

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

**Date:** October 26, 2010

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

Council Member Betsy Hodges, Chair, Ways and Means / Budget Committee

**Subject:** Final approval of up to \$80,000,000 in tax exempt multifamily housing entitlement revenue bonds and a \$1,900,000 loan from the Affordable Housing Trust Fund for the Riverside Plaza stabilization and rehabilitation project.

**City Recommendations:**

1. Adopt the attached resolution granting final approval of up to \$80,000,000 in tax exempt multifamily housing entitlement revenue bonds for the Riverside Plaza stabilization and rehabilitation project;
2. Authorize a loan to Cedar Riverside Limited Partnership of up to \$1,900,000 from the 2010 Affordable Housing Trust Fund for the Riverside Plaza stabilization and rehabilitation project;
3. Authorize appropriate City officials to enter into a Memorandum of Understanding with Cedar Riverside Limited Partnership in substantially the form attached to this report and execute such other documents as are necessary to implement the Riverside Plaza stabilization and rehabilitation project.
4. Authorize the submittal of a HUD Choice Neighborhoods application seeking funding for road, sidewalk, infrastructure and related improvements to 4<sup>th</sup> Street South, 15<sup>th</sup> Avenue South, and 6<sup>th</sup> Street South in the immediate vicinity of Riverside Plaza.

**Previous Directives:**

*RECENT GRANT*

- LHIA: On April 3, 2010, the City Council accepted and appropriated a Metropolitan Council Livable Communities Local Housing Incentives Account (LHIA) Grant of \$575,000 for Riverside Plaza, and authorized execution of grant and funding sub-recipient agreements.

*RIVERSIDE PLAZA INDEMNITY OBLIGATION*

- On July 23, 2010, the City Council and the MCDA Board of Commissioners approved (1) execution of a reimbursement agreement settling the City's indemnity and access obligations and (2) the appropriation of \$161,908 as

additional funds for reimbursement up to \$700,000 in costs related to relocation of the vacated 5th St driveway as the Relocated E-Building Driveway.

- On February 29, 2008, the City Council and MCDA Board of Commissioners (1) approved the key terms for a reimbursement and release agreement among the City of Minneapolis, Minneapolis Community Development Agency and Riverside Plaza Limited Partnership resolving certain City indemnity obligations; and (2) authorized appropriate City and MCDA officials to execute said agreement and related documents.
- On March 10, 2006, the City Council adopted Resolution 2006R-115 approving the key terms for an Agreement for Mutual Vehicular Access between the City of Minneapolis, Riverside Plaza Limited Partnership, and Crablex, Inc., authorizing appropriate city officials to execute necessary access documents, and increasing the CPED appropriation by \$925,000 for costs of necessary construction and related improvements.

#### *BOND REFINANCING AND LAND SALE TRANSACTION*

- On July 23, 2010, after conducting the required public hearing, the City Council granted approval to the issuance of up to \$80,000,000 in tax exempt multifamily housing entitlement Revenue Bonds.
- On July 23, 2010, the City Council and the MCDA Board of Commissioners approved an agreement closing out the contract for deed and conveying title to Riverside Plaza Limited Partnership.
- On December 10, 1998, the Minneapolis Community Development Agency Board of Commissioners adopted Resolution No. 98-1927M selling 1525 S. 4<sup>th</sup> St. (parcels 1-5) to Riverside Plaza Limited Partnership for \$2,310,000 on a contract for deed for multifamily rental housing (Cedar Riverside Redevelopment Project) and terminating the existing ground lease.
- On October 30, 1998, the City Council adopted Resolution 98R-410, authorizing the issuance, sale and delivery of up to \$26,630,000 of Multifamily Mortgage Revenue Refunding Bonds (GNMA Collateralized Mortgage Loan – Riverside Plaza Project) to refinance the project's 1988 revenue bond financing through an FHA note modification process.

#### *ORIGINAL BOND AND GROUND LEASE TRANSACTION*

- On November 23, 1988 the City Council approved the issuance of up to \$28,000,000 of Multifamily Mortgage Revenue Refunding Bonds and a loan of \$400,000 for the Riverside Plaza project to rehabilitate the property upon acquisition.
- On November 23, 1988, the MCDA Board of Commissioners authorized the sale of the Riverside Plaza property to Riverside Plaza Limited Partnership together with a 52 year ground lease.

- On April 1, 1988 the Minneapolis Community Development Agency Board of Commissioners approved the acquisition of the Riverside Plaza property from HUD.

**PLANNING AND ZONING**

- On October 22, 2010, the City Council will review recommendations to approve (1) a registered land survey to combine several Riverside Plaza lots, parcels, and vacated right-of-way into one ownership tract; (2) rezoning from the I1 Light Industrial District to the R6 Multiple-family District for Lot 10 (1511 4th Street South); and (3) a variance of the PO Pedestrian Oriented Overlay District standards to allow parking that is not located to the rear or interior of the site under application numbers BZZ-4935 & RLS-61.
- On October 12, 2010, the City Heritage Preservation Commission adopted a report supporting the nomination of the property for the National Register of Historic Places, and directed staff to transmit the report to the State Historic Preservation Officer.

