



## **Request for City Council Committee Action from the Department of Community Planning & Economic Development**

**Date:** August 11, 2015

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

**Referral To:** Council Member John Quincy, Chair, Ways & Means Committee

**Subject:** Corcoran Triangle: Conduct a public hearing and approve the Corcoran Triangle TIF plan and related redevelopment plan modifications; Approve issuance of a "Pay-As-You-Go" TIF note; Conduct a public hearing and grant preliminary and final approval to issue up to \$15,000,000 in Tax Exempt Multifamily Housing Revenue Entitlement Bonds; Approve redevelopment contract terms.

**Recommendation:**

1. Adopt the attached resolution approving the Corcoran Triangle Tax Increment Financing (TIF) Plan, Modification No. 2 to the Hiawatha and Lake Redevelopment Plan and Modification No. 24 to the Model City Urban Renewal Plan;
2. Adopt the attached resolution authorizing the issuance of a limited revenue "Pay-As-You-Go" TIF note to Corcoran Triangle Limited Partnership (LP) in a principal amount not to exceed \$1,500,000;
3. Adopt the attached resolution giving preliminary and final approval to issue up to \$15,000,000 in Tax Exempt Multifamily Housing Entitlement Revenue Bonds;
4. Authorize the appropriate City staff to execute a redevelopment contract, and other necessary documents related to the above recommended actions with Corcoran Triangle LP or affiliated entity.

**Previous Directives:**

- On February 16, 2010, the City Council approved a loan from the Affordable Housing Trust Fund (AHTF) in the amount of \$735,000.
- On April 6, 2010, the City Council authorized the submission of a Hennepin County TOD grant application in the amount of \$300,000.
- On July 24, 2012, the City Council authorized the submission of a LCDA-TOD grant application to Metropolitan Council.
- On February 12, 2013, the City Council accepted a Metropolitan Council LCDA-TOD grant in the amount of \$505,000.
- On October 31, 2014, the City Council approved an additional loan from the Affordable Housing Trust Fund in the amount of \$415,000.
- On November 3, 2014, the City Council authorized the submission of an additional Hennepin County TOD grant application in the amount of \$200,000.
- On March 3, 2015, the City Council authorized staff to continue analysis of the TIF application to determine if TIF assistance is appropriate and justifiable, and authorized staff to negotiate the terms and conditions of a redevelopment contract

and prepare a TIF Plan and any necessary Redevelopment Plan modifications for the project.

- On April 3, 2015, the City Council granted preliminary approval to issue tax exempt entitlement housing revenue bonds up to \$13 million.

### Department Information

Prepared by: Shalaunda Holmes, Senior Project Coordinator, (612) 673-5266	
Approved by: D. Craig Taylor, CPED Director	_____
Charles T. Lutz, CPED Deputy Director	_____
Andrea Brennan, Director Housing Policy & Development	_____
Presenter in Committee: Shalaunda Holmes, Senior Project Coordinator	

### Financial Impact

- Tax increment generated by the increased value of this property, as a result of the new development, will not be included in the City's general tax base. The tax increment will revert to the City's general tax base when the note is paid in full, which is anticipated to be in 17 years. The City will retain 10% of the tax increment generated each year for the payment of TIF administrative costs.

### Community Impact

- Neighborhood Notification-On May 29, 2015, the Corcoran Neighborhood Organization was notified of the opportunity to review and comment on the proposed TIF Plan and related redevelopment plan modifications.
- City Goals - A Safe Place to Call Home; Livable Communities, Healthy Lives
- Sustainability Targets- Affordable housing production.
- Comprehensive Plan- On July 6, 2015, the City Planning Commission found that the proposed plan and modifications are consistent with *The Minneapolis Plan for Sustainable Growth*. This project also meets goals and expectations in the Hiawatha Lake Street Station Area Master Plan and the Corcoran Midtown Revival.
- Zoning Code - The site is zoned R5, which allows the proposed use with a conditional use permit for a residential community facility for the nine long-term homeless units.

