

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

**Date:** June 21, 2011

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

**Subject:** City Place Lofts - Public Hearing and Request for Preliminary Approval of up to \$5,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds

**Recommendation:** Approve the attached Resolution giving Preliminary Approval of up to \$5,500,000 of Tax Exempt Multifamily Housing Revenue Entitlement Bonds for the City Place Lofts Project

**Previous Directives:**

- On June 17, 2011, the City Council approved a loan of up to \$945,000 in 2010 Supplemental Affordable Housing Trust Funds to City Place Developer LLC for the development of the City Place Lofts Project;
- On February 15, 2011, the City Council authorized CPED to accept and appropriate a \$212,600 Metropolitan Council Tax Base Revitalization Account (TBRA) grant and a \$100,000 Hennepin County Environmental Response Fund (ERF) grant for this project; and
- On October 12, 2010, the City Council authorized an application to the Metropolitan Council's Tax Base Revitalization Account (TBRA) Program and the Hennepin County Environmental Response Fund (ERF) for environmental remediation and/or investigation assistance for the City Place Lofts Project.

Prepared by: Theresa Cunningham, Senior Project Coordinator (612) 673-5237  
Approved by: Thomas A. Streitz, Director of Housing Development \_\_\_\_\_  
                  Charles T. Lutz, CPED Deputy Director \_\_\_\_\_  
Presenter in Committee: Theresa Cunningham

**Financial Impact:** Project will generate issuer fees.

**Community Impact:**

- Neighborhood Notification: On January 11, 2011, the Downtown Minneapolis Neighborhood Association heard a presentation regarding the proposed development passed a motion in support of the proposed development.
- City Goals: This project addresses the following goals: A safe place to call home, many People-One Minneapolis, Jobs and economic vitality, Livable Communities-Healthy Lives
- Sustainable targets: Affordable Housing, increased density of development along light rail transit line.
- Comprehensive Plan: Section 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods; Section 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improves its ability to accommodate

automobile traffic and foster pedestrian movement, and expands the range of goods and services offered; Section 4.9 Minneapolis will grow by increasing its supply of housing; Minneapolis will increase its housing that is affordable to low and moderate income households

- Living wage/Business Subsidy Agreement: N/A
- Zoning Code: The project will comply
- Job Linkage: N/A
- Other

### **Supporting Information**

City Place Lofts is located at 730 Hennepin Avenue in downtown Minneapolis on the NW corner of Hennepin Avenue and South Eighth Street. The property is currently owned by the City of Minneapolis and leased to 100 East 22<sup>nd</sup> Associates LLC under a Common Bond financing lease since 1997. 100 East 22<sup>nd</sup> Associates LLC has entered into a Purchase Agreement with the developer where the mortgage lease will be paid off at the closing on this proposed development.

The property is an eight-story elevator building, which is partially occupied by an adult education facility, the Institute for New Americans, on the first 3 floors under an existing lease set to expire June 2012. The tenant has agreed to re-negotiate a new lease at the time of closing on the proposed development with the new owners. The upper five floors of the building will be converted from office space to low income housing tax credit apartments.

The proposed development will include the adaptive reuse of the five floors of office space to 45 apartment units with 20 efficiency/studio units with 510 sq. ft., 30-one (1) bedroom units that will have 685 sq. ft. and 5-two (2) bedroom units with 1,065 sq. ft. of living space. Four units will be handicap accessible and one unit will be sensory accessible. In addition, the development includes approximately 1,000 square feet of administrative and community space which will include an on-site management office and a community room/lounge for resident use.

Twenty-seven of the 45 units will be affordable to individuals and families earning at or below 50% of Area Median Income (AMI) and the remaining 18 units will be affordable to individuals and families earning at or below 60% of AMI. The development is located on Hennepin Avenue with access to numerous mass transit options (e.g.: buses, taxis, and light rail) within short walking distances of one to four blocks from the development location.

The project will be owned by City Place Housing Limited Partnership which is being formed when the project is syndicated. The general partner will be City Place Lofts LLC. The investor for the tax credits has not yet been identified. A Project Data Worksheet (PDW) is attached as Exhibit 1 and provides additional details regarding the proposed development.

### **Financing Overview**

The total development cost of the City Place Lofts Project is approximately \$8,744,617. Syndication proceeds for the historic tax credit equity in the project is estimated at approximately \$2,573,797 which includes deferral of a portion of the developer fee (\$217,797). The Housing Revenue Entitlement bonds carry an automatic 4% low income housing tax credit. The tax credits will generate

approximately \$2.5 million in syndication proceeds which is equity to the project. The developer is requesting up to \$5,500,000 in housing revenue entitlement bonds. The bonds will be secured by a first mortgage on the property and will be refinanced with a MHFA LMIR 1<sup>st</sup> mortgage upon construction completion. This is considered an end loan to the project. The bonds will be unrated. Due to the bond refinance at construction completion, Piper Jaffrey will assume any risk during that period. Because of this short bond term and the future take-out of the bonds, credit enhancement is not required.

The developer has received an award of Metropolitan Council Tax Base Redevelopment Account Funds and Hennepin County Environment Relief Funds of \$312,600.

The developer received an award of Affordable Housing Trust Funds (AHTF) from the City of Minneapolis for \$945,000. They will also be making a general partner capital contribution of guaranteed interest earned on the bonds during construction of approximately \$13,220. The total developer fee amount of \$926,020 falls within the CPED Housing developer fee policy.

### **Housing Revenue Bond Information**

The developer is requesting preliminary bond approval for the issuance of up to \$5,500,000 in tax exempt multi-family housing entitlement revenue bonds from the city's 2010 allocation. These funds will be supported by project revenues. Staff anticipates this project will close by August 31, 2011.

The current status of the 2010/2011 HRB Entitlement allocation is shown below:

2010 HRB Entitlement	\$120,608,911
Less Riverside Plaza	\$ 69,950,000
2010 HRB Balance	\$ 50,658,911
Plus 2011 HRB Entitlement	\$ 45,326,000
Total HRB Available	\$ 95,984,911
Less- Longfellow Station	\$ 17,000,000
Less- Hi Lake Triangle	\$ 6,500,000
HRB Entitlement Remaining	\$ 72,484,911
Less - City Place Lofts	\$5,500,000
HRB Entitlement Remaining	\$66,984,911

Bond Purchaser: US Bank Trust  
Bond Underwriter: Piper Jaffray  
Bond Counsel: Best & Flanagan L.L.P.

Council Member Informed: Lisa Goodman, Ward 7

**CITY OF MINNEAPOLIS, MINNESOTA**

**RESOLUTION NO. \_\_\_\_\_**

Giving preliminary approval to the issuance of tax-exempt multifamily housing revenue bonds in one or more series under Minnesota Statutes, Chapter 462C for the purpose of financing a housing program consisting of the acquisition and rehabilitation of a multifamily rental housing development for the benefit of City Place Lofts 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 City Place Lofts Limited Partnership, a Minnesota limited partnership, or its affiliates or assigns (the "Developer") has requested that the City adopt a multifamily housing development program (the "Program") to provide for the issuance of up to \$5,500,000 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 rehabilitation by the Developer of a 45-unit multifamily rental housing development located at 730 Hennepin Avenue 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 Piper Jaffray & Co., 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 \$5,500,000 is preliminarily approved.

Be It Further Resolved that the City hereby reserves \$5,500,000 of its 2011 (or carryover) 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 Planning and Economic Development Department is hereby authorized, in cooperation with bond counsel to take all steps necessary and desirable to proceed to develop the Program and financing therefor.