



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

Date: July 28, 2015

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

Subject: Seward Towers - Public Hearing; Request for Preliminary Approval of up to \$50 million in Tax Exempt Multifamily Housing Entitlement Revenue Bonds

Recommendation: Adopt the attached resolution giving preliminary approval of up to \$50 million in Tax-Exempt Multifamily Housing Entitlement Revenue Bonds for The Seward Towers renovation project.

Previous Directives:

- On September 27, 2002 City Council Approved up to \$20,000,000 Series 2003 Multifamily Housing Entitlement Revenue Bonds to the Seward Towers Project under Resolution 2002R-325
- On September 19, 2002 the MCDA Board of Commissioners approved the restructure and subordination of existing 3rd and 4th Position MCDA Loans under Document 2002-228M
- On December 13, 2013 City Council approved the recasting of the third and fourth position loans at 1% simple interest for both Seward Towers East and Seward Towers West Retroactively to April 3, 2003 from the original rate of 5.47%

Prepared by: Jimmy Loyd, Senior Project Coordinator – CPED Residential Finance

Approved by: D.Craig. Taylor, Executive Director, CPED _____

Charles T. Lutz, Deputy Director, CPED _____

Presenter in Committee: Jimmy Loyd, Senior Project Coordinator, 673-5075

Financial Impact

- The project will generate semi-annual administrative fees.

Community Impact

- Neighborhood Notification – Seward Neighborhood Group has issued a letter of support dated February 18th, 2015.
- 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 – Rehabilitation.
- 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.

Supporting Information

Seward Towers East and West are two 21- story high rises containing 320 apartments in each building and is located at 2910 East Franklin and 2525 South 9th Street. The Towers were built in 1969-1970 and acquired by the current ownership in 1990. The properties are owned by Seward Towers Corporation and have been governed by a board that includes Seward Neighborhood and Tower residents as well as Seward Redesign and CommonBond. CommonBond will provide asset management and property management services. CommonBond and Redesign will restructure the financing of the buildings to renovate both Towers to a 20-year standard, including building systems and code upgrades in order to preserve the existing Federal Section 8 contracts on its units. All of the windows in both buildings require full replacement and their current condition is considered a life-safety issue given the absence of so-called "angel latches" that prevent young children from opening and falling from windows. Preservation of the 640 units in Seward Towers East and West is crucial to maintaining affordable housing for the mix of families who live there. In addition to property management, CommonBond Communities also provides support services for its residents through the Advantage Services Center located in each building. The renovation project is necessary to replace the existing plumbing stacks and servicing all units in each building and is anticipated to last approximately 18 months in each building.

Financing Information

This project has all the necessary funds committed for the project. The total development cost is \$ 91,828,615. The developer is now requesting issuance of bonds in an amount not to exceed \$50,000,000 in Series A and B. The Series A bonds will be approximately \$29,750,000 and is credit enhanced by a HUD 221 D4. The B Bond will be approximately \$20,250,000 and represents the short term bridge loan, which will be paid after construction is complete. The Series A will mature within 24 months, and the Series B will mature within 32 months, so all bonds will have a maturity of up to 32 months. The Entitlement bonds come with an automatic 4% tax credit allocation which will generate approximately \$28,875,784 of syndication proceeds, which is considered equity to the project. The syndicator for the tax credits is Wells Fargo, who is also providing the bridge loan for the construction.

A request is being made by Seward Corporation to extend the current debt of \$4,116,621 to the new entity Seward Towers Renovation LP. This debt was originally CDBG debt and secured for the project in 2003. The terms at that time included a 5.47% interest rate. In December 2013, staff proceeded with a Council action to reduce the interest rate to 1% retroactively to 2003. The principal amount remained the same. Staff will be working with Seward Corporation and Seward Towers LP on this extension request.

The current status of the 2014/2015 HRB Entitlement allocation is shown below.

Allocation	Amount
2014 Entitlement Remaining	\$23,589,326
2015 Entitlement Allocation	\$49,090,273
Total Available Allocation	\$72,679,509
Current Projects Approved	Amount
Corcoran Triangle	\$13,000,000
Seward Towers	\$50,000,000
Balance Available for Other Projects	\$9,679,509

Bond Purchaser/Underwriter

Dougherty and Company

Bond Counsel
Council Member Informed

Kutak Rock LLP
Yes, Ward 2

Attachments

- Project Data Worksheet
- Resolution

Resolution
of the
City of Minneapolis

Giving preliminary approval to the issuance of tax-exempt multifamily housing revenue bonds under Minnesota Statutes, Chapter 462C, for the purpose of financing a housing program consisting of the acquisition and rehabilitation of a multifamily rental housing development located in the City of Minneapolis for the benefit of Seward Towers Renovation, Limited Partnership.

WHEREAS, the City of Minneapolis, a home rule city and political subdivision of the State of Minnesota (the “City”), is authorized, pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Act”), to develop and administer programs to finance one or more multifamily housing developments within its boundaries.

