

Minneapolis Community Development Agency

Request for City Council Committee Action

Date: July 15, 2003

To: Council Member Goodman, Community Development Committee

Prepared by: Jerry LePage, Phone 612-673-5240

Approved by: Lee Sheehy, Executive Director and
Chuck Lutz, Deputy Executive Director _____

Subject: Preliminary Approval of Up to \$12,650,000 in Tax Exempt Multi-family Housing Development Bonds for the Marshall River Run Housing Project

Previous Directives: On October 27, 2000, the MCDA Board approved a Project Analysis Authorization to allow staff to analyze the Marshall River Run housing project, prepare Redevelopment and TIF Plans, and negotiate a redevelopment contract with the developer.

Ward: Third Ward

Neighborhood Group Notification: The Sheridan Neighborhood Organization (SNO) has been notified in writing of the application for housing revenue bonds. SNO has also reviewed this project on a number of occasions and has provided input to the developer on design issues.

Consistency with *Building A City That Works*: Addresses Goal 2: Ensure that an array of housing choices exist to meet the needs of our current residents and attract new residents to the City.

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

Zoning Code Compliance: The site is currently zoned I-1. The developer will be submitting an application for an industrial overlay district that would allow the proposed development.

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Impact On MCDA Budget: (Check those that apply)

- No financial impact
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact: Annual bond fees will be collected when the bonds are issued.

Living Wage / Business Subsidy: NA

Job Linkage: NA

Affirmative Action Compliance: Will comply.

Recommendation: The Executive Director recommends that the City Council adopt the attached City Council Resolution granting preliminary approval of up to \$12,650,000 in tax-exempt Multifamily Housing Development Bonds for the Marshall River Run Housing project. Summary publication of the Resolution is also recommended.

Background

In October, 2000, the MCDA Board authorized staff to proceed with the financial analysis and the redevelopment contract negotiations for a new housing development in the Sheridan neighborhood proposed by Sherman Associates and Marchant Investment. The Marshall River Run housing project is a 2.7 acre industrial site located on the 1400 block of Marshall Street NE between the former Harmony Scenic property on the south and Boone Trucking to the north.

When it was originally proposed, the River Run project involved a larger site that included the Boone Trucking and the Ace Mailing properties to the north and also proposed the development of some ownership units. However, the developer was not able to negotiate the purchase of these properties at a cost that the project could support. Consequently, the site has been reduced in size to two properties (1424 and 1448 Marshall Street), both of which are currently under the control of the developer, and the project has been changed to a 119-unit rental housing development (see attached Site Map, Exhibit A). Based on discussions with the neighborhood and with City staff, the developer has also increased the setback of the building from the front property line to approximately 30 feet in order to accommodate the possible future widening of Marshall Street.

In addition to housing revenue bonds, Sherman Associates has also submitted an application for tax increment financing to assist in the cost of developing this site, which will require significant pollution cleanup. Staff is currently analyzing the developer's proforma to determine the extent of the financing gap and is also preparing a redevelopment project and a TIF district to support this development.

Housing Revenue Bond Information

Sherman Associates, the general partner of the Marshall River Run Limited Partnership, has submitted an application to the MCDA for tax-exempt housing revenue bonds as its first mortgage financing, which automatically includes 4% low income housing tax credits. The developer is requesting \$12,650,000 in housing revenue bonds for the Marshall River Run project. The bonds will be AAA rated and underwritten by Piper Jaffray and will be collateralized by a HUD/FHA insured 42-year mortgage.

Sherman Associates has applied to the Minnesota Housing Finance Agency for approximately \$150,000 from the Minnesota Affordable Rental Investment Fund (MARIF), and will be applying to Hennepin County for pollution cleanup assistance from its Environmental Response Fund. The developer also intends to apply for MCDA Multifamily Loan funds in the second-round RFP that will be issued by the end of June.

The sources and uses statement for Marshall River Run project is shown below.

Sources:

Housing revenue bonds	\$12,650,000 *
LIHTC syndication	1,965,000
State MARIF funds	150,000
Hennepin County	200,000
MCDA Multifamily Fund	100,000
Deferred developer fee	375,000
Totals	<u>\$15,440,000</u>

Uses:

Land assembly	\$ 1,235,000
New construction	9,600,000
Construction contingency	300,000
Construction interest	300,000
Finance costs & fees	1,545,000
Architect/engineering	295,000
Legal	125,000
Developer fee	1,500,000
Other soft costs	540,000
Totals	<u>\$15,440,000</u>

* A pay-as-you-go TIF note will be issued in an amount to be determined that will be an additional revenue source for payments on these bonds.

