



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

**Date:** March 18, 2014

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

**Subject:** The Cameron - Public Hearing; Request for Preliminary Approval of up to \$7.5 million in Tax Exempt Multi-Family Housing Entitlement Revenue Bonds

**Recommendation:** Adopt the attached resolution giving preliminary approval of up to \$7.5 million in Tax-Exempt Multi-Family Housing Entitlement Revenue Bonds for The Cameron project.

**Previous Directives:** On August 5, 2011 the City Council authorized the submission of a brownfield investigation grant application to the Metropolitan Council's Tax Base Revitalization Account (TBRA) program on behalf of this project. On September 23, 2011 the City Council accepted a TBRA investigation grant in the amount of \$14,000. On November 2, 2012 the City Council approved an AHTF loan of up to \$430,000. On August 2, 2013 the City Council authorized submission of a DEED Redevelopment Grant application for the project. On December 6, 2013 the City Council authorized City officials to sign an Acknowledgement of Receptivity to an LCA Funding Award form for this project. On February 7, 2014 the City Council accepted a \$200,000 Local Housing Incentives Account (LHIA) grant from the Metropolitan Council.

Prepared by: Amy Geisler, Senior Project Coordinator – CPED Residential Finance

Approved by: Thomas A. Streit, Director, Housing Policy & Development \_\_\_\_\_  
Charles T. Lutz, CPED Interim Director \_\_\_\_\_

Presenter in Committee: Amy Geisler (612) 673-5266

**Financial Impact**

- The project will generate semi-annual administrative fees.

**Community Impact**

- Neighborhood Notification – The North Loop Neighborhood Association has issued letters of support dated August 1, 2011 and September 26, 2012.
- City Goals: A Safe Place To Call Home; Eco-Focused; Many People, One Minneapolis; Jobs & Economic Vitality; Livable Communities, Healthy Lives; A City That Works

- Sustainability Targets: Affordable Housing Units – new construction.
- 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. 4.11 Minneapolis will improve the availability of housing options for its residents.
- Zoning Code: This project will require the rezoning of a portion of the project site; that rezoning was approved by the Planning Commission on October 3, 2011 and by the City Council on November 4, 2011.

### Supporting Information

Schafer Richardson is proposing the historic rehabilitation of the Cameron building, located at 756 N 4<sup>th</sup> St in the North Loop neighborhood. The Cameron is a historic four-story warehouse building that has been vacant for 12 years. Upon rehabilitation, the project will provide 44 units of affordable housing, including studio, one- and two-bedroom apartments. Units will be affordable to households earning 50% and 60% of the area median income. Parking will be provided in the existing surface parking lot next to the building.

Schafer Richardson is in the process of securing approvals from the National Park Service in order to list the building on the National Register of Historic Places, making it eligible for historic tax credits. Formal Part II approval from the NPS is expected in March 2014.

### Financing Information

The developer is currently working with Dougherty and Company to secure a HUD 221(d)(4) mortgage, to be utilized in combination with the Housing Revenue Bonds. The project was awarded \$430,000 through the City's 2012 Affordable Housing Trust Fund (AHTF) process. Since then, the project has secured a number of other funding sources from the State of Minnesota, the Metropolitan Council, and Hennepin County.

### Current Financing Structure

Source		Status
CPED AHTF	\$ 430,000	Committed
State of Minnesota	\$ 500,000	Committed
Met Council TBRA	\$ 14,000	Committed
Met Council LHIA	\$ 200,000	Committed
Hennepin County ERF	\$ 218,000	Committed
Hennepin County AHIF	\$ 470,000	Pending
Historic Tax Credit Equity	\$ 3,116,500	Pending
LIHTC Equity	\$ 2,394,800	Pending
Housing Revenue Bonds/1 <sup>st</sup> Mortgage	\$ 2,795,300	Pending
Deferred Developer Fee	\$ 606,100	Committed
Developer Land Note	\$ 363,549	Committed
DEED Redevelopment Grant	\$ 121,100	Committed
<b>Total</b>	<b>\$11,229,349</b>	

Assuming the structure described above is approved as requested, private funding sources would represent approximately 49% of the TDC. The developer has proposed a total developer fee of approximately \$1.2 million that represents 11% of the total development cost.