### Supporting Information

Corcoran Triangle will be located at 3120 24<sup>th</sup> Ave S. The project is a 135-unit, new construction housing development poised to revitalize the intersection of 32<sup>nd</sup> and Hiawatha, just one block south from the Blue Line Lake Street Light Rail Transit (LRT) Station on a triangular vacant parcel. The developer is Corcoran Triangle LLC c/o Wellington Management Inc. The site currently owned by Corridor Plaza, LLC is a 2.6-acre parcel that includes leftover right-of-way from the development of the Hiawatha Light Rail Line. This infill project demonstrates how transit oriented development can fit into uniquely shaped parcels that are often leftover as a result of right-of-way expansions or other infrastructure related impacts. The total square footage for the building is approximately 98,000 square feet.

The building will include individual apartment entrances at street level, common spaces and community spaces both indoors and out, an outdoor plaza area, storm water management demonstration area, tot-lot, outdoor seating, bicycle racks, a new roadway, sidewalks, bike path, native plantings and green spaces.

This transit oriented development will consist of affordable workforce housing made up of nine units at or below 30% area median income for those experiencing long-term homelessness and suffering from HIV/AIDS, 37 units at or below 50% area median income,

and 89 units at or below 60% area median income. Clare Housing, a nationally recognized service provider, will provide support services for the long-term homeless residents.

Corcoran Triangle is a four-story building with 100 spaces in one level of underground parking and 51 exterior surface parking spaces. The project will be owned by Corcoran Triangle, Limited Partnership (LP).

### Project Financing Overview

The estimated total development cost of the Corcoran Triangle development is approximately \$25.5 million. The project financing structure is Housing Revenue Entitlement Bonds, private equity and public gap funding. Entitlement Bonds requested will carry an automatic 4% Low Income Housing Tax Credit allocation, which will generate an estimated \$7,558,588 in syndication proceeds to provide additional equity to the project. Developer equity in the project includes deferring a portion (\$875,000) of the developer fee.

Approximately 76% of the sources are private (including tax credit syndication proceeds, general partner equity and deferred developer fee), and 24% are public sources. All of the project funding has been committed with bond financing to be finalized at closing. Table 1 below contains a summary of the project's funding sources that are also included in the Project Data Worksheet attached as Exhibit 1.

*Table 1. Committed Sources – Public/Private Investment*

FUNDING SOURCE NAME	PUBLIC	PRIVATE	COMMITTED
CITY AHTF (2009)	\$735,000		Yes
CITY AHTF (2014)	\$415,000		Yes
Tax Exempt Bond - NOI Supported		\$10,807,000	
Series B Bond TIF Note (includes capitalized interest)	\$1,710,000		
Syndication Proceeds (WNC & Associates)		\$7,558,688	Yes
Deferred Loan (MHFA)	\$1,850,000		Yes
LCDA	\$505,000		Yes
Hennepin County TOD 2012	\$300,000		Yes
Hennepin County AHIF	\$400,000		Yes
Family Housing Fund		\$500,000	Yes
Hennepin County TOD 2014	\$200,000		Yes
Deferred Developer Fee		\$875,000	Yes
<b>SOURCES SUBTOTAL</b>	<b>\$6,115,000</b>	<b>\$19,740,688</b>	
<b>PERCENTAGE PUBLIC VS. PRIVATE SOURCES</b>	24%	76%	
<b>TOTAL SOURCES</b>	<b>\$25,855,688</b>		

### Tax Increment Financing

The Corcoran Triangle TIF Plan establishes a new housing TIF district that will be within the existing Hiawatha and Lake Redevelopment Project following approval of Modification No. 2 to the Hiawatha and Lake Redevelopment Plan, which expands the Hiawatha and Lake project area to include the Corcoran Triangle development site. Modification No. 24 to the Model City Urban Renewal Plan removes the Corcoran Triangle development site from the Model City Project area.

The City of Minneapolis will issue a Pay-As-You-Go tax increment note in the amount of \$1,500,000 as a source to the project. This source will act as an income stream for the debt service. This will increase the amount of supportable Series A Bonds due to the

additional revenues. All tax increment generated by this housing development will be pledged to the TIF note. The developer agrees to TIF recapture provisions.

The TIF Plan and the related redevelopment plan modifications were transmitted for 45-day review to the Corcoran Neighborhood Organization (CNO) on May 29, 2015. During the comment period, CNO requested that City staff attend its Land Use Committee meeting to give a general presentation on tax increment financing. Staff and the developer attended a Land Use Committee meeting on July 2, 2015. CNO did not submit any comments on the proposed TIF Plan or modifications.

### Housing Revenue Bond Information

On April 3, 2015 the City Council gave preliminary approval for tax exempt entitlement bonds up to \$13 million. The developer is now requesting preliminary and final approval for the issuance of up to \$15,000,000 in tax exempt entitlement bonds. This bond increase is due to the surety of the project meeting the 50% test. The \$15 million bond amount will be issued in Series A, B and C releases. Estimates of the Series A (NOI supported bonds) in the amount of \$10,807,000 will be secured by a first mortgage on the real estate. The Series B (TIF supported Bonds) are estimated to be in an amount of \$1,710,000 (includes \$210,000 in capitalized interest) will be secured by a TIF note not to exceed \$1,500,000. The Series C bonds are estimated to be an amount not to exceed \$2,533,000 and will be paid back by tax credit syndication proceeds after construction. The aggregate of these loans will not exceed \$15,000,000. The balance of the TCF bridge loan will be a conventional loan.

The project has been reviewed and meets the required underwriting standards. There is sufficient bond allocation remaining from the previous year's allocation to provide the new requested amount. Staff anticipates this project will close by year-end 2015. The current status of the HRB Entitlement allocation is shown in Table 2.

Bond Purchaser/Underwriter: TCF Commercial Banking  
 Tax Credit Equity Investor: WNC & Associates Inc.  
 Bond Counsel: Kennedy & Graven, Chartered  
 Council Member Informed: Yes, Alondra Cano (Ward 9)

*Table 2. HRB Entitlement Allocation*

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

### Proposed Redevelopment Contract Terms

1. Within 18 months after closing, the developer will construct 135 units of affordable workforce housing in a four-story building, including the following provisions:
  - a. Forty-six (46) units will be affordable at or below 50% of the Area Median Income.

- b. Nine (9) units will be affordable at or below 30% of the Area Median Income and will be dedicated to those experiencing Long-Term Homelessness.
  - c. A total of 51 surface parking stalls and 100 underground parking stalls will be constructed.
2. The City will provide TIF assistance in the form of one Pay-As-You-Go TIF note in a principal amount not to exceed \$1.5 million, with 17 years of increment collection. The developer will assign the TIF note to the first mortgage lender, TCF Commercial Banking. The developer has agreed to the City's proposed TIF recapture provisions.
  3. The developer has agreed to defer at least \$875,000 of the developer fee for the benefit of the project.

**Additional City Assistance**

1. The project has received one grant award from Metropolitan Council and three grant awards from Hennepin County. Additional funding includes awards from Minnesota Housing Finance Agency and Family Housing Fund.
2. The City of Minneapolis will enter into an Affordable Housing Trust Fund Written Agreement with Corcoran Triangle LP for the \$1,150,000 in deferred funding bearing a 1% interest rate for a 30 year term.

**Project Timeline**

Final Bond Approval and TIF Approval	August 2015
Project Closing	August –Sept. 2015
Construction Start	August-Sept. 2015
Construction Completion	September 2016
Full Occupancy	March 2017

**Exhibits**

1. Project Data Worksheet
2. Proposed Corcoran Triangle TIF Plan, Modification No. 2 to the Hiawatha and Lake Redevelopment Plan, and Modification No. 24 to the Model City Urban Renewal Plan
3. Resolution approving the TIF Plan and related redevelopment plan modifications
4. Resolution authorizing the issuance of the TIF note
5. Resolution giving final approval to issue housing revenue entitlement bonds