WHEREAS, Section 462C.07 of the Act authorizes the City to issue and sell revenue bonds or obligations to finance programs for the multifamily housing developments.

WHEREAS, Seward Towers Renovation, Limited Partnership, a Minnesota limited partnership (the “Borrower”), the General Partner of which is Seward Towers Renovation, LLC, A Minnesota limited liability company, the two members of which are CommonBond Communities and Seward Redesign, Inc., both Minnesota nonprofit corporations, has requested that the City adopt a multifamily housing development program (the “Program”) to provide for the issuance of tax-exempt multifamily housing revenue bonds in one or more series in an aggregate principal amount of up to \$50,000,000 (the “Bonds”) for the purpose of loaning the proceeds thereof to the Borrower, or its affiliate or assign, to finance the acquisition and rehabilitation of a 640-unit rental housing development and facilities functionally related and subordinate thereto, located at 2910 East Franklin Avenue and 2515 South Ninth Street in the City (the “Project”), to be owned by the Borrower.

WHEREAS, the Community Development Committee of the Minneapolis City Council, on behalf of the City, held a public hearing on the Program and the proposed issuance of the Bonds.

WHEREAS, the public hearing was preceded by the publication of a notice of public hearing in a newspaper of general circulation in the City at least fifteen (15) days prior to the public hearing before the Community Development Committee.

WHEREAS, the Program was submitted to the Metropolitan Council for its review and comment in accordance with the requirements of the Act.

WHEREAS, the City has been advised by the Borrower that conventional commercial financing is available to pay the capital costs of the Project only on a limited basis and at such high costs of borrowing that the scope of the Project and the economic feasibility of its operations would be significantly affected.

WHEREAS, the United States Department of the Treasury has promulgated final regulations governing the use of the proceeds of tax-exempt bonds, all or a portion of which are to be used to reimburse the City or a borrower from the City for project expenditures paid prior to the date of issuance of such bonds. Those regulations, Treasury Regulations, Section 1.150-2 (the "Regulations"), require that the City adopt a statement of official intent to reimburse an original expenditure not later than sixty (60) days after payment of the original expenditure. The Regulations also generally require that the bonds be issued and the reimbursement allocation made from the proceeds of the bonds occur within eighteen (18) months after the later of: (i) the date the expenditure is paid; or (ii) the date the project is placed in service or abandoned, but in no event more than three (3) years after the date the expenditure is paid. The Regulations generally permit reimbursement of capital expenditures of the Project and the costs of issuing the Bonds.

WHEREAS, the City reasonably expects to reimburse the Borrower for the expenditures made for costs of the Project from the proceeds of the Bonds after the date of payment of a portion of the costs of the Project. All reimbursed expenditures shall be capital expenditures, a cost of issuance of the Bonds, or other expenditures eligible for reimbursement under Section 1.150-2(d)(3) of the Regulations and also qualifying expenditures under the Act.

WHEREAS, based on representations by the Borrower, no expenditures with respect to the Project have been made by the Borrower more than sixty (60) days before the date of adoption of this resolution other than: (i) expenditures to be paid or reimbursed from sources other than the Bonds; (ii) expenditures constituting preliminary expenditures within the meaning of Section 1.150-2(f)(2) of the Regulations; or (iii) expenditures in a "de minimus" amount (as defined in Section 1.150-2(f)(1) of the Regulations).

WHEREAS, based on representations by the Borrower, as of the date hereof, there are no funds of the Borrower reserved, allocated on a long term-basis, or otherwise set aside (or reasonably expected to be reserved, allocated on a long-term basis, or otherwise set aside) to provide permanent financing for the expenditures related to the Project to be financed from proceeds of the Bonds, other than pursuant to the issuance of the Bonds. This resolution, therefore, is determined to be consistent with the budgetary and financial circumstances of the Borrower as they exist or are reasonably foreseeable on the date hereof.

WHEREAS, the Bonds shall not constitute indebtedness of the City within the meaning of any state constitutional provision or statutory limitation, the Bonds shall not constitute general or moral obligations of the City or give rise to a charge against the general credit or taxing powers of the City, the Bonds shall not constitute or give rise to a pecuniary liability of the City, and the Bonds shall be payable solely out of any funds and properties expressly pledged as security therefor.

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

That the Program is hereby approved and adopted by the City.

That the issuance of the Bonds pursuant to the Program in an aggregate principal amount of up to \$50,000,000 is hereby preliminarily approved.

That the City hereby reserves \$50,000,000 of its 2015 (or carryover) housing revenue bond entitlement authority for the financing of the project.

That the foregoing preliminary approval of the issuance of the Bonds shall be subject to final determination by the City of the terms and conditions of the Bonds and shall not constitute an irrevocable commitment on the part of the City to issue the Bonds.

That this resolution shall constitute an official intent to reimburse original expenditures with respect to the Project paid on or after the date sixty (60) days prior to the date of adoption of this resolution.

That the staff of the City is hereby authorized, in cooperation with bond counsel, to take all steps necessary and desirable to proceed to develop the Program and financing therefor.