



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

Date: July 11, 2006

To: Council Member Lisa Goodman, Community Development Committee
Council Member Paul Ostrow, Ways & Means/Budget Committee

Subject: Washington Court Apartments – Housing Revenue Bonds, Housing Development/TIF Plan and Redevelopment terms.

RECOMMENDATION:

- 1) Adopt the attached City Council Resolution adopting the Washington Court Apartments Housing Development Plan, and the Washington Court Apartments Tax Increment Finance (TIF) Plan;
- 2) Adopt the attached City Council Resolution authorizing the issuance of a “Pay-As-You-Go” Tax Increment Financing Note to Washington Court Limited Partnership in a principal amount not to exceed \$300,000;
- 3) Approve the proposed redevelopment contract business terms as described in this report;
- 4) Approve final authorization of up to \$4,500,000 of Tax Exempt Multi-family Housing Entitlement Revenue Bonds for Washington Court Apartments;
- 5) Amend the 2006 General Appropriation Resolution by establishing the Community Planning & Economic Development agency Fund CWC - Washington Court Apartments (CWC0-890-8952) and appropriating \$8,000 to the fund.
- 6) Approve the 2007 administrative budget for the Washington Court Tax Increment Finance District and refer this item to the 2007 budget process.
- 7) Authorize the appropriate City officials to execute a redevelopment contract with Washington Court Limited Partnership, and related documents based on the terms contained in this report and all other necessary documents related to the above recommended actions.

Previous Directives:

On February 28, 2006, the City Council adopted the resolution giving preliminary approval of up to \$4,500,000 of Tax Exempt Multi-family Housing Entitlement Revenue Bonds; authorized staff to prepare a redevelopment plan and tax increment financing plan; negotiate terms and conditions of a redevelopment contract with MWF Properties, LLC or an affiliated entity as the general partner; approved up to \$380,000 of 2005 Affordable Housing Trust Fund (AHTF); and authorized the execution of the necessary documents relative to the AHTF loan.

On February 28, 2006, the City Council accepted and appropriated a Metropolitan Tax Base Revitalization Account grant of \$200,000; a Minnesota Department of Employment and Economic Development grant of \$84,350; and a Hennepin County Environmental Response Fund grant of \$200,000 for Washington Court Apartments and authorized staff to execute grant, subrecipient, and/or disbursement and related agreements.

On August 22, 2003, the City Council accepted and appropriated a Hennepin County Environmental Response Fund grant of \$30,000 for 2101 Washington Street NE and authorized staff to execute grant and subrecipient agreements.

Prepared by: Cherre' Palenius, Sr. Project Coordinator

Approved by: Chuck Lutz, Deputy Director CPED _____

Elizabeth Ryan, Director, Housing Policy & Development _____

Presenter in Committee: Cherre' Palenius, Sr. Project Coordinator

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): Annual bond fees will be collected when the bonds are issued.

Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact

Neighborhood Notification: In June, 2005 the Board of Directors of the Holland Neighborhood Improvement Association met with the developer and have submitted a letter of support for this project.

City Goals: Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.

Comprehensive Plan: Sections 4.09, 4.10, 4.11 and 4.16: Minneapolis will grow by increasing its supply of housing; will increase the housing that is affordable to low and moderate income households; will improve the availability of housing options for its residents; and will work closely with Neighborhood Revitalization Program (NRP) planning and implementation to ensure that plans are consistent with the city's Housing Policy.

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 housing development financing.

Zoning Code: The project site has been rezoned from R2B to R3 Multiple Family District, a medium density residential district, which was approved by the Minneapolis City Council on April 28, 2006.

Other: Not applicable.

Historical Background/Supporting Information

In November 2005, MWF Properties, LLC purchased 2101 Washington Street NE, a vacant parcel of land. In early 2006, the developer was awarded environmental remediation funds from Met Council, DEED and Hennepin County of up to \$568,700. The Developer is also committing approximately \$80,000 cash equity to be used for environmental remediation for this site.

Development Entity

MWF Properties, LLC is working on behalf of Washington Court Limited Partnership preparing the financial applications, the zoning application, establishing the Remediation Action Plan (RAP), creating the site plan, construction specification, etc. At closing, MWF Properties, LLC will transfer title of the property to Washington Court Limited Partnership. The proposed property and project will be the sole asset of the Washington Court Apartments Limited Partnership agreement.

MWF Properties will engage the services of Weis Builders as the general contractor and Paragon Management as the property and asset manager for this development.

Project Description

MWF Properties, LLC is proposing to construct a 38-unit rental complex on vacant land located at 2101 Washington Street Northeast in the first ward, in the Holland Neighborhood. The site plan was designed in accordance with the neighborhood's desire to keep as much green space towards the front of the site as possible providing neighborhood and community spaces accessible from the street.

The proposed apartment complex is a three-story, handicapped accessible, elevator building with underground parking. The proposed facility will also include a community room, fitness center, computer room and leasing office. The developer has incorporated the use of "smart growth" principles, such as convenient entrances, ample on-site surface and secure underground parking while creating very little impact on the surrounding areas. The site is located within blocks of schools, libraries, day care centers, grocery and retail stores, drug stores, banks and public services along Lowry and Central Avenues. In addition, Washington Street NE is on a Metro Transit bus line with stops approximately one-hundred feet of the site.

The demand for quality and affordable three bedroom rental housing units in Minneapolis, particularly "workforce housing" has been fueled by the City's significant population and household growth over the past decade. The convenient location of this project, its proximity to nearby employers in Downtown Minneapolis and the University of Minneapolis campus area along with the availability of nearby public transportation creates a linkage to a large number of job opportunities, recreation, education, and the arts for the workforce tenants.

Project Financing and TIF Approval

MWF Properties, LLC is requesting "pay-as-you-go" tax increment financing. The proposed project qualifies as a Housing Tax Increment District under State Statutes.

The purpose of the TIF Plan is to authorize the use of tax increment revenue to pay for public redevelopment activity – including new construction, administration, and other project costs. The project financing will be supported in part with a TIF "pay-as-you-go" note in an amount not to exceed \$300,000, which will be an additional source of repayment of the mortgage provided by US Bank. The term of the proposed TIF will be 26 years.

The resolution approving the TIF Plan also authorizes a mechanism required under the Tax Increment Act to cover any initial, temporary negative fund balance in the special revenue fund established for the District prior to receipt of TIF revenue from the District. Any advance is automatically repaid as available revenue accrues in the District's fund. The total development cost of the Washington Court Apartments project is approximately \$8.1 million. The estimated sources of the Washington Court Apartments are shown on the attached project data worksheet.

The developer will make cash contribution of \$80,000 for remediation costs and Weis Builders will cover the 5% construction contingency requirement with cash to be deposited with Title at closing. The sources and uses are outlined on the attached Project Data Worksheet.

Housing Revenue Bond Information

MWF Properties LLC has requested tax-exempt housing revenue entitlement bonds, which automatically includes 4% low income housing tax credits (LIHTC). WNC & Associates, Inc will syndicate the tax credits generating an equity investment of \$2,193,098 in the project. The developer has requested final approval for up to \$4,500,000 in housing revenue bonds (approximately \$3,170,000 Series A and \$930,000 Series B) for use as construction and first mortgage financing. US Bank will direct purchase the tax-exempt housing revenue bonds, which meet the city's housing revenue bonds guidelines. Pursuant to state statutes the proposed housing program for Washington Court Apartments has been submitted to the Metropolitan Council (Met Council) for their review and confirmation that the program is consistent with regional plans.

Bond Purchaser	Bond Counsel	Council Member Informed
U. S. Bank	Kennedy & Graven, Chartered	Yes, Ward 1
Status of 2005 HRB Entitlement		\$36,709,000
Single Family		(21,000,000)
St. Anne's		(6,250,000)
Washington Court		(4,500,000)
Whittier Townhomes	(pending)	<u>(1,420,000)</u>
2005 Entitlement Remaining		\$3,539,000

Proposed Redevelopment Contract Terms

1. The developer will construct 38 units of rental housing, of which eight units must be affordable to and occupied by households at 50% of median income and 30 units affordable to and occupied by households at 60% median income for the duration of the City loan.
2. Tax-exempt housing revenue bonds in an amount not to exceed \$4,500,000 will be allocated from the City's 2005 Entitlement to provide first mortgage financing, which will also allow the utilization of 4% low income tax credits.
3. The City will provide TIF assistance in the form of a "pay-as-you-go" note in an amount not to exceed \$300,000, which will be an additional source of repayment on the bonds. The maximum term of the TIF district will be 26 years of increment collection. If the annual tax increment payments are insufficient to satisfy the repayment of the TIF Note, the City is not obligated to make additional payments.

4. The City has already approved \$380,000 from the Affordable Housing Trust Fund (AHTF) for Washington Court Apartments project. This will be a deferred loan at 1% interest for a minimum term of 30 years.
5. The City has received approval for \$200,000 from the Met Council, \$200,000 from Hennepin County and \$84,350 from DEED for a total of \$484,350 in contamination cleanup funding assistance to be passed through to the developer for the project.

Development Finance Committee Report

On July 6, 2006, the Development Finance Committee will review the Washington Court Apartments project and the proposed financial terms and will forward its comments to the Community Development Committee.

Attachments

Resolution adopting Tax Increment Finance and Housing Redevelopment Plans
Resolution authorizing Tax Increment Financing
Resolution authorizing issuance of Multifamily Housing Revenue Bonds
Multifamily Project Data Worksheet
Tax Increment Financing Projects Matrix