



# Request for City Council Committee Action from the Department of Community Planning & Economic Development

**Date:** April 4, 2006  
**To:** Council Member Lisa Goodman, Community Development Committee  
Council Member Paul Ostrow, Ways & Means Committee  
**Subject:** Approval for Minneapolis-Saint Paul Housing Finance Board to hold City revenues from single family mortgage revenue bond transactions

**Recommendation:** Approve the transfer of City mortgage revenue bond revenues to a Trustee account to be held and disbursed as needed to pay for ongoing costs associated with the mortgage revenue bond programs

**Previous Directives:** The City has provided annual approval of the CityLiving mortgage revenue bond program.

**Prepared by:** Mark S. Anderson **Phone: 673-5289**  
**Approved by:** Elizabeth Ryan, Director, Housing Policy & Development \_\_\_\_\_  
Jack Kryst, Director of Development Finance \_\_\_\_\_

**Permanent Review Committee (PRC)** Approval  Not Applicable   
**Note:** To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

**Presenter in Committee:** Mark S. Anderson, Senior Contract Management Specialist

### Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- 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.
- Business Plan:  Action is within the plan.  Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

### Community Impact (use any categories that apply)

Neighborhood Notification:

City Goals:

Comprehensive Plan:

Zoning Code:

Other:

### **Background/Supporting Information**

Each year staff presents to the City Council a report establishing the single family housing program which authorizes the transfer of the City's mortgage revenue bonding authority to the Minneapolis-Saint Paul Housing Finance Board (Joint Board). The cost of completing the sale of single family mortgage revenue bonds and mortgage program administration has been financed by revenue the Joint Board realizes through the restructuring or refunding of mortgage revenue bond issues. Any revenue realized this way returns to the Joint Board's account held by Wells Fargo, who acts as Trustee for the bond issues, and it is held until it is needed again to cover costs associated with bond issues.

The benefit to the City of this routine process of recycling the revenue has been that the City does not need to provide additional resources to cover the sale of bonds or the administration of the CityLiving mortgage program. While this revenue recycling process has been routine in the past, at the advice of counsel, staff is now presenting a report to formally acknowledge this process.

Most recently, in December of 2005, the two cities worked with the Joint Board's financial consultants to restructure several outstanding bond issues. As part of that process, the bonds were called and paid off. While the majority of the bond issues have been issued through the Joint Board, over the years there have been several bond issues that each city issued separately, without the involvement of the other city. In the December bond call, one bond issue that was exclusively Minneapolis' asset had its bonds called releasing over \$400,000 in revenue. Because this revenue is exclusively Minneapolis' asset and not associated with the Joint Board, the revenue has been held by the Trustee pending further action to determine whether these funds should continue to be held by the Trustee or if they should instead be sent to the City. Staff proposes that this revenue recycling approach should cover not only the revenue from joint bond issues of Minneapolis and St. Paul, but also the revenue from Minneapolis only single family bond issues.

Including the amount mentioned above, the Trustee is presently holding approximately \$1,999,000 for Minneapolis. The cost of doing a bond issue varies depending upon bond and investment markets, but the last five bond issues have had an average cost of \$733,169, of which Minneapolis' share of the cost would normally be one-half that amount. A chart of the costs for the last five issues is included at the end of this report. The Joint Board will normally complete two to three bond issues each year.

Staff is recommending to the City Council that these funds and future revenue from single family mortgage revenue bond programs continue to be deposited with and held by the Joint Board's Trustee to be used to cover Minneapolis' share of future mortgage revenue bond sale and related program costs. If this proposal is approved, the Joint Board will be asked to sign an agreement assuming responsibility to maintain financial records of Minneapolis' versus Saint Paul's assets. Any funds that are identified as being an asset of Minneapolis would only be used for Minneapolis' share of the costs.

## Cost of Issuance Summary

		Professional Costs	Loan Costs	Totals
\$25,000,000				
CityLiving 2004B	March '04	\$288,067	\$325,500	\$613,567
\$37,900,000				
CityLiving 2004B-2	June '04	\$323,150	\$318,275	\$641,425
\$40,000,000				
CityLiving 2004A-1	August '04	\$341,928	\$660,672	\$1,002,600
\$25,000,000				
CityLiving 2005A 2,3,4	June '05	\$318,350	\$471,650	\$790,000
\$25,000,000				
CityLiving 2006A-1	Feb 2006	\$291,250	\$329,750	\$621,000
Averages		\$312,549	\$421,169	\$733,718