Prepared by:	Matt Goldstein AICP, Senior Project Coordinator, 612-673-5075	
Approved by:	Charles T. Lutz, CPED Deputy Director	_____
	Thomas Streitz, Housing Director	_____
Presenters in Committee:	Matt Goldstein	

**Reviews**

Permanent Review Committee (PRC): Approval \_\_\_ Date \_\_\_\_\_  
 Policy Review Group (PRG): Approval \_\_\_ Date \_\_\_\_\_

**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  
X Action is within the Business Plan  
 \_\_\_ Action requires a change to the Business Plan  
 \_\_\_ Other financial impact:  
 \_\_\_ Request provided to the Finance Department when provided to the Committee  
 Coordinator

**Community Impact**

**Neighborhood Notification (Ward 2)-** Council Member Gordon organized a neighborhood meeting that took place on October 13, 2010. The West Bank Community Coalition (WBCC) discussed this project on October 20, 2010 and on June

9, 2010. The WBCC provided a letter of conditional support dated July 22, 2010. The Riverside Plaza Tenant Association has issued a letter of support dated June 23, 2010.

**City Goals** – (1) A safe place to call home, (2) Livable communities and healthy lives, and (3) Many people, one Minneapolis.

**Affordability Targets** – The existing and proposed number of affordable units complies with the City’s Affordable Housing Policy (20% of the units affordable to households at or below 50% of Metropolitan Median Income) as described in Resolution 99R-312 and as amended by Resolution 2001R-057.

**Comprehensive Plan** – CPED Planning staff provided their scoring on the AHTF application on August 24, 2010 which indicated that “City policy through the comp plan and small area plan supports the continuation of this as a major source of affordable housing.” Previously, CPED Planning staff issued a memo dated June 24, 2010 indicating that the bond application was consistent with the following policies in The Minneapolis Plan for Sustainable Growth: Policy 3.1: Grow by increasing the supply of housing; Policy 3.2: Support housing density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities; and Policy 3.3: Increase housing that is affordable to low and moderate income households.

## **Project History**

Designed by architect Ralph Rapson, construction of the 11-building campus was completed in 1973 in the middle of the superblock bounded by Cedar Ave., S. 4<sup>th</sup> St., 15<sup>th</sup> Ave. S., and S. 6<sup>th</sup> St. This unique property remains the largest affordable housing development in the state, functioning as a neighborhood with 1,303 mixed income units housing approximately 4,440 individuals. The campus also has a K-8 charter school, grocery store, post office, and a tenant resource center with various formal and informal social services such as a computer lab and job training supporting over 400 individuals per month. The Project Data Worksheet is included as Exhibit A.

HUD acquired Riverside Plaza through foreclosure in 1986, then sold the property to the Minneapolis Community Development Agency (MCDA) for just under \$15 million in February, 1988. MCDA transferred the project to Riverside Plaza Limited Partnership (Riverside Plaza, LP) for \$17 million in December, 1988. The MCDA used the net proceeds from the sale to pay its transaction costs. There were three components to the transaction: (1) outright sale of the buildings, (2) a long term ground lease for the underlying property which was retained by MCDA, and (3) a CDBG loan to fund central plaza improvements and deferred maintenance that would otherwise need to be done by MCDA as the fee simple property owner. Immediately following the 1988 acquisition, Riverside Plaza, LP renovated the property.

City Council actions from July 23, 2010 restructured the CDBG loan, completed the contract for deed and transferred the property, settled ongoing legal obligations that were related to HUD’s foreclosure, and preliminarily approved up to \$80,000,000 of housing revenue bonds for this project. The RCA from the July 13, 2010 Community Development Committee meeting contains additional project history regarding previous

City bond and CDBG financing, the former ground lease and contract for deed, and the City's previous legal obligations for this property.

### **Stabilization Need and Rehabilitation Scope of Work Summary**

The habitability of Riverside Plaza is at risk because the design lifespan of the major mechanical systems for these buildings has expired and consequently these systems, especially the water and sewer piping systems, boilers and cooling systems, are failing. A comprehensive rehabilitation of Riverside Plaza is necessary to keep the buildings habitable and functioning properly. The primary reasons for the rehabilitation are to address critical life/safety issues associated with the central systems and to significantly enhance energy efficiency.

The stabilization and rehabilitation of Riverside Plaza will also enhance the quality of life for the residents. For example, residents in the taller buildings currently have to wait for approximately 20 to 40 minutes for hot water to be available after the faucet is turned on. The planned hot water heating system improvements will reduce this time significantly which will save water. Additionally, planned window repair and replacements will save energy and increase resident comfort by reducing drafts. Planned common area improvements to the lighting, sidewalks, parking areas, signage and landscaping will enhance public safety and improve pedestrian circulation and way-finding.

