



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

Date: June 19, 2007

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

Subject: Public Hearing and Request for Preliminary Approval of Up to \$3,915,000 in Tax Exempt Multi-Family Housing Entitlement Revenue Bonds

Recommendation: It is recommended that the City Council adopt the attached Resolution Giving Preliminary Approval of up to \$3,915,000 in Tax-Exempt Multi-family Rental Housing Entitlement Bonds for the Minnehaha Avenue Apartments.

Previous Directives: In December 22, 2006, the City Council approved an award of \$1,104,000 in Affordable Housing Trust funds to support this project.

Prepared by: Kevin Walker, Multi-family Housing, 673-5236
Approved by: Elizabeth Ryan, Director for Housing Policy and Development ER
Presenters in Committee: Kevin Walker

Reviews

Permanent Review Committee (PRC): Approval Date _____
Policy Review Group (PRG): Approval Date _____

Financial Impact

Project will generate semi-annual administrative fees.

Community Impact

Neighborhood Notification – The Nokomis East Neighborhood Association expressed its support for the proposed project in a letter dated June 7, 2006.

City Goals: In five years, all Minneapolis residents will have a better quality of life and access to housing and services; residents will live in a healthy environment and benefit from healthy lifestyles; the city’s infrastructure will be well-maintained and people will feel safe in the city.

Sustainability Targets: Affordable housing preservation.

Comprehensive Plan: 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households. 4.9.1 Minneapolis will grow by increasing its supply of housing. 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.

Zoning Code: Application process for rezoning underway.

Living Wage/Business Subsidy Agreement Yes No
Job Linkage Yes No

Other

Supporting Information

Minnehaha Avenue Apartments is a 37-unit mixed-income affordable housing project located at 5341, 5345, 5359 Minnehaha Avenue with green features. The development, close to the Veterans Administration transit stop on the Hiawatha Light Rail Line, is comprised of 37 rental one-, two, and three-bedroom units in a four-story elevator building over below-grade parking. There will be additional covered parking for a total of 41 parking spaces.

The proposed project will replace an existing single-family home, vacant lot, and multi-purpose residential/commercial structure. The developer has submitted a relocation plan and will comply with all applicable requirements related to the relocation of residential tenants.

Financial Summary

The total development cost of Minnehaha Avenue Apartments is \$7,781,587. The project sources and uses are outlined on the attached Project Data Worksheet.

The request for tax-exempt entitlement housing revenue bonds (HRB) from the City's 2006 entitlement allocation will also include an allocation of 4% low income housing tax credits. The project has received a \$1,104,000 award of Affordable Housing Trust Fund dollars and has applied, due to changes in project scope, for an additional \$552,000.

The project is expected to draw upon private equity and financing for about 64% of project costs, with the remainder funded from sources from the City of Minneapolis, Family Housing Fund, Minnesota Housing, and Hennepin County.

Housing Revenue Bond Information

MDI Partnership #64 has submitted an application to CPED for tax-exempt housing entitlement revenue bonds not to exceed \$3,915,000. These bonds automatically include 4% low income housing tax credits (LIHTC). Syndication of these tax credits is anticipated to generate approximately \$2,144,704 in additional equity investment in the project.

The proposed form of credit enhancement will be the Federal Housing Administration 221(d) program. The bonds will have a 40-year amortization schedule.

Status of 2007 HRB Entitlement	\$39,509,000
Blaisdell Apartments	3,380,000
Blue Goose/Family Tree	3,300,000
Minnehaha Avenue Apartments	<u>3,915,000</u>
2007 Entitlement Remaining	\$28,914,000
Bond Purchaser/Underwriter	Dougherty Mortgage, LLC
Bond Counsel	Faegre & Benson
Council Member Informed	Yes, Ward 12

Proposed Timetables

- City Council considers final HRB August 2007
- Project Pre-closing August 2007
- Construction start September 2007

Attachments:

City Council Resolution
Project Data Worksheet

PROPOSED RESOLUTION
of the
CITY OF MINNEAPOLIS
By Goodman

Adopting a housing program for the Minnehaha 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, there has been proposed a program (the "Program") for the issuance of bonds to finance a portion of the cost of acquisition and construction by MDI Limited Partnership #64, a Minnesota limited partnership (the "Owner"), of a project consisting of 37 units of multifamily rental housing in a four-story elevator building over below grade parking (the "Project"), to be located on the site with current addresses of 5341, 5345 and 5359 Minnehaha Avenue in the City; and

WHEREAS, the cost of the Project is presently estimated to be approximately \$7,800,000, and the bonds to be issued under the Program are presently estimated to be approximately \$3,915,000; and

WHEREAS, the City conducted a public hearing on the Program on _____, 2007, 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 was 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 the approximate amount presently estimated not to exceed \$3,915,000 in one or more series 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.

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 for this purpose.

Be It Further Resolved that Faegre & Benson LLP is hereby appointed as Bond Counsel, in connection with the Bonds preliminarily approved hereby.

Be It Further Resolved that the City hereby allocates up to \$3,915,000 of its entitlement authority to issue tax-exempt bonds pursuant to Minnesota Statutes, Chapter 474A, to the bonds given preliminary approval hereunder.

Be It Further Resolved that the Owner may incur expenses in connection with the Project prior to the issuance of the bonds given preliminary approval hereunder, which it may temporarily pay from other sources, which are intended to be reimbursed from the proceeds of the bonds when issued. This resolution is intended to constitute a declaration of official intent for purposes of Treas. Reg. § 1.150-2 and any successor law, regulation or ruling.