

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 10/27/2015
From: Community Planning & Economic Development
Prepared by: Jimmy Loyd
Presented by: Jimmy Loyd
File type: Action
Subcategory: Loan

Subject:

Request for approval of attached resolution giving final approval of up to \$50 million in Tax Exempt Multifamily Housing Entitlement Revenue Bonds for Seward Tower Renovation project; and approval of \$4,116,621.00 in Affordable Housing Trust Funds (AHTF) for Seward Towers Renovation project outside the AHTF RFP round; and appropriation of loan repayment to assist future affordable housing projects through the AHTF.

Description:

- Passage of Resolution giving final approval to the issuance of up to \$50 million dollars in Tax Exempt Multifamily Housing Entitlement Revenue Bonds for the Seward Towers Renovation project.
- Authorizing special approval of \$4,116,621 to be refinanced by Seward Towers with CDBG funds as a new AHTF loan.
- Authorizing appropriation for the loan repayment to make AHTF loans to additional affordable housing projects.

Previous Actions:

- 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%
- On August 13, 2015 City Council approved preliminary approval to the issuance of Tax-Exempt Multifamily Housing Entitlement Revenue Bonds up to \$50,000,000 for Seward Towers Renovation Project

Ward/Neighborhood/Address:

Ward 6
Seward
2910 E. Franklin Ave and 2515 S 9th St, Minneapolis

Background/Analysis:

Seward Towers East and West are two 21- story high rises containing 320 apartments in each building and located at 2910 East Franklin and 2525 South 9th Street respectively. 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 Seward Tower residents as well as Redesign and CommonBond Communities (CommonBond). CommonBond will provide asset management, property management services, provide support services for the residents through the Advantage Services Center located in each building and along with Redesign will restructure the financing of the buildings to renovate both Towers to a 20-year standard. This rehabilitation will include updating building systems, code upgrades, replacing all of the windows, adding “angel latches” to prevent young children from opening and falling from windows, replacing the existing plumbing stacks and servicing all 640 units in order to preserve the existing Federal Section 8 contracts. The renovation project, which will be run simultaneously on both towers, is anticipated to last approximately 18 months with substantial relocation to be undertaken while the rehabilitation is being completed. 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.

Housing Revenue Bond Information

This project has all the necessary funds committed for the project. The total development cost is \$93,851,741. The developer is now requesting final 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 \$20,878,000 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 \$29,038,206 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.

Table 1. Committed Source – Public/Private Investment

FUNDING SOURCE NAME	PUBLIC	PRIVATE	Committed
Met Council TBRA	\$517,950		Yes
Tax Credit Syndication Proceeds		\$29,038,206	
Seller's Note		\$16,698,961	Yes
CPED AHTF	\$4,116,621		Yes
Existing Reserves		\$2,560,385	Yes
MHFA HOME HARP	\$5,063,289		Yes
Deferred Developer Fee	\$3,492,079		Yes
City of Minneapolis HRB (1st Mortgage)	\$29,750,000		
Sales Tax Rebate	\$608,000		N/A
Cash Flow		\$1,085,000	Yes
Residual Receipts		\$400,000	Yes
Hennepin County AHIF	\$300,000		Yes
Hennepin County ERF	\$221,250		Yes
SOURCES SUBTOTAL	\$44,069,189	\$49,782,552	
PERCENTAGE PUBLIC VS. PRIVATE SOURCES	47%	53%	
TOTAL SOURCES	\$93,851,741		

The project has been reviewed and meets the required underwriting standards. There is sufficient bond allocation remaining to provide the request amount. Staff anticipates this

project will close by year-end 2015. The current status of the City's Tax-Exempt Multifamily Housing Revenue Bonds allocation is show in the following table:

Table 2. Housing Entitlement Revenue Bond Allocation

Allocation	Amount
2014 Entitlement Remaining	\$23,291,292
2015 Entitlement Allocation	\$49,090,273
Total Available Allocation	\$72,381,565
Current Projects Approved	Amount
Corcoran Triangle	\$15,000,000
Seward Towers	\$50,000,000
Balance Available for Other Projects	\$7,381,565

Bond Purchaser/Underwriter	Wells Fargo Bank
Tax Credit Equity Investor	Wells Fargo Bank
Bond Counsel	Kutak Rock LLP
Council Member Informed	Yes, Ward 3 Council Member Abdi Warsame

Request for new AHTF Loan

The developer is requesting the \$4,116,621 in AHTFs be awarded to Seward Towers Renovation LP outside of the normal RFP round to accommodate the following: (1) fund and facilitate the current renovation of the project and (2) refinancing of existing debt on the project. The City has four existing loans on the project with a collective balance of \$4,116,621 which will be repaid as part of the refinancing. The new loan will be a single loan with 0% interest and a 40 year term, with cash flow only payments, as defined by HUD. Cash flow payments, will be paid from 50% of surplus cash flow, as defined by HUD, as applicable to our position in the waterfall and after the following benchmarks are reached: (1) deferred developer fee is fully paid; (2) seller note is repaid; and (3) after the funding of the replacement reserves to the \$2 million dollar level. Finally, all requirements that are associated with the AHTF will be in effect, including, but not limited to, SUBP goals, prevailing wage policy, and the developer fee being within the allowable limit as established by the AHTF guidelines. This structure was approved by Development Finance Committee 10/8/15.

The current loan repayment in the amount of \$4,116,621 will be deposited to the Development Account (01SDA). The repayment will be appropriated and the revenues will be used to finance future affordable housing projects through the AHTF.

Financial Review:

Additional appropriation required.

Increase the revenue budget in the Development Account (01SDA/8900220/373501) in the amount of \$4,116,621; Increase the appropriation in the Development Account (01SDA/8300220) in the amount of \$4,116,621

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**

Attachments:

1. Project Data Worksheet
2. Resolution giving final approval to issue housing revenue entitlement bonds