There are seven broad categories of planned improvements included in the rehabilitation scope for Riverside Plaza:

- Mechanical work including central heating, cooling, water and sewer pipe replacements, elevator modernization, and a centralized, computer management system for the mechanical systems;
- Energy efficiency improvements such as new lighting and window repair and replacement;
- Parking ramp and plaza deck improvements including concrete repairs, lighting enhancements, and painting;
- Site improvements for safety and circulation enhancements including sidewalk repair and replacement, lighting improvements, new parking lot pavement, landscaping, perimeter benches, new trash and recycling enclosures;
- Building exterior improvements such as concrete repair, painting, railing repair and replacement, and repairing the clock on the tower;
- Common area interior work including smoke detector replacement, laundry room renovation including washer and dryer replacement, and common area kitchen replacements; and
- Apartment unit interior work including pipe replacement, select plumbing fixture and appliance replacement and consistent window dressings.

Riverside Plaza, LP followed the 2009 Affordable Housing Trust Fund (AHTF) bidding procedures to select Knutson Construction as the general contractor. Subcontractors

will be selected through a traditional, competitive, sealed bidding process. The bid documents split the construction work into two basic categories. The base bid will include all of the required project components that must be completed. A list of add-alternate or supplemental tasks has been developed that will be included in the rehabilitation and stabilization if the base bid tasks come in under budget, or if there are available contingency or reserve funds as the project nears completion. This approach is in compliance with the City's AHTF bidding standards. The construction period is expected to be two years, and improvements to individual units are expected to be completed within 30 days per unit.

### Funding Sources and Uses Summary

Table 1 summarizes the planned stabilization and rehabilitation funding sources and uses for the project. These figures may change slightly before closing. Approximately 83% of the stabilization and rehabilitation development cost is financed with private equity generated from the automatic 4% tax credits, state and federal historic tax credits, the private first mortgage guaranteed by HUD, and the deferred developer fee.

TABLE 1: PROPOSED FUNDING SOURCES AND USES	Acquisition (Debt Refinancing)	Construction & Construction Contingency	Soft Costs	Total
HUD-Guaranteed 1st Mortgage (bonds)	\$ 22,255,002	\$ 20,452,451	\$ 7,000,000	\$ 49,707,453
4% LIHTC Equity (bonds)		\$ 24,324,418	\$ 1,750,363	\$ 26,074,781
Federal Historic Tax Credit Equity			\$ 13,344,374	\$ 13,344,374
State Historic Tax Credit Equity	\$ 12,244,998		\$ 520,463	\$ 12,765,461
MHFA PARIF (Committed 2009)	\$ 4,800,000			\$ 4,800,000
MHFA PARIF (Pending 2010)		\$ 7,500,000		\$ 7,500,000
Met Council LHIA (Committed 2009)		\$ 575,000		\$ 575,000
Energy Rebate Grants (Pending)		\$ 500,000		\$ 500,000
CPED AHTF (Pending 2010)		\$ 1,900,000		\$ 1,900,000
Gap (Brownfields)		\$ 1,900,000		\$ 1,900,000
Deferred Developer Fee			\$ 3,000,000	\$ 3,000,000
<b>TOTAL</b>	<b>\$ 39,300,000</b>	<b>\$ 57,151,869</b>	<b>\$ 25,615,200</b>	<b>\$ 122,067,069</b>

The proposed energy efficiency improvements are anticipated to qualify for 19 rebates totaling \$500,000 from CenterPoint Energy and Xcel Energy under custom rebate programs that are being created specifically for this project. The estimated utility cost savings have been integrated into the operational cash flow since utility costs influence how much private debt the project can support with operating income.

The small development gap will be resolved prior to the funding closing through minor changes to the rehabilitation scope of work or securing additional funding sources prior to closing such as brownfield remediation funding. If necessary to close the gap, the limited partnership is prepared to make a bridge loan which would be reimbursed by future funding sources.

### Final Approval of Housing Revenue Bonds

Tax exempt housing revenue bonds are issued by the City to assist qualified housing projects on a first come, first served basis. Table 2 summarizes the status of the City's 2010 housing revenue bond entitlement, and demonstrates that after allocating bonds to Riverside Plaza, there will be over \$49 million available to support other qualified housing projects.

TABLE 2: HOUSING REVENUE BOND ENTITLEMENT AND EXPENDITURE SUMMARY		Amount
Total Entitlement Authority 2008-2010	\$	144,171,000
<i>Less Closed Projects</i>		
Blue Goose	\$	(2,832,089)
Nokomis Senior Housing	\$	(1,200,000)
Single Family	\$	(11,011,512)
<i>Less Preliminarily Approved Projects</i>		
Total Available Bond Entitlement	\$	129,127,399
Riverside Plaza	\$	(80,000,000)
Available Bonds for Other Projects	\$	49,127,399

The proceeds from the bond sale will be used for two purposes. First, approximately \$49,707,453 will become the first mortgage on the property secured by a HUD guarantee. This will be paid back over time from operating income (rents). Second, approximately \$26,074,781 of the bond proceeds will be used as bridge financing to initially fund the construction. This will be repaid by tax credit equity or other funds such as Minnesota Housing Finance Agency's (MHFA) PARIF money that is paid out on a reimbursement bases during construction<sup>1</sup>. The current budget assumes that \$75,782,234 of the \$80,000,000 bond request will be used. It is common for the Council to authorize a bond amount that is slightly higher than the anticipated project need in order to create some limited flexibility to address unforeseen costs as the scope of work is refined prior to the funding closing.