The current status of the 2012/2013, 2014 HRB Entitlement allocation is shown below.

2012 Allocation Remaining	\$ 2,333,061
2013 Entitlement Allocation	\$ 45,968,905
2014 Entitlement Allocation	\$ 48,579,326
<b>TOTAL Available Allocation</b>	<b>\$96,881,292</b>
Current Projects	
Five15 on the Park (Final Approval)	(\$ 30,800,000)
Commons @ Penn (Final Approval)	(\$ 5,000,000)
Cameron (Prelim. Approval)	(\$ 7,500,000)
<b>Total Available Bond Entitlement</b>	<b>\$ 53,581,292</b>

Bond Purchaser/Underwriter	Dougherty and Company
Bond Counsel	Stinson Leonard Street
Council Member Informed	Yes, Ward 3

**Attachments**

- Project Data Worksheet
- Resolution

RESOLUTION  
OF THE  
CITY OF MINNEAPOLIS

BY GOODMAN AND QUINCY

APPROVING A HOUSING FINANCE PROGRAM FOR A MULTIFAMILY HOUSING  
DEVELOPMENT AND PRELIMINARILY APPROVING THE ISSUANCE OF HOUSING  
REVENUE BONDS

WHEREAS, pursuant to Minnesota Statutes, Chapter 462C (the "Act"), the City of Minneapolis, Minnesota (the "City") is authorized to carry out programs to finance multifamily housing designed to be affordable to persons of low and moderate income; and

WHEREAS, Schafer Richardson, Inc. ("Developer") has proposed that the City issue its multifamily housing revenue obligations an aggregate principal amount of approximately \$7,500,000 (the "Bonds") and loan the proceeds to Cameron Building, LP a Minnesota limited partnership in which the General Partner is Cameron GP, LLC, a Minnesota limited liability company (the "Owner"), to finance the acquisition and construction of the portion of a 44-unit multifamily housing development (the "Project") pursuant to a Housing Finance Program in substantially the form attached hereto as **Exhibit A** (the "Program"); and

WHEREAS, the Project is to be located at 756 N. 4<sup>th</sup> Street in the City, and is designed to be affordable to low and moderate income persons as required under the Act and Minnesota Statutes, Section 474A.047; and

WHEREAS, on March 18, 2014 the Community Development Committee of the City Council conducted a public hearing regarding the Program, as required by the Act, and regarding the issuance of the Bonds, as required by Section 147(f) of the Internal Revenue Code of 1986, as amended, for which not fewer than fifteen day's notice was duly published in a newspaper of general circulation in the City; and

WHEREAS, a copy of the Program was provided to the Metropolitan Council at or prior to the date notice of the public hearing was published; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

1. The City hereby approves the Program in substantially the form attached hereto and gives preliminary approval to the issuance of the Bonds to finance the Project. The officers and staff of the City are authorized to take all actions as may be necessary or appropriate to carry out the Program in accordance with the Act and any other applicable laws or regulations.

2. On the basis of information available to the City Council, it appears, and the City Council hereby finds, that the project constitutes a multifamily rental housing development and furthers the purposes of the Act; that the Project is designed for rental by low and

moderate income persons and families; that the availability of financing under the Act and the willingness of the Issuer to furnish such financing will be a substantial inducement to the Owner to develop and operate the Project, and that the effect of financing the Project, if undertaken, will be to promote the availability of adequate affordable housing to low and moderate income residents of the City.

3. Any and all costs incurred by the City in connection with the financing of the Project, whether or not the proposed financing of the Project is carried to completion and whether or not the issuance of Bonds is approved by the Issuer, will be paid by the Owner.

4. Nothing in this resolution shall be construed to require the City to approve any element of the Project or the issuance of the Bonds, nor shall this resolution be construed as vesting in the Owner any cause of action against the City arising from any failure or refusal by the City to approve the issuance of the Bonds.

