

## Request for City Council Committee Action

**Date:** May 20, 2002

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

**Prepared by** Randal Hemmerlin, Phone 612-673-5075

**Approved by** Chuck Lutz, MCDA Interim Executive Director \_\_\_\_\_

**Subject: Public Hearing, Preliminary Approval and Resolution for an amount not to exceed \$3,200,000 of Tax Exempt Housing Revenue Bonds for the Stone Arch Apartments Project.**

**Previous Directives** On September 28, 2001 the Board authorized staff to continue analysis of the Stone Arch Apartments proposal; negotiate terms and conditions of a redevelopment contract with Minneapolis Stone Arch Partners, LLC; prepare a redevelopment plan/modification and tax increment financing plan/modification for the Stone Arch Apartments. On December 28, 2001, the Board adopted the Minneapolis Stone Arch Redevelopment Plan (the Plan) and authorized staff to proceed with the implementation of the Plan and negotiate, prepare and present to the Board and City Council any further plans, resolutions, documents and contracts necessary. On March 21, 2002, the Board accepted and appropriated environmental clean-up grants from various governmental entities totaling \$750,000 on behalf of Stone Arch apartments. On April 25, 2002 the Board approved the adoption of Modification No. 1 to the Redevelopment Plan which authorizes the Agency to assist the developer in acquiring certain property rights in the project's site and added a Relocation Plan to the Plan.

**Neighborhood Group Notification:** The Marcy Holmes Neighborhood Association has reviewed and opposes this proposal.

**Ward Number:** 2

**Consistency with *Building a City That Works*:** Consistent with Goal 2, Objective a., to preserve and expand the number of affordable housing units throughout the city.

**Comprehensive Plan Compliance:** Complies.

**Zoning Code Compliance:** An Industrial Overlay District was approved for this property by the City Council on September 28, 2001. The City Planning Commission approved required conditional use permits and variances for this development on October 9, 2001.

**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
- Action requires use of contingency or reserves
- Other financial impact (Explain): Bond fees collected annually

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

**Job Linkage:** Not applicable.

**Affirmative Action Compliance:** Project will comply.

**Recommendation:** The Executive Director recommends that the City Council adopt the attached Resolution granting Preliminary Approval not to exceed \$3,200,000 of tax exempt housing revenue bonds for the Stone Arch Apartments Project.

### Background/Supporting Information

The Stone Arch Apartments' site consists of three parcels located at 600 and 625 Main Street Southeast and 106 6<sup>th</sup> Avenue Southeast and is approximately 143,000 total square feet.

The developer, Minneapolis Stone Arch Partners, LLC, is a joint venture real estate development company formed by principals of the Wall Companies and Lupe Development Partners for the purpose of developing this project.

The Stone Arch Apartment project is a 221-unit apartment building proposal containing four floors of living space over two levels of underground parking. There will be 44 affordable rental units at 50% of Area Median Income and 47 units at 60% of Area Median Income. The remaining units will be at market rate. The project is within walking distance of the downtown core via the Stone Arch Bridge and is of extremely high quality construction, in an appropriate mix of studio, one and two bedroom configurations. The developer is Minneapolis Stone Arch Apartments LLC. Total development cost is estimated at \$32.8 million.

As indicated in the Plan, the Agency intends to finance the tax increment revenue stream by issuing city bonds for all public costs this summer. The attached Resolution grants preliminary authorization for the issuance of bonds by the city for this purpose.

### Additional Information

Unit Type	# Units	Rents
Zero BR	17	\$576 to \$825
One BR	72	\$719 to \$1,070
Two BR	132	\$863 to \$1,445

### Stone Arch Apartments Source and Uses of Funds

#### Preliminary Sources of Funds

General Partner Cash	\$ 2,866,551
Syndication Proceeds	\$ 3,149,845
FNMA 1 <sup>st</sup> Mortgage/Henn. County Revenue Bonds	\$ 20,120,000
FNMA TIF Mpls. HRB	\$ 3,200,000
Developer Equity deferred	\$ 2,741,117
Environmental Grants	\$ 750,000

<b>Total</b>	<b>\$ 32,827,513</b>
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<b>Preliminary Uses of Funds</b>	
Acquisition	\$ 2,200,000
Construction	\$ 22,282,739
Architect Fees	\$ 465,000
Construction Contingency	\$ 857,028
Developer Fee	\$ 2,741,117
Construction Interest	\$ 705,077
Site improvements/Demo TIF	\$ 450,000
Relocation TIF	\$ 550,000
Soft Costs, Fees, Other	\$ 2,576,552
<b>Total</b>	<b>\$ 32,827,513</b>

**Bond Information**

It is proposed that the bonds will be credit enhanced to AAA by Fannie Mae.