The unit composition and rent levels for the 4-story, 119-unit River Run apartment building are shown on page 4. There will be 97 parking spaces provided in an underground heated ramp, with additional 38 spaces located outside the building. Resident amenities will include: a building security system; laundry facilities on each floor; individualized control of heating and air conditioning; pre-wiring for internet and

satellite access; balconies for each unit; community rooms; exercise facilities; a library; and a gazebo west of the rear entrance. The circulation plan for the project will allow public access to the site and toward the river from the neighborhood and will also accommodate future connections to public trails and bikeways along the riverfront. The project site plan and front elevation are also attached to this report as Exhibits 2 and 3.

Unit Type	# Units	Sq. Ft.	Gross Mo. Rents	Affordability (% of median)
One Bedroom	12	662	719	50%
One Bedroom	6	663-713	747-785	60%
One Bedroom	14	662-713	812-837	market
Two Bedroom	4	920-1,004	1,035-1,325	30%
Two Bedroom	46	920-1,004	1,035-1,325	60%
Two Bedroom	25	920-1,050	1,160-1,325	market
Three Bedroom	<u>12</u>	1,200	1,233	30%
Total units	119			

The Marshall River Run project is in a non-impacted area and will have 13% of its units (16) affordable at 30% of median and 10% of its units (12) affordable at 50% of median, which exceeds the minimum requirements of the City Affordable Housing policy. The project will also have approximately 45% of its units (52) affordable at 60% of median, pursuant to the Low Income Housing Tax Credit (LIHTC) requirements. The remaining units (39) will be market rate. The developer has also obtained a reservation for 16 project-based Section 8 units.

Status of 2003 HRB Entitlement

2003 MCDA Entitlement Authority	\$33,867,000
East Phillips Commons	100,000
Heritage Park Phase II	393,000
Marshall River Run project	<u>12,650,000</u>
Amount Remaining	\$20,724,000

Bond Counsel	Underwriter	Council Member Informed
Best & Flanagan	US Bancorp Piper Jaffray	Yes, Ward 3.

Neighborhood Review

Sherman Associates has attended three meetings of the Sheridan Neighborhood Organization (SNO) in the past five months to present the updated plans for the Marshall River Run project and to solicit neighborhood input. It also met with a task force appointed by SNO for detailed discussions regarding various planning and design

issues, and has incorporated many of the suggestions into its plan, including an increased setback from Marshall Street. The developer has also presented the River Run plans to the Upper River TAC, the Above the Falls Citizen Advisory Committee (ATFCAC), and to the Mississippi East Neighborhood Development Corporation (MEND), a multi-neighborhood group consisting of the Bottineau, Sheridan, and St. Anthony West neighborhoods.

Project Timetable/Future Actions

Assuming Council action on the preliminary approval of the proposed housing revenue bonds, staff will proceed with the preparation of a Redevelopment Plan and TIF Plan and the negotiation of the business terms of the redevelopment contract. Staff expects bring back a report on the Marshall River Run project to the City Council and the MCDA Board in September for approval of these Plans and the redevelopment contract terms and the final approval of the housing revenue bonds. The developer hopes to close on this project and start construction this fall.

Giving preliminary approval to the issuance of tax-exempt multifamily housing revenue bonds under Minnesota Statutes, Chapter 462C for the purpose of financing a housing program consisting of the acquisition and construction of a multifamily rental housing development for the benefit of Marshall River Run Limited Partnership.

WHEREAS, the City of Minneapolis, Minnesota (the “City”) is authorized, pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Act”) to develop and administer programs to finance one or more multifamily housing developments within its boundaries; and

WHEREAS, Section 462C.07 of the Act authorizes the City to issue and sell revenue bonds or obligations to finance programs for the multifamily housing developments; and

WHEREAS, representatives of Marshall River Run Limited Partnership, a Minnesota limited partnership (the “Developer”) has requested that the City adopt a multifamily housing development program (the “Program”) to provide for the issuance of up to \$12,650,000 of its tax-exempt multifamily housing revenue bonds, in one or more series (the “Bonds”) for the purpose of loaning the proceeds thereof to the Developer to finance the acquisition and construction by the Developer of a 119-unit multifamily rental housing development to be located on the west side of Marshall Street, N.E. on the 1400 block in the City (the “Project”); and