The Tax-exempt housing revenue bonds automatically include 4% low income housing tax credits (LIHTCs). The LIHTCs are syndicated to provide up-front equity that is used to repay some of the bonds used to fund the construction. On July 23, 2010, the City Council granted preliminary approval of this bond allocation. Final approval of the bond allocation is the second of a two step process.

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1 The debt instruments related to the bonds must be repaid. They are not grants or deferred loans.

To restructure the project financing and to make the project eligible to use bonds and tax credits, the property must be sold. This sale satisfies the existing mortgage debt, facilitates the tax credit syndication for the stabilization and rehabilitation, and enables the existing financial partners to exit the project. Table 3 summarizes how the ownership structure is changing. While some investors are exiting, the property management will remain consistent because affiliates of Sherman Associates will continue to operate and manage Riverside Plaza as the general partner.

TABLE 3: RIVERSIDE PLAZA PARTNERSHIP CHANGES	Current Owner: Riverside Plaza Limited Partnership Owners	Riverside Plaza Limited Partnership Ownership Percentages	New Owner: Cedar Riverside Limited Partnership Owners	Cedar Riverside Limited Partnership Ownership Percentages
Limited Partner	GMHC	82.5%	An AEGON entity	99.99%
Limited Partner			GMHC	0.00%
Special Limited Partner	Sherman Associates, Inc.	16.5%	An AEGON entity	0.00%
General Partner (GP)	Riverside Plaza Partnership	1.0%	Riverside Plaza GP LLC	0.01%
Managing Partner of GP	Sherman-Boosalis Corp.	53.6% of 1%	Sherman Associates, Inc.	99.9% of .01%
Partner of GP	Riverside Plaza Tenants Assn.	31.7% of 1%	Riverside Plaza Tenants Assn.	0.01% of .01%
Partner of GP	Brighton Development Corp.	9.9% of 1%		
Partner of GP	TCHDC, Limited	3% of 1%		
Partner of GP	Parliament Management Co.	1.8% of 1%		

The acquisition funds are being used to pay off the existing debt and other financial obligations that the seller is contractually required to settle prior to the funding closing including (1) paying off the HUD-guaranteed first mortgage (previous issue of City bonds); (2) buying out the general and limited partnership interests of the seller ownership entity (completing obligations to previous investors); (3) replenishing certain reserves used to pay for capital improvements completed prior to closing; and (4) closing transaction costs, including but not limited to, transfer taxes. The acquisition price for the debt refinancing is based upon the current outstanding debt rather than an appraisal due in part to the long-term affordability restrictions on the property.

Cedar Riverside, LP proposes to place the bonds directly with the AFL-CIO Pension Fund. As an institutional grade buyer, the sale of the bonds directly to AFL-CIO Pension Fund fulfills the City’s Multifamily Tax-Exempt Revenue Bond Financing Guidelines. The bonds will have a final maturity of 42.5 years for the permanent A series and three years for the B series which will bridge the construction period.

Here’s a summary of the bond request:

- **Bond Amount:** Up to \$80,000,000
- **Bond Counsel:** Best & Flanagan, LLP
- **Syndicator (Tax Credit Purchaser):** AEGON USA Realty Advisors LLC
- **Bond Purchaser:** AFL-CIO Pension Fund for the A-series, public offering for the B-series

- **Bond Trustee:** US Bank National Association
- **Tax Credit Pricing:** \$.84 for the low income housing tax credit syndication proceeds, \$.88 for the state historic and \$.92 for the federal historic tax credits
- **AEGON Letters of Intent Execution Dates:** August 23, 2010 for LIHTC and federal historic and subsequently amended to include the state historic tax credits. The Partnership Agreement is currently being negotiated.
- **Council Member Informed:** Yes, Ward 2
- **Neighborhood Review:** Council Member Gordon organized a neighborhood meeting that took place on October 13, 2010. The West Bank Community Coalition (WBCC) discussed this project on October 20, 2010 and on June 9, 2010. The WBCC provided a conditional letter of support dated July 22, 2010. The Riverside Plaza Tenants' Association has issued a letter of support dated June 23, 2010.
- **Public Hearing:** The Community Development Committee conducted the required public hearing on July 13, 2010 prior to providing preliminary approval of the bond allocation.
- **Project Timetable/ Future Actions:** The recommended actions in this report are the final City Council actions that are necessary for the City's financing for the stabilization and rehabilitation project. The developer plans to close on the funding for this project in November and commence construction immediately thereafter.
- **Resolution:** The resolution for the final bond approval is attached as Exhibit B.

### **AHTF Program Overview**

The City Council established the Affordable Housing Trust Fund (AHTF) in May 2003 to provide gap funding for the development and stabilization/preservation of affordable rental housing. The City's Affordable Housing Policy requires that all housing developments receiving City subsidies make at least 20% of their units affordable to people earning 50% or less of the Metropolitan Area Median Income (AMI). In 2009 50% of AMI for a family of four was \$41,950. Since the inception of the AHTF over 4,000 housing units have been or are being developed or stabilized/preserved with this funding source (not including projects funded through the Emergency Shelter Grant Program).

