

Request for City Council Action

Date: October 17, 2002

To: Council Member Lisa Goodman, Community Development Committee

Prepared by Randal Hemmerlin, Project Coordinator, Phone 612-673-5075

Approved by Chuck Lutz, MCDA Interim Executive Director _____

Subject: Public Hearing, Resolution giving Preliminary Approval to the issuance of Revenue Bonds to approve a program under Minnesota Statutes, Chapter 462C to finance a proposed Multifamily Housing Development; Refund of Bonds issued in 1996.

Previous Directives: The City previously issued its Multifamily Housing Revenue Bonds (Second Street Historical Partners Project) Series 1996 Bonds (the Series 1996 Bonds) to finance the acquisition and rehabilitation of the Second Street Loft Apartments.

Ward: 5

Neighborhood Group Notification: Not Applicable

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: Complies

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): Collection of administrative fees semi-annually

Living Wage / Business Subsidy: N/A

Job Linkage: N/A

Affirmative Action Compliance: Will comply

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RECOMMENDATION: The Interim Executive Director recommends that the City Council adopt the attached Resolution for the issuance of multifamily housing revenue refunding bonds not to exceed \$6,250,000 to finance the costs of the a Multifamily Housing Program.

Background/Supporting Information

The name and address of the Applicant and owner is Second Street Acquisition Limited Partnership, 129 North Second Street, Suite 100, Minneapolis, MN 55401.

The Applicant is a Limited Partnership organized under the laws of the State of Minnesota. The Applicant has three (3) individual Limited Partners: Arnie J. Gregory, Michael S. Gregory and Todd B. Urness. The sole General Partner of the Partnership is Second Street Acquisition Partners, LLC, the members of which are: Arnie J. Gregory, Michael S. Gregory and Todd B. Urness.

The project is a mixed-use market rate/low income housing tax credit project located on Second Street and Second Avenue. The first floor of the project contains 10,000 square feet of commercial space. The top three floors of the project contain 39 one and two bedroom units of which eight are set aside for low-income individuals and families. The project is located at 129 North Second Street. The original rehabilitation was completed in 1996.

In this era of declining interest rates, it is common for owners to request a refunding of Bonds if it is economically feasible to do so. MCDA recognizes that if an owner can lower interest expense, this will increase the long-term affordability of the units and stability of the project. This refunding action will encourage the preservation of affordable housing opportunities and housing facilities designed for occupancy by persons of low and moderate income levels.

Bond Information

It is proposed that the bonds will be credit enhanced by a letter of credit from LaSalle National Bank with Bond Rating of AA-.

The amount of the Bonds proposed to be issued is \$3,890,000 tax exempt and \$2,360,000 taxable. (We can only issue tax-exempt to the level of the original amount.)

The amortization period will be 30 years.

HRB Entitlement

Not Applicable (refunding bonds)

Bond Counsel

Faegre & Benson

Underwriter
LaSalle Bank

Administrative Fees
Issuer's fees will be $\frac{1}{4}$ % of the outstanding loan balance

Council Member Informed
Natalie Johnson Lee
Yes

Adopting a housing program for the Second Street Loft 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 City Council (the “City Council”) of the City of Minneapolis (the “City”) has prepared the Housing Plan for Local Housing for the City of Minneapolis, Minnesota, revised June, 1984 (the “Plan”) which Plan was adopted pursuant to the Act on July 13, 1984; 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, the City has previously issued its Multifamily Housing Revenue Bonds (Second Street Historical Partners Project), Series 1996 (the “Series 1996 Bonds”) to finance the acquisition and rehabilitation of the Second Street Loft Apartments Project, a 39-unit multifamily rental facility located at 129 North Second Street in the City (the “Project”); and

WHEREAS, Second Street Acquisition Partners Limited Partnership, a Minnesota limited partnership (the “Owner”), the owner and operator of the Project has proposed a program (the “Program”) for the issuance of bonds to (i) refund the Series 1996 Bonds, and (ii) discharge certain existing indebtedness secured by a lien on the Project, which indebtedness was incurred in part for the purpose of making additional rehabilitation improvements to the Project in an amount in excess of \$1,000 per unit; and

WHEREAS, the cost of the Program is presently estimated to be \$6,250,000; and

WHEREAS, the City on October 17, 2002 did conduct a public hearing on the Program, 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 has been 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 high 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 State of Minnesota as stated in the Act and of the City as stated in the Plan;

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 one or more series in the approximate aggregate amount presently estimated not to exceed \$6,250,000 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 Faegre & Benson LLP is hereby appointed as Bond Counsel, in connection with the Bonds preliminarily approved hereby.