WHEREAS, the Developer has paid and expects to pay certain expenditures (the “Reimbursement Expenditures”) in connection with the Project prior to the issuance of indebtedness for the purpose of financing costs associated with the Project on a long-term basis and certain of the proceeds of the Bonds will be used to reimburse the Reimbursement Expenditures;

WHEREAS, the Community Development Committee of the Minneapolis City Council, on behalf of the City held a public hearing on the Program and proposed issuance of the Bonds after at least 15 days published notice hereof and after submission of the Program to the Metropolitan Council for review and comment; and

WHEREAS, the Council has been advised by U.S. Bancorp Piper Jaffray Inc., representing the Developer, that on the basis of information available to them, the Project is economically feasible and the Bonds could be successfully issued and sold; and

WHEREAS, the City has been advised by the Developer that conventional commercial financing is available to pay the capital costs of the Project only on a limited basis and at such high costs of borrowing that the scope of the Project and the economic feasibility of its operations would be significantly affected; and

WHEREAS, the City shall not be liable on the Bonds, and the Bonds shall not be a debt of the City within the meaning of any state constitutional provision or statutory limitation, and will not constitute or give rise to a charge against the general credit or taxing power of the City or a pecuniary liability of the city, nor shall the Bonds be payable out of any funds or properties other than those provided as security therefor;

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

That the Program is hereby approved and adopted by the City.

Be It Further Resolved that the issuance of the Bonds pursuant to the Program in a principal amount not to exceed \$12,650,000 is preliminarily approved.

Be It Further Resolved that the City hereby reserves \$12,650,000 of its 2003 housing revenue bond entitlement authority for the financing of the Project.

Be It Further Resolved that the City hereby makes this declaration for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations.

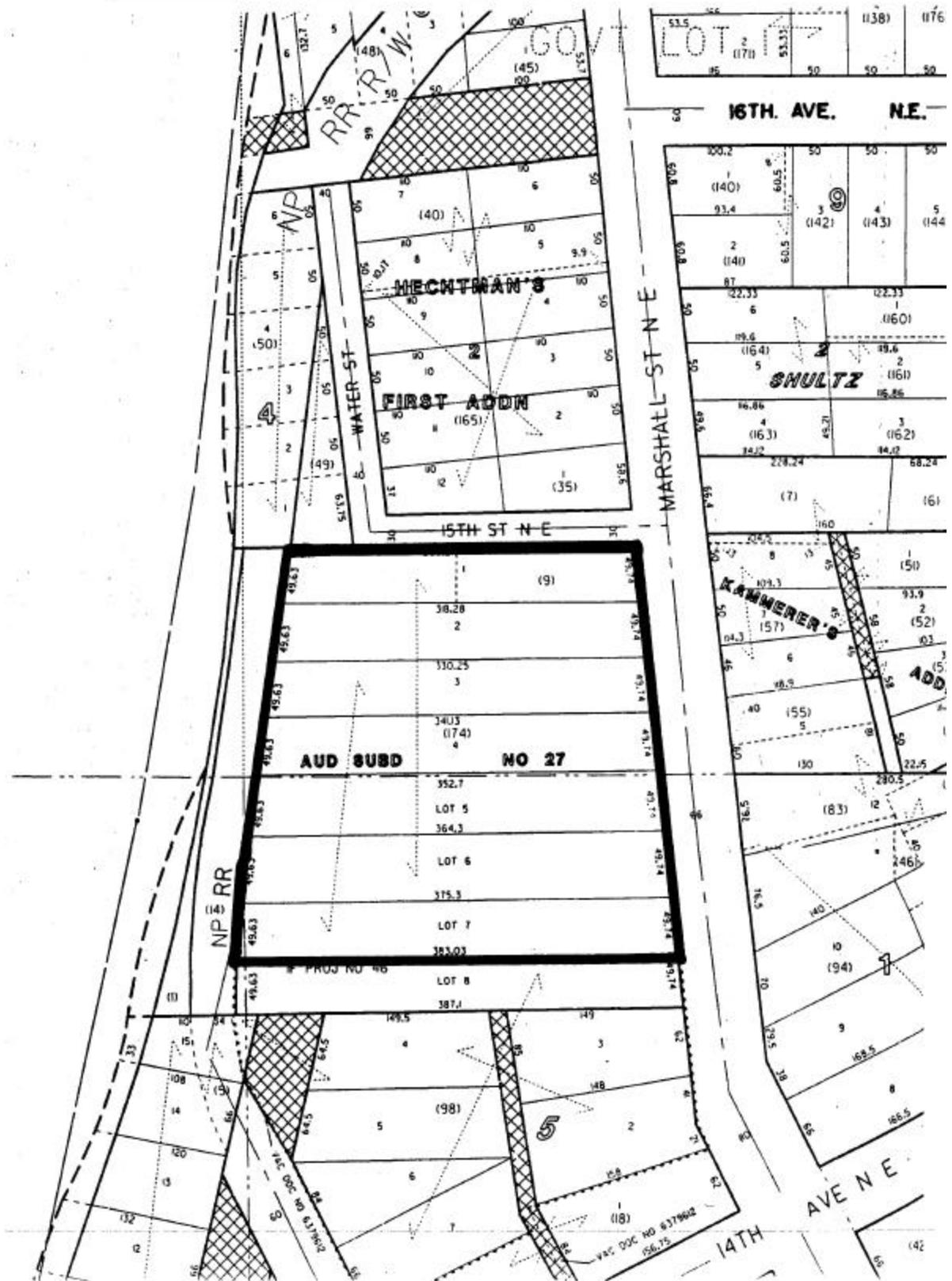
Be It Further Resolved that the City hereby declares its official intent to use proceeds of indebtedness to reimburse the Developer for Reimbursement Expenditures, including those expenditures made sixty days prior to adoption of this Resolution.