The AHTF has established selection criteria used to score and competitively rank the proposals that were submitted in June in response to the RFP posted here: [http://www.ci.minneapolis.mn.us/cped/docs/ahtf\\_rfp.pdf](http://www.ci.minneapolis.mn.us/cped/docs/ahtf_rfp.pdf). The AHTF program requires the submittal of various documents and independent third party reports that describe the existing conditions of the property, the project and its feasibility, and the depth and capacity of the developer.

### **AHTF Underwriting Review**

For the 2010 funding round, the City received 16 AHTF-eligible applications. Riverside Plaza scored the most points and is ranked first. While the staff underwriting review of

all of the 2010 AHTF applications is complete, the Riverside Plaza funding recommendation is being brought forward ahead of the other projects due to the significant size and complexity of the Riverside Plaza project and scheduling requirements.

The project earned all of the available points in these categories: Design quality and compatibility, preservation and stabilization of existing units, plan conformance, project based Section 8, long term affordability, leverage, neighborhood support, and a location on a commercial or community corridor. The project earned nearly all of the available points in these categories: Financial soundness and management, economic integration, and provision of resident services. For the financial soundness and management category review, the development proforma and cash flow projections reflect CPED's underwriting standards, including minimum vacancy estimate, debt coverage ratio, reserves, contingency, property management and asset management costs. Proposed rents comply with HUD maximum levels. The developer's financial statements were reviewed, and no major issues were discovered. The scope of work reflects the recommendations in the environmental reports and the capital needs assessment.

This project is subject to overlapping underwriting standards imposed by the City, MHFA, HUD and tax credit investors, which makes the project financing package more conservative and more restrictive. To confirm the project's compliance with AHTF program requirements, CPED received and reviewed an appraisal, market study, capital needs assessment, three separate environmental reports, the proforma and other documents that describe the project and the developer's capacity to complete the project. This project earned the most points of the AHTF projects submitted with 139 of 198 available points across 18 evaluation categories for a project in an impacted area.

Rehabilitation projects typically require relatively high levels of contingency and reserve funds due to the uncertainty that's inherent in renovation of older properties and due to the overlaying of the underwriting standards. Contingency and reserve funds will be spent on hard construction costs which will be either included in either the base bid or the add-alternates.

The CDBG funds trigger the payment of required relocation benefits to residents. The relocation budget currently is \$2,250,000. Approximately 80 units in Riverside Plaza will be partially furnished and used as temporary "hotel" units so residents may stay within the campus while work is being completed in their unit. Residents will be able to choose the language that they prefer to use for notifications, and common area signage will be posted in several languages with project updates.

The relocation plan creates a resident communication strategy that includes regular on-site meetings to discuss project updates. In addition, the developer will use the Riverside Plaza television station to broadcast project updates and an instructional video about the typical activities that will occur in individual units.

The proposed \$8 million developer fee also complies with AHTF standards (note that the AHTF does not fund the developer fee). Nearly half (\$3 million) of the developer

fee will be deferred and paid through operational cash flow after construction is complete, and \$5 million will be paid incrementally at closing, substantial construction completion, and at full occupancy.

Reducing the development fee will increase the development gap, which then increases the potential burden on the public funders. Since the development fee is included in the tax credit eligible basis calculation, it is paid through the private tax credit equity. The development fee increases the amount of private tax credit equity that is generated, which then reduces the public subsidy. Because the majority of the developer fee is paid incrementally after funding closing and through operational cash flow, it also serves as a secondary reserve or contingency account. The developer fee covers roughly six years of work by the developer to accomplish this project.

The recommended award is consistent with how AHTF funding has been spent on affordable housing projects since at least 2003 as described in Table 4 below.

### **Community Engagement, Development Agreement and Workforce Plan**

The attached Memorandum of Understanding (MOU) and Workforce Plan in Exhibit C clarifies various project components and responds to specific issues prioritized by the WBCC which are appropriate to address through this affordable housing project. MOU highlights include summarizing common area improvements which enhance public safety and quality of life, continued financial support for the Riverside Plaza Tenant Association, and highlighting \$1,000,000 of road improvements that are included in the Mayor's budget (which remains subject to City Council approval). Further, the AHTF award of CDBG funds triggers various federal, state and local requirements including Section 3 employment, training and contracting goals for low income residents and businesses, Davis Bacon wage rates, apprenticeship training programs, affirmative action workforce goals and SUBP contracting goals. The Workforce Plan establishes aspirational goals that go beyond these requirements and includes hiring 90 Minneapolis residents, focusing the initial hiring efforts on Riverside Plaza residents, and dedicating resources for Emerge to assist the developer with the labor tasks.

The draft MOU and Workforce Plan were presented at a community meeting on October 13, 2010 organized by Council Member Gordon. Public comments were received from members of the WBCC, West Bank Business Association (WBBA), Riverside Plaza residents and Cedar Riverside residents. Comments generally focused on concerns about safety and security, local hiring for construction jobs, social services, community gathering space, recreational and economic opportunities for youth, and private property management issues. Most of these concerns were voiced during the Cedar Riverside Small Area Plan community engagement process in 2006 and 2007 and only some of them may be addressed by this affordable housing project. As a result of this meeting, the developer is working with the WBCC to refine commitments to fund security and public safety initiatives. The WBCC Board is anticipated to discuss the MOU and Workforce Agreement on October 20, 2010. Therefore, the MOU might change slightly as the community engagement process continues.

## Benefits of Financing This Stabilization/Rehabilitation Project

Now that CPED has analyzed the project against the AHTF and housing revenue bond program requirements, below is a summary of how this project benefits the City:

- **Enhanced quality of life:** The comprehensive nature of the functional improvements will make the Riverside Plaza campus more livable.
- **Jobs:** This project is estimated to generate 300 construction jobs over two years.
- **Leveraged outside capital investment:** This project is attracting over \$101 million of private investment from outside the City (83% of the total development cost). Over \$5 million of public investment from MHFA and the Metropolitan Council have been committed. Additional public funding requests are pending, including \$7.5 million from MHFA's PARIF (the MHFA Board will make the funding decision on October 28, 2010) and at least \$750,000 of brownfield remediation funding. HUD has subsidized Riverside Plaza since at least 1988 under a Housing Assistance Program (HAP) contract. In 2008, HUD renewed this contract for 20 years at a value of \$100 million or \$5 million per year.
- **Improved public safety:** The exterior public realm, common area, lighting, security and site improvements enhance public safety and improve pedestrian circulation and way-finding.
- **Improved transit access:** The site improvements increase access to the Hiawatha and Central Corridor LRT lines.
- **Enhanced energy efficiency:** Xcel and CenterPoint are creating custom rebate programs for the new heating, cooling, plumbing, and electrical improvements. Utility cost savings estimates have been added into the cash flow to show that the project can support more private mortgage debt. The rehabilitation and energy efficiency improvements will reduce water usage, which in turn reduce the burden on the City's water system and the Met Council waste-water treatment system.
- **Revenue:** Fees from selling up to \$80 million of housing revenue bonds will help fund other affordable housing initiatives. The City has an allocation of bonds that must be used by 2012 or be given back to the State.

## HUD Choice Neighborhoods Funding Application

The City streets around Riverside Plaza are in poor shape. The Mayor's budget currently includes \$1,000,000 of capital improvement funding for improvements to 4th Street and 15th Avenue (subject to City Council approval). This project is listed as "PV070 Riverside Phase II - 4th St/15th Ave." with \$600,000 in 2011 and \$400,000 in 2012. To support this deal point in the MOU, CPED intends to pursue HUD Choice Neighborhoods funding to expand the scope of the street improvements to include infrastructure, sidewalk, and additional bike lane improvements on 4<sup>th</sup> Street, 15<sup>th</sup> Avenue, and 6<sup>th</sup> Street. No other City projects are seeking this funding source in this round, so this project won't be competing against other City initiatives. CPED needs

Council authorization to seek the funding. A verbal update on the funding application will be available at the October 26, 2010 Committee meeting.

### **USI Wireless**

CPED is working with the developer and USI Wireless on the possibility of adding USI wireless equipment to Riverside Plaza to expand the City's wireless network in order to provide internet broadband service to the entire complex at a discounted rate. Staff is exploring options with IGR staff to seek federal support for connecting federal broadband policy with federal affordable housing policy that would allow HUD to recognize internet access as an allowable utility cost due to its critical role as a tool for educational and economic advancement by low income residents. This effort is separate from and outside the scope of the two project financing mechanisms discussed in this report.

### **Attachments:**

Exhibit A: Riverside Plaza Project Data Worksheet

Exhibit B: Housing revenue bond final approval resolution

Exhibit C: Riverside Plaza Memorandum of Understanding and Workforce Plan

## RESOLUTION

Authorizing the issuance of bonds, in a principal amount not to exceed \$80,000,000, with approximately \$50,000,000 in the form of Multifamily Housing Revenue Bonds (GNMA Collateralized – Riverside Plaza Project), Series 2010A, and up to \$30,000,000 in the form of a Multifamily Housing Revenue Bonds (Riverside Plaza Project), Series 2010B, and approving and authorizing the execution of various documents in connection therewith.

WHEREAS, pursuant to the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C, as amended (the “Act”), a city is authorized to carry out programs for the financing of multifamily housing for persons of low and moderate income, and to authorize its housing and redevelopment authority to act on its behalf; and

WHEREAS, the City Council (the “City Council”) of the City of Minneapolis (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 acquisition and rehabilitation by Cedar Riverside Limited Partnership, a Minnesota limited partnership (the “Developer”), of a 1303-unit multifamily rental housing development located at 1525 4<sup>th</sup> Street South, 1600 6<sup>th</sup> Street South, 1511 4<sup>th</sup> Street South, 1601 4<sup>th</sup> Street South, 1615 4<sup>th</sup> Street South, and 1530 6<sup>th</sup> Street South in the City (the “Project”); and

WHEREAS, the City on July 13, 2010 did conduct a public hearing on the Program; and

WHEREAS, by Resolution 2010R-340 adopted July 23, 2010, and published on July 27, 2010, the City gave its preliminary approval to the issuance of the bonds to finance the Program; and

