EXECUTIVE SUMMARY

TITLE: PLACE Private Activity Revenue Bond Financing

RECOMMENDED ACTION: Motion to Adopt Resolution providing preliminary approval to the issuance of tax-exempt obligations under Minnesota Statutes, Chapters 462C and 474A, as amended, and taking other actions in connection therewith.

POLICY CONSIDