



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

Date: September 27, 2005

To: Council Member Lisa Goodman, Community Development Committee

Prepared by: Bernadette Hornig, Senior Project Coordinator, Phone 612-673-5236

Presenter in

Committee: Bernadette Hornig, Senior Project Coordinator

Approved by: Elizabeth Ryan, Director of Housing Policy and Development, _____

Subject: 2100 Bloomington Avenue South: Public Hearing on Final Housing Revenue Bond Approval

RECOMMENDATION: Approve the attached City Council Resolution granting preliminary and final approval of up to \$3,250,000 in tax-exempt Multifamily Housing Development Bonds.

Previous Directives: On January 28, 2005 the City Council approved \$300,000 from the Affordable Housing Trust Fund (AHTF) for the 2100 Bloomington Avenue South project.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): Annual bond fees will be collected when the bonds are issued.
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact

Ward: 6

Neighborhood Notification: On September 14, 2004, the general membership of Ventura Village neighborhood reviewed the proposed acquisition and rehabilitation of 2100 Bloomington Ave S and passed a motion of support in favor of the project.

City Goal(s): Foster the development and preservation of a mix of quality

housing types that are available, affordable, meets current needs and promotes future growth.

Comprehensive Plan:

Section 4.1: Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods;

Section 4.9 Minneapolis will grow by increasing its supply of housing;

Section 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens;

Section 4.15 Minneapolis will carefully identify project sites where housing redevelopment or housing revitalization are the appropriate response to neighborhood conditions and market demand;

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: In compliance.

Living Wage/Job Linkage: N/A

Other: N/A

Background/Supporting Information

2100 Bloomington Limited Partnership (2100 Bloomington LP), a partnership between Dominion Development and Acquisition, LLC (DDA) and Volunteers of America of Minnesota (VOA), intends to acquire and rehabilitate 90 units of rental housing with Section 236 project based rental assistance located at 2100 Bloomington Avenue South in the Ventura Village neighborhood.

The unit mix consists of 61 one-bedroom and 29 two-bedroom apartments. Because of the project based assistance, all 90 units will remain affordable to households earning less than 30% of the metropolitan median income (MMI).

Dominium Management Services, Inc. will provide property management services for the property. VOA will coordinate and provide support services for the residents on-site. Since both partners have been involved with the acquisition and rehabilitation planning, they have considered how the proposal will improve future property operations.

Financial Summary

2100 Bloomington is a \$6.1 million project. The project sources and uses are outlined on the attached Project Data Worksheet.

In January 2005, the 2100 Bloomington project received \$300,000 in deferred loan funds from the City of Minneapolis' Affordable Housing Trust Fund (AHTF). In August 2005, 2100 Bloomington LP submitted an application for preliminary and final approval of up to \$3,250,000 in tax-exempt housing revenue bonds (HRB), which will also include an allocation of 4% low-income housing tax credits. The HRB/ tax credit financing are the last sources for funds required for the project.

In addition to the AHTF, HRB and tax credits, the developer has obtained financing approvals for \$1,350,000 in deferred financing from the Minnesota Housing Finance

Agency (MHFA), the Federal Home Loan Bank (FHLB) and Hennepin County. The \$95,586 developer equity contribution consists of \$10,551 in deferred developer fee and \$85,035 in imputed interest expense.

The financial leverage ratios for the 2100 Bloomington project are shown below. In this analysis, "private investment" includes housing revenue bonds supported by project revenues, tax credit syndication proceeds and the developer equity contribution. "City funds" include the AHTF. "Other public funds" include funds from MHFA, the Federal Home Loan Bank and Hennepin County.

- Private investment to total public funds: 2.72: 1.00
- Private investment to City funds: 14.98: 1.00
- Private and other public funds to City funds: 19.48: 1.00

Housing Revenue Bond Information

2100 Bloomington LP has requested preliminary and final approval for up to \$3,250,000 in HRB for use as construction and first mortgage financing. Syndication of the companion tax credit allocation is expected to generate an additional equity investment of \$1,836,400 in the project. The HRB/ tax credit financing are the last sources for funds required for the project.

2100 Bloomington LP proposes to place the bonds directly with US Bank. As an institutional grade investor, the sale of the bonds directly to US Bank fulfills the City's Multifamily Tax-Exempt Revenue Bond Financing Guidelines.

Pursuant to state statutes the proposed housing program for 2100 Bloomington has been submitted to the Metropolitan Council (Met Council) and the Met Council has confirmed that the program is consistent with regional plans.

Status of 2004 and 2005 HRB Entitlements

<u>2004 Entitlement Authority</u>	<u>\$36,410,000</u>	
2004 Projects	(687,500)	Closed
Cecil Newman	(5,800,000)	Closed
Single Family Programs	(5,600,000)	Received
St. Anthony Mills	(9,100,000)	Final Approval
<u>St. Anne's</u>	<u>(6,250,000)</u>	Final Approval
Uncommitted 2004 Entitlement	\$8,972,500	
<u>2100 Bloomington</u>	<u>(3,250,000)</u>	Approval pending
2004 Entitlement Remaining	\$5,722,500	
<u>2005 Entitlement Authority</u>	<u>\$36,709,000</u>	
<u>Single Family Programs</u>	<u>(5,000,000)</u>	Received
2005 Entitlement Remaining	\$31,709,000	

**Bond Purchaser/
Underwriter**

US Bank

Bond Counsel

Briggs and Morgan, P.A.

**Council Member
Informed**

Yes, Ward 6

Projected Timetable

The following is a tentative timetable for the 2100 Bloomington project:

- City Council considers: final HRB approval, approval of TIF and Redevelopment Plans, Levy appropriation and redevelopment contract business terms October 7, 2005
- Decision on Hennepin County & MHFA funding December 2005
- Project closing December 2005
- Construction start January 2006