WHEREAS, the City desires to facilitate the development of 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 persons 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; and

WHEREAS, the program is to be financed from the proceeds of bonds, in an aggregate amount not to exceed \$80,000,000, with approximately \$50,000,000 being in the form of Multifamily Housing Revenue Bonds (GNMA Collateralized – Riverside Plaza Project), Series 2010A (the “Series A Bonds”), and up to \$30,000,000 in

the form of a Multifamily Housing Revenue Bonds (Riverside Plaza Project), Series 2010B (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”), to be issued by the City, and the revenues from the Project (as defined below) shall be pledged for the security and payment of the Bonds (except as may otherwise be set forth in the Indentures hereinafter referred to); and

WHEREAS, the Bond proceeds will be used by the City to fund loans (the “Loans”) to the Developer to finance the acquisition and rehabilitation of the Project; and

WHEREAS, the Series A Bonds will be issued under a Trust Indenture, dated as of November 1, 2010 (the “Series A Indenture”), and the proceeds of the Series A Bonds will be loaned to the Developer pursuant to a Financing Agreement, dated as of November 1, 2010 (the “Financing Agreement”), and the Series A Bonds will be secured by a pledge of all rights and revenues derived by the City from the Financing Agreement (except certain retained rights of the City), and said Series A Bonds and the interest on said Series A Bonds shall be payable solely from the revenues pledged therefor and the Series A Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation nor give rise to a pecuniary liability of the City or a charge against its general credit or assets and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City’s interest in the Project; and

WHEREAS, the Series B Bonds will be issued under a Trust Indenture, dated as of November 1, 2010 (the “Series B Indenture” and, together with the Series A Indenture, the “Indentures”), and the proceeds of the Series B Bonds will be loaned to the Developer pursuant to a Loan Agreement, dated as of November 1, 2010 (the “Loan Agreement”), between the City and the Developer, and the Series B Bonds will be secured by a pledge of all rights derived by the Developer from the Loan Agreement (except certain retained rights of the City), and said Series B Bonds and the interest on said Series B Bonds shall be payable solely from the revenues pledged therefor and the Series B Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation nor give rise to a pecuniary liability of the City or a charge against its general credit or assets and shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City’s interest in the Project; and

WHEREAS, forms of the following documents (including the exhibits referred to therein) have been submitted to the City:

a. The Series A Indenture to be made and entered into between the City and the trustee named therein (the “Series A Trustee”), providing for the issuance of the Series A Bonds, prescribing the form thereof, pledging the trust estate described therein for the security of the Series A Bonds, and setting forth proposed recitals, covenants and agreements with respect thereto;

b. The Financing Agreement to be made and entered into between the City, the Developer, the Series A Trustee and Oak Grove Commercial Mortgage, LLC (the “Lender”), providing for the loan of the proceeds of the Series A Bonds to the Developer, and for the repayment of such loan;

c. The Series B Indenture to be made and entered into between the City and the trustee named therein (the “Series B Trustee” and, together with the Series A Trustee, the “Trustee”), providing for the issuance of the Series B Bonds, prescribing the form thereof, pledging the trust estate described therein for the security of the Series B Bonds, and setting forth proposed recitals, covenants and agreements with respect thereto;

d. The Loan Agreement to be made and entered into between the City and the Developer, providing for the loan of the proceeds of the Series B Bonds to the Developer, and for the repayment of such loan;

e. The Tax Compliance Agreement, dated as of November 1, 2010 between the City, the Trustee and the Developer (the “Tax Compliance Agreement”);

f. The Land Use Restriction Agreement, dated as of November 1, 2010 between the City, the Trustee and the Developer (the “Land Use Restriction Agreement”);

g. The Bond Purchase Agreement relating to the Series A Bonds between Piper Jaffray, Inc. (the “Underwriter”), the City and the Developer (the “Series A Bond Purchase Agreement”); and

h. The Bond Purchase Agreement relating to the Series B Bonds between the Underwriter, the City and the Developer (the “Series B Bond Purchase Agreement”).

The agreements described and referred to in paragraphs a through h above shall hereinafter sometimes be referred to collectively as the “Agreements”;

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

That it is hereby found, determined and declared that:

a. The preservation of the quality of life in the City is dependent upon the maintenance, provision and preservation of an adequate housing stock which is affordable to persons and families of low or moderate income, that accomplishing this is a public purpose, and that many would-be providers of housing units in the City are either unable to afford mortgage credit at present market rates of interest or are unable to obtain mortgage credit because the mortgage credit market is severely restricted.

b. The development and implementation of the Program, and the issuance and sale of the Bonds by the City, and the execution and delivery of the Agreements and the performance of all covenants and agreements of the City contained therein and of all other acts and things required under the Constitution and Laws of the State of Minnesota to make the Agreements and the Bonds valid and binding obligations of the City in accordance with their terms, are authorized by the Act.

c. The implementation of the Program for the purposes and in the manner contemplated by the Agreements conforms or will conform to all pertinent statutes, regulations and ordinances of the State of Minnesota and the City.

d. It is desirable that the Bonds be issued by the City in one or more series, in an aggregate principal amount not to exceed \$80,000,000, on the terms set forth in the Resolution, the Indentures, the Financing Agreement, the Loan Agreement, the Land Use Restriction Agreement and the Bonds.

e. The payments required or provided for by the Agreements are intended to produce income and revenues sufficient to provide for the payment when due of principal of and interest on all Bonds issued under the Resolution, and payments are required to be made for such expenses of, among other things, administration of the Program as will be necessary to protect the interests of the City and the Trustee.

f. Pursuant to the provisions of the Act, and as provided in the Agreements, the Bonds shall be retired solely from the revenues of the Project.

