700,000</u>
Entitlement Remaining	-0-

Status of 2007 HRB Entitlement	\$39,509,000
Blaisdell Apartments	<u>6,480,000</u>
Entitlement Remaining	\$33,029,000

Bond Purchaser/Underwriter	Doherty and Company, LLC
Bond Counsel	Briggs and Morgan, PA

Council Member Informed Yes, Ward 6

Proposed Timetables	
• City Council concludes final HRB	March 2007
• Project Pre-closing	May 2007
• Construction Start	June 2007

Attachments: Data Project Worksheet
Resolution

Proposed Resolution
of the
City of Minneapolis

By Goodman

Reciting a proposal for a multifamily housing development project, taking official action with respect thereto, and indicating preliminary intent, subject to certain conditions, to assist the financing of the project pursuant to Minnesota Statutes, Chapter 462C.

WHEREAS,

(a) The City of Minneapolis (the “City”) is authorized pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Act”) to finance the making or purchasing of loans with respect to multifamily housing developments within the boundaries of the City through the issuance of revenue bonds;

(b) Pursuant to the Act, the full faith and credit of the City will not be pledged to the payment of the principal of, premium, if any, and interest on the revenue bonds;

(c) The City has received a proposal from Blaisdell Housing Limited Partnership, a Minnesota limited partnership (the “Company”), that the City assist in financing a Project hereinafter described, through the issuance of revenue bonds, in the principal amount of up to \$8,500,000 (hereinafter referred to as “Revenue Bonds”) pursuant to the Act and in accordance with a housing finance program prepared with respect to the Project;

(d) The undertaking of the proposed Project and the issuance of the Revenue Bonds to finance the cost thereof will further promote the public purposes and legislative objectives of the Act by expanding and assisting the multifamily housing facilities available in the City;

(e) The Project to be financed by the Revenue Bonds is the acquisition and renovation of 5 multifamily housing buildings located at 2119 Pillsbury Avenue, 2200 Blaisdell Avenue, 2215 Blaisdell Avenue, 2221 Blaisdell Avenue and 23112 Blaisdell Avenue in the City (the “Project”). The Project will be developed and owned by the Company;

(f) The City has been advised by representatives of the Company that conventional, commercial financing to pay the capital cost of the Project 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;

(g) No public official of the City has either a direct or indirect financial interest in the Project nor will any public official either directly or indirectly benefit financially from the Project.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Minneapolis, Minnesota, as follows:

1. The Council hereby indicates its preliminary intent to undertake the Project pursuant to the Act and to issue the Revenue Bonds in the principal amount of approximately \$8,500,000 pursuant to the Act to finance the Project. Such preliminary intent is conditioned upon the Company providing evidence to the City and its staff that additional funds are available to the Company to finance the Project, including, among other sources, tax credit equity and grants.

2. On the basis of information available to the City it appears, and the City hereby finds, that the Project constitutes a multifamily housing development within the meaning of Section 462C.05 of the Act; that the availability of financing under the Act and the willingness of the City to furnish such financing will be a substantial inducement to the Company to undertake the Project, and that the effect of the Project, if undertaken, will be to encourage the provision of multifamily rental housing opportunities to residents of the City at a reasonable cost.

3. The City hereby gives preliminary approval of the Project and the issuance of the Revenue Bonds. The City staff is hereby authorized to cause to be prepared and published a notice of public hearing with respect to the Project.

4. The issuance of the Revenue Bonds by the City is subject to, among other things, consideration of any comments presented at the public hearing, and final approval by this Council, the Company, the owner of the Project and the purchaser of the Revenue Bonds as to the ultimate details of the financing of the Project.

5. 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 whether or not the Project is carried to completion and whether or not approved by the City will be paid by Company.

6. Nothing in this resolution or in the documents prepared pursuant hereto shall authorize the expenditure of any municipal funds on the Project other than the revenues derived from the Project or otherwise granted to the City for this purpose. The Revenue 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 liability thereon. The holder of the Revenue Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Revenue Bonds or the interest thereon, or to enforce payment thereof against any property of the City. The Revenue Bonds shall recite in substance that the Revenue Bonds, including interest thereon, is payable solely from the revenue and proceeds pledged to the payment thereof. The Revenue Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

7. It is the purpose of this resolution to evidence the commitment of the parties and their intentions with respect to the proposed Project in order that the Company may proceed without delay with the commencement of the acquisition, construction and equipping of the Project with the assurance that there has been sufficient "official intent" within the meaning of

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Treasury Regulations Section 1.150-2(d) to permit Project costs incurred within sixty (60) days prior to the date of adoption of this Resolution to be financed by the issuance of multifamily revenue bonds to finance the entire cost of the Project upon agreement being reached as to the ultimate details of the Project and its financing.