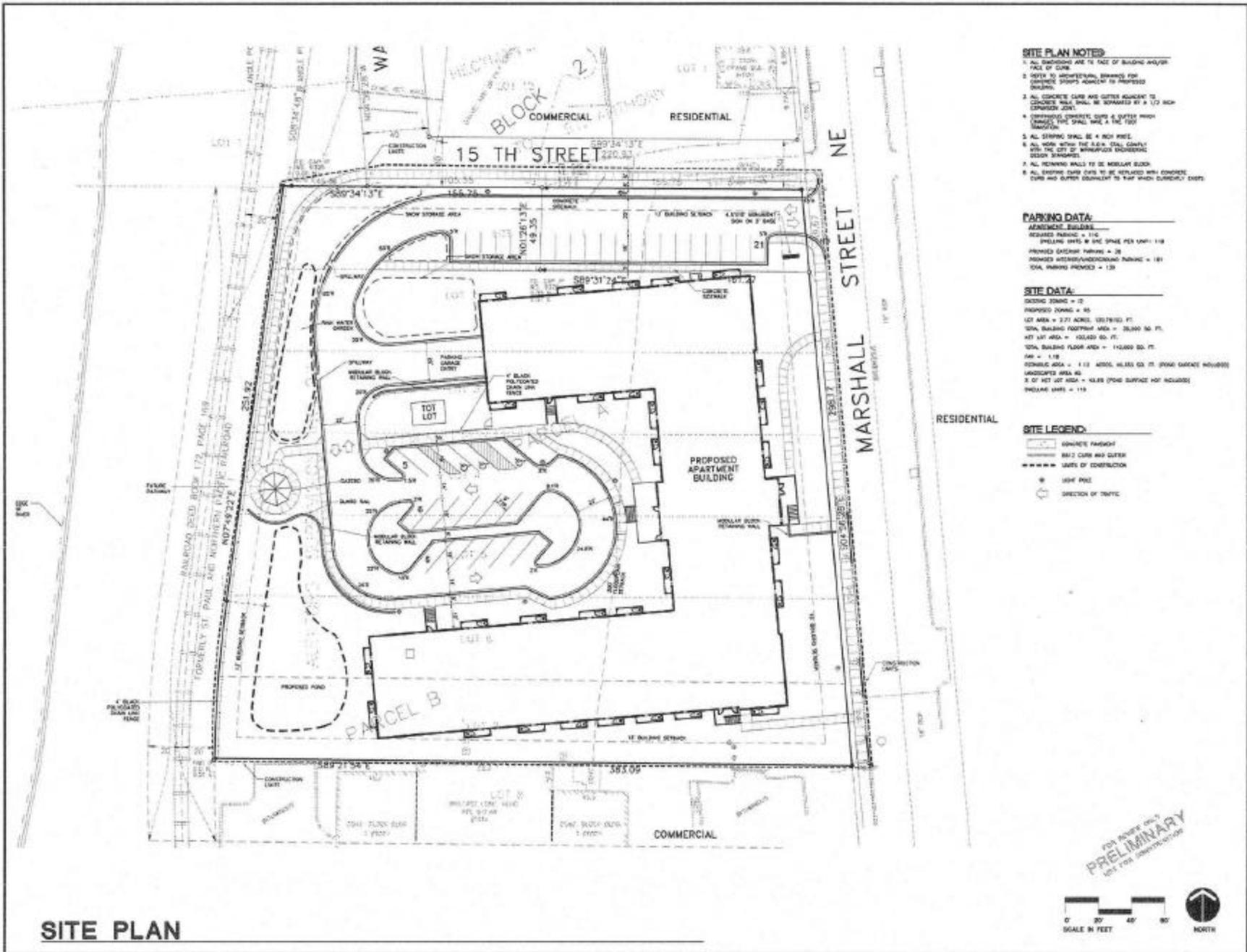
Be It Further Resolved that the foregoing preliminary approval of the issuance of Bonds shall be subject to final determination by the City of terms and conditions and shall not constitute an irrevocable commitment on the part of the City to issue the Bonds.