BE IT FURTHER RESOLVED, that the Agreements in substantially the forms submitted to the City at this meeting are hereby approved. Such of the documents as require the execution of the City are hereby authorized and directed to be executed or accepted, as the case may be, and delivered in the name and on behalf of the City by its Finance Officer upon execution thereof by the parties thereto as appropriate. The Bonds and the Agreements shall be executed and delivered as provided therein. Copies of all the documents necessary for the consummation of the transactions described herein and in the Agreements shall be delivered, filed and recorded as provided herein and in the Agreements.

BE IT FURTHER RESOLVED, that the form and terms of the Agreements may be varied prior to execution and delivery by the parties thereto, provided that any such variance shall not be, in the opinion of the City’s legal counsel and the Finance Officer, materially adverse to the interests of the City. The execution and delivery of the Agreements as provided above shall be conclusive evidence of the determination that any such variance was not materially adverse to the interests of the City.

BE IT FURTHER RESOLVED, that in anticipation of the collection of revenues of the Project, there shall be issued forthwith the Bonds, which issuance is approved, substantially in the forms and upon the terms set forth in the Agreements and the Bonds, the terms of which are for this purpose incorporated in this Resolution and made a

part hereof as if fully set forth herein. The Bonds shall be dated as of the date and shall mature on the dates (subject to redemption on such earlier dates as provided in the Bonds), bear interest and be payable at the rates, all determined as set forth in the Agreements and the Bonds, 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; provided that such rates shall result in an average coupon rate not greater than 5.75% per annum with respect to the Series A Bonds and 7.00% per annum with respect to the Series B Bonds.

BE IT FURTHER RESOLVED, that all actions of the members, employees and staff of the City heretofore taken in furtherance of the Program are hereby approved, ratified and confirmed.

BE IT FURTHER RESOLVED, that 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-030 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

BE IT FURTHER RESOLVED, that the sale of said Bonds to the Underwriter is hereby approved, and the Bonds are hereby directed to be sold to the Underwriter, upon the terms and conditions set forth in the Agreements and the Bonds. The Finance Officer of the City is hereby authorized and directed to prepare and execute by manual or facsimile signature the Bonds as described in the Agreements and to deliver them to the Trustee together with a certified copy of this Resolution, and the other documents required by the Agreements.

BE IT FURTHER RESOLVED, that the Finance Officer and other officers of the City are authorized and directed to prepare and furnish when the Bonds are issued, certified copies of all proceedings and records of the City relating to the Bonds and such other affidavits and certificates (including but not limited to those required by bond counsel) as may be required to show the facts relating to the legality, tax exemption and marketability of the Bonds as such facts appear from the books and records in said 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 made by the City and contained therein. The Finance Officer and said officers are further authorized to execute such additional documents as shall be determined by the Finance Officer to be necessary and desirable to provide for the issuance of the Bonds.

BE IT FURTHER RESOLVED, that all covenants, stipulations, obligations and agreements of the City contained in this Resolution and the aforementioned documents shall be deemed to be the covenants, stipulations, obligations and agreements of the City to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall be binding upon the City. Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the City 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, 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, or any officer, agent or employee of the City in that person's individual capacity, and neither the City Council 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 related 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 Project, the proceeds of the Bonds which are to be applied to the payment of the Bonds, as provided therein and in the Agreements. 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 liability thereon. The holders of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal of the Bonds, or the interest thereon, or to enforce payment thereof against any property of the City. The Bonds shall recite in substance that the Bonds, including the interest

thereon, are payable solely from the revenues and proceeds pledged to the payment thereof. The Bonds shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.

BE IT FURTHER RESOLVED, that 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 provision 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.

BE IT FURTHER RESOLVED, that in case any one or more provisions of this Resolution, 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, the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein.

BE IT FURTHER RESOLVED, that 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 and in the enactment of this Resolution, and precedent to issuance of the Bonds, and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

BE IT FURTHER RESOLVED, that in the event any of the officers of the City authorized to execute documents on behalf of the City under this resolution have resigned or shall for any reason be unable to do so, any member of the City, or officer of the City, is hereby directed and authorized to do so on behalf of the City, with the same effect as if executed by the officer authorized to do so in this Resolution.

BE IT FURTHER RESOLVED, that the City hereby allocates up to \$80,000,000 of its 2010 entitlement authority to issue tax-exempt bonds pursuant to Minnesota Statutes, Chapter 474A, to the Bonds, the actual amount of such allocation to be in the aggregate principal amount of Bonds issued.

BE IT FURTHER RESOLVED, that this Resolution shall take effect upon publication.