5. Nothing in this resolution or the documents prepared pursuant hereto shall authorize the expenditure of any municipal funds on the financing of the Project or the payment of the Bonds other than the revenues derived from the Project or otherwise granted to the City for this purpose. The Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City except the revenue and proceeds pledged to the payment thereof, nor shall the City be subject to any direct liability thereon. The holder of the Bonds shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the Bonds or the interest thereon, or to enforce payment thereon against any property of the City. The Bonds shall recite in substance that the Bonds, including the interest thereon, are payable solely from the revenue and proceeds pledged to the payment thereof. The Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision.

- - **CITY OF MINNEAPOLIS, MINNESOTA**

- - **PROGRAM FOR A MULTIFAMILY HOUSING DEVELOPMENT**
    - **(The Cameron)**

- - Pursuant to Minnesota Statutes, Chapter 462C (the "Act"), the City of Minneapolis, Minnesota (the "City") is authorized to develop and administer a program to finance the acquisition and construction of multifamily housing developments under the circumstances and within the limits set forth in the Act. Minnesota Statutes, Section 462C.07 provides that such programs for multifamily housing developments may be financed by revenue bonds issued by the City.

- - The City has determined that it is in the best interests of the residents of the City to create a program of financing to encourage and facilitate the development of multifamily rental housing developments for families in the City (the "Program"). The City has received a proposal that it approve a program providing for the construction of a 44-unit rental apartment development and facilities functionally related and subordinate thereto (the "Project") to be located at 756 North Street in the City, by Cameron Building, LP, a Minnesota limited partnership, or its affiliates or assigns (the "Owner"). The acquisition and construction of the Project is to be funded in part through the issuance of up to \$7,500,000 in revenue bonds in one or more series to be issued by the City (the "Bonds"). The Owner will own and operate the Project as a multifamily residential rental project. Initial rents for the housing units are anticipated to be approximately \$725 to \$1,120 per month. Certain utility charges will be included. The Project will be acquired and constructed in accordance with the requirements of Subdivision 1 of Section 462C.05 of the Act.

- - The City, in establishing this Program, has considered the following: (i) the availability and affordability of other government housing programs; (ii) the availability and affordability of private market financing for the construction of multifamily housing units; (iii) an analysis of population, unemployment trends and projections of future population trends and future employment needs; (iv) the recent housing trends and future housing needs of the City; and (v) an analysis of how the Program will meet the needs of persons and families residing and expected to reside in the City.

- - The City, in adopting the Program, has further considered (i) the amount, timing and sale of the Bonds to finance the estimated costs of the housing units and to pay the cost of issuance; (ii) the method of monitoring and implementation of the Program to insure compliance with the City's housing plan and its objectives; (iii) the method of administering, servicing and supervising the Program; (iv) the costs of the City, including future administrative expenses; (v) the restrictions on the multifamily development to be financed under the Program; and (vi) certain other limitations.

- The City, in adopting the Program, considered the potential financing impact of a bond issuance on affected public agencies. In addition, the City reviewed the method of marketing the Program. Such review examined the equal opportunity for participation by (i) minorities; (ii) households with incomes at the lower end of the range that can be served by the Program; (iii) households displaced by public or private actions; and (iv) accessibility to the handicapped.
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- Section A. Definitions. The following terms used in this Program shall have the following meanings, respectively:
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  - "Act" shall mean the Minnesota Statutes, Section 462C.01, et seq., as currently in effect and as the same may be from time to time amended.
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  - "Bonds" shall mean the revenue bond or bonds to be issued by the City to finance the Program.
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  - "City" shall mean the City of Minneapolis, Minnesota.
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  - "Code" shall mean the Internal Revenue Code of 1986, as amended.
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  - "Housing Unit" shall mean any one of the apartment units located in the Project, occupied by one or more persons or a family, and containing complete living facilities.
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  - "Land" shall mean the real property upon which the Project is situated.
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  - "Owner" shall mean Cameron Building, LP.
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  - "Program" shall mean this program for the financing of the Project pursuant to the Act.
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  - "Project" shall mean the residential rental housing development consisting of 44 total Housing Units, all of which are studio, one-, and two-bedroom units, to be acquired and constructed by the Owner, together with functionally related facilities.
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- Section B. Program for Financing the Project. It is proposed that the City establish this Program to provide financing for the acquisition and construction of the Project at such cost and upon such other terms and conditions as set forth herein