Be It Further Resolved that the staff of the Minneapolis Community Development Agency is hereby authorized, in cooperation with bond counsel to take all steps necessary and desirable to proceed to develop the Program and financing therefor.

EXHIBIT 1

MARSHALL RIVER RUN PROJECT SITE





- SITE PLAN NOTES**
1. ALL DIMENSIONS ARE TO FACE OF BUILDING UNLESS OTHERWISE NOTED.
 2. REFER TO ARCHITECTURAL DRAWINGS FOR CONCRETE JOINT PLACEMENT AND PROPOSED FINISHES.
 3. ALL CONCRETE CURBS AND GUTTER ADJACENT TO CONCRETE WALL SHALL BE SPACED BY 1/2" NON EXPANSION JOINT.
 4. COMPRESSED CONCRETE CURBS & GUTTER FINISH (CONCRETE) SHALL HAVE A 100' SPACING.
 5. ALL STAIRING SHALL BE 4" HIGH.
 6. ALL WORK SHALL BE IN ACCORDANCE WITH THE CITY OF MINNEAPOLIS ENGINEERING DESIGN STANDARDS.
 7. ALL REMOVING SHALL TO BE MODULAR BLOCK.
 8. ALL EXISTING CURB CURBS TO BE REPLACED WITH CONCRETE CURBS AND GUTTER ADJACENT TO THAT WHICH CURRENTLY EXISTS.

PARKING DATA:
APARTMENT BUILDING
 REQUIRED PARKING = 114
 PROVIDED PARKING = 118
 PROVIDED EXISTING PARKING = 28
 PROVIDED UNDERGROUND PARKING = 181
 TOTAL PARKING PROVIDED = 139

SITE DATA:
 ZONING DISTRICT = CD
 PROPOSED ZONING = RS
 LOT AREA = 2,271 ACRES, 102,781 SQ. FT.
 TOTAL BUILDING FOOTPRINT AREA = 28,340 SQ. FT.
 NET LOT AREA = 128,439 SQ. FT.
 TOTAL BUILDING FLOOR AREA = 142,869 SQ. FT.
 FAR = 1.18
 FORMER AREA = 1.13 ACRES, 48,333 SQ. FT. (2004 GARAGE REMOVED)
 UNDEVELOPED AREA IS 128,439 SQ. FT.
 3' OF NET LOT AREA = 48.88 (POND SURFACE NOT INCLUDED)
 PAVEMENT LANE = 119

- SITE LEGEND:**
- CONCRETE FINISH
 - 8" x 8" CURB AND GUTTER
 - MASS OF CONSTRUCTION
 - 4" HIGH FENCE
 - DIRECTION OF TRAFFIC

SITE PLAN

FOR REVIEW ONLY
PRELIMINARY
 NOT FOR CONSTRUCTION



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 222 Park Ave. South, Suite 202
 Minneapolis, Minnesota 55412
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 Fax: (612) 338-1235

MIC
 Developers
 MIC, Inc.
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 Minneapolis, Minnesota 55402

DJR
 ARCHITECTURE INC.
 123 Second Street
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 Minneapolis, MN 55404
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 Fax: (612) 338-2765

ALLIANT ENGINEERING

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 Minneapolis, MN 55415
 Tel: (612) 338-1234
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Project Name	15th Street Apartment Building
Project No.	15th-2024-001
Revision	01
Date	10/26/2024

RIVER RUN DEVELOPMENT
 1234 5th Avenue South
 Minneapolis, Minnesota 55415

SITE PLAN

DESIGN BY	ME
CHECKED BY	ME
DATE	10/26/2024
SCALE	1" = 40'
DRAWN BY	ME

C-2



Marshall Street Facade

**RIVER RUN MULTI-FAMILY
119 APARTMENT UNIT BUILDING**



