

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

Date: December 2, 2008
To: Lisa Goodman, Community Development Committee

Subject: Approval of 2008 Housing Revenue Bond Entitlement Carryforward

Recommendation: Approve the attached Resolution authorizing the carryforward of \$59,467,000 of the 2008 Tax Exempt Housing Revenue Bond entitlement for Multifamily purposes.

Previous Directives: There have been no previous directives concerning this carryforward request.

Prepared by: Dollie Crowther, Principal Coordinator _____
Approved by: Tom Streitz, Director, Housing Policy & Development _____
Presenters in Committee: Dollie Crowther

Reviews

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

Financial Impact

- No financial impact
- Action requires an appropriation increase to the Capital Budget _____ or Operating Budget _____
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Action is within the Business Plan
- Action requires a change to the Business Plan
- Other financial impact
- Request provided to the Finance Department when provided to the Committee Coordinator

Community Impact

- Neighborhood Notification - NA
- City Goals - Foster the development and preservation of a mix of quality housing types that is available, affordable, meets current needs, and promotes future growth.
- Sustainability Targets - NA
- Comprehensive Plan - NA
- Zoning Code - NA
- Living Wage/Business Subsidy Agreement Yes _____ No _____
- Job Linkage Yes _____ No _____
- Other - NA

Supporting Information

Each year the City of Minneapolis receives an entitlement allocation of tax-exempt revenue bonds that are used to support both single-family and multi-family housing

programs. For 2008 the Minneapolis entitlement amount was \$39,742,000. Due to the Housing and Economic Recovery Act of 2008 passed on July 26, 2008, the City of Minneapolis received an additional \$19,725,000. As of the date this report was prepared all of the allocation is remaining.

For the past several years much of the Minneapolis entitlement was reserved for multi-family purposes with only a small portion of it used for single-family mortgage revenue bond programs. The condition of the financial markets in 2008 has demonstrated a reduced demand for tax-exempt bonds needed to support single family programs. This market change allows the City to designate entitlement resources to support the City's multifamily program which is also experiencing a decrease in use due to changes in the market.

There remain multifamily housing projects where staff feels there are investors willing to invest in the tax credits and the bonds. There are several projects that have received preliminary/final approval that are anticipated to close in 2009. One project will be closing in December 2008. The time frame on closing projects with the 2008 allocation is no later than December 31, 2009, which gives the market ample time for the housing and investment markets to adjust itself.

In view of the market changes highlighted above, staff is recommending that \$59,467,000 of the 2008 entitlement be carried forward in support of the Multifamily Housing Revenue Bond programs in 2008.

Staff is requesting that the City Council approve the attached resolution approving the carryforward recommendations.

RESOLUTION AUTHORIZING CARRYFORWARD OF UNUSED PRIVATE ACTIVITY BOND VOLUME CAP

WHEREAS, the City of Minneapolis, Minnesota (the "City") is an "entitlement issuer" within the meaning of Minnesota Statutes, Section 474A.02, subd. 7; and

WHEREAS, the City's entitlement allocation for 2008 under Minnesota Statutes, Chapter 474A.03, subd. 2a is \$39,742,000 ("General Volume Cap"); and

WHEREAS, the Housing Assistance Tax Act of 2008 amended § 146 of the Internal Revenue Code of 1986, as amended (the "Code"), to provide for a temporary increase in private activity volume cap in 2008 (the "2008 Housing Act Volume Cap"); and

WHEREAS, the City's entitlement allocation of 2008 Housing Act Volume Cap is \$19,725,000; and

WHEREAS, the City has not yet issued any bonds in 2008 attributable to its General Volume Cap, but depending on market conditions, may do so prior to the end of 2008;

WHEREAS, the City does not expect to issue bonds in 2008 attributable to the 2008 Housing Act Volume Cap; and

WHEREAS, the City may, under § 146(f) of the Internal Revenue Code of 1986, as amended, and under Minnesota Statutes, Chapter 474A, "carryforward" all or a portion of the City's unused General Volume Cap and 2008 Housing Act Volume Cap; and

WHEREAS, it is in the best interest of the public health, safety and welfare that the City carryforward for qualified carryforward purposes its General Volume Cap and 2008 Housing Act Volume Cap remaining unused on December 31, 2008;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Minneapolis, Minnesota, as follows:

1. The City hereby elects to carryforward the balance of its remaining General Volume Cap which remains unused by the end of 2008 for qualified residential rental bonds.

2. The City hereby elects to carryforward \$19,725,000 of its 2008 Housing Act Volume Cap for the purpose of issuing "qualified housing issues," as permitted by IRS Notice 2008-79. Pursuant to such Notice, "qualified housing issues" include certain single family bonds, mortgage credit certificates or qualified residential rental bonds.

3. The Director of the Department of Community Planning and Economic Development is hereby authorized and directed to execute and cause to be filed with the Internal Revenue Service separate Forms 8328 specifying the amount of General Volume Cap and 2008 Housing Act Volume Cap to be carried forward as described above. The Forms 8328 shall be filed with the Internal Revenue Service on or before February 15, 2009. The Director is further authorized to notify the Minnesota Department of Finance of such carryforward at such time and as required by Minnesota Statutes, Chapter 474A.