**HRB Entitlement**

<u>2002 Entitlement Authority:</u>		\$33,190,000
Many Rivers East	\$4,250,000	
Bottineau Lofts	\$3,640,000	
Stone Arch Apartments	\$3,200,000	<u>\$11,090,000</u>
Amount Remaining		<u>\$22,100,000</u>

**Bond Counsel**

Leonard, Street and Deinard

**Underwriter**

US Bancorp Piper Jaffray

**Administrative Fees**

Issuer’s fees will be ¼% of the outstanding loan balance.

**Council Member Informed**

Yes, Ward 2.

**RECOMMENDATION:** The Executive Director recommends that the City Council adopt the attached Resolution granting Preliminary Approval of up to \$3,200,000 in Tax Exempt Housing Revenue Bonds for the Stone Arch Apartments Project.

**Adopting a housing program for the Stone Arch Apartments Project; and giving preliminary approval to the issuance of revenue bonds thereunder**

WHEREAS, pursuant to the Minnesota Municipal Housing Act, Minnesota Statutes, Chapter 462C (the “Act”) a city is authorized to undertake 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 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 a portion of the cost of acquisition and construction by Minneapolis Stone Arch Partners, LLC, a Minnesota limited liability company (the “Owner”), of a project consisting of approximately 221 units of multifamily housing in two buildings (the “Project”), to be located between 6<sup>th</sup> Avenue SE and 8<sup>th</sup> Avenue SE along Main Street SE in the City; and

WHEREAS, the cost of the Project is presently estimated to be approximately \$32,300,000, and the bonds to be issued under the Program are presently estimated to be approximately \$3,200,000; and

WHEREAS, the City conducted a public hearing on the Program on May 20, 2002, following publication of 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 was 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 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 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 City;

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

That the issuance of multifamily housing revenue bonds pursuant to the Act in the approximate amount presently estimated not to exceed \$3,200,000 in one or more series to finance the costs of the Program is hereby preliminary approved by the City Council subject to final agreement between the City, the Owner, and the purchaser of the bonds as to the detailed terms and conditions on which the bonds will be issued.

Be It Further Resolved that the Program is hereby adopted.

Be It Further Resolved that proceeds of bonds issued under the Program may be used to make a loan or loans directly to the Owner or other entity approved by the City or to acquire the Project and at the discretion of the City may be financed by the Minneapolis Community Development Agency rather than the City.

Be It Further Resolved that the City shall have the right in its sole discretion to withdraw from participation and, accordingly, not to issue the bonds for the Project should the City, at any time prior to the issuance thereof, determine that it is in the interest of the City not to issue the bonds or should the parties to this transaction be unable to reach agreement as to the terms and conditions of any of the documents required for this transaction. The decision of the City with respect to the aforementioned matters shall be uncontestable.

Be It Further Resolved that nothing in this Resolution or the documents prepared pursuant hereto shall authorize the expenditure of any municipal funds on the Program other than as specified and authorized by separate actions of the City Council and other than the revenues derived from the Project or otherwise granted to the City or Minneapolis Community Development Agency for this purpose.

Be It Further Resolved that U.S. Bancorp Piper Jaffray Inc. is hereby appointed as Underwriter, and Leonard, Street and Deinard is hereby appointed as Bond Counsel, in connection with the Bonds preliminarily approved hereby.

Be It Further Resolved that the City hereby allocates up to \$3,200,000 of its entitlement authority to issue tax-exempt bonds pursuant to Minnesota Statutes, Chapter 474A, to the bonds given preliminary approval hereunder.

Be It Further Resolved that the Owner may incur expenses in connection with the Project prior to the issuance of the bonds given preliminary approval hereunder, which it may temporarily pay from other sources, which are intended to be reimbursed from the proceeds of the bonds when issued. This resolution is intended to constitute a declaration of official intent for purposes of Tres. Reg. § 1.150-2 and any successor law, regulation or ruling.