and as may be agreed upon in writing between the City, the initial purchaser of the Bonds and the Owner. The City expects to issue the Bonds as soon as the terms of the Bonds have been agreed upon by the City, the Owner and the initial purchaser of the Bonds. The proceeds of the Bonds will be loaned by the City to the Owner to finance the acquisition and construction of the Project, to fund required reserves and to pay the costs of issuing the Bonds. It is anticipated that a trustee will be appointed by the City to monitor the disbursement of proceeds of the Bonds and the payment of principal and interest on the Bonds.

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- It is anticipated that any Bonds issued under this Program will have a final maturity of approximately eighteen (18) months and will bear interest at a rate not to exceed one and one-half percent (1.5%) per annum; however, the Bonds will, of course, be priced to the market at the time of issuance.
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- The City will hire no additional staff for the administration of the Program. Insofar as the City will be contracting with underwriters, legal counsel, bond counsel, the trustee, if any, and others, all of whom will be reimbursed from bond proceeds and revenues generated by the Program, no administrative costs will be paid from the City's budget with respect to this Program. The Bonds will not be general obligation bonds of the City, but are to be paid only from properties pledged to the payment thereof.
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- Section C. Standards and Requirements Relating to the Financing of the Project Pursuant to the Program. The following standards and requirements shall apply with respect to the operation of the Project by the Owner pursuant to this program:
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  - (1) Substantially all of the proceeds of the sale of the Bonds will be applied to the acquisition and construction of the Project and to the funding of appropriate reserves. The proceeds of the Bonds will be made available to the Owner pursuant to the terms of the Bond offering, which will include certain covenants to be made by the Owner to the City regarding the use of proceeds and the character and use of the Project.
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  - (2) The Owner, and any subsequent owner of the Project, will not arbitrarily reject an application from a proposed tenant because of race, color, creed, religion, national origin, sex, affectional preference, marital status, or status with regard to public assistance or disability.
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  - (3) The affordability standards and set-aside requirements of Section 462C.05, Subdivision 2 of the Act, and Section 142(d) of the Internal Revenue Code of 1986, as amended, will be met.
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- Section D. Evidence of Compliance. The City may require from the Owner at or before the issuance of the Bonds, evidence satisfactory to the City of the ability

and intention of the Owner to complete the Project, and evidence satisfactory to the City of compliance with the standards and requirements for the financing established by the City, as set forth herein; and in connection therewith, the City or its representative may inspect the relevant books and records of the Owner in order to confirm such ability, intention and compliance. In addition, the City may periodically require certification from either the Owner or such other person deemed necessary concerning compliance with various aspects of this Program.

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- Section E. Issuance of Bonds. To finance the Project pursuant to this Program, the City may by resolution authorize and issue its revenue bonds in one or more series in an aggregate principal amount of up to \$7,500,000. The Bonds shall be issued pursuant to Section 462C.07, Subdivision 1 of the Act, and shall be payable primarily from the revenues of the Project. The cost of the Project is presently expected not to exceed \$11,210,000.
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- The cost of the Project may change between the date of preparation of this Program and the date of issuance of Bonds. The Bonds are expected to be issued within twelve (12) months following adoption of this Program.
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- Section F. Severability. The provisions of this Program are severable and if any of its provisions, sentences, clauses or paragraphs shall be held unconstitutional, contrary to statute, exceeding the authority of the City or otherwise illegal or inoperative by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions.
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- Section G. Amendment. The City shall not amend this Program, while Bonds authorized hereby are outstanding, to the detriment of the holders of such Bonds.
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- Section H. State Ceiling. Up to \$7,500,000 of the state ceiling for private activity bonds, pursuant to Section 146 of the Internal Revenue Code of 1986, as amended, and Chapter 474A of Minnesota Statutes, will be used with respect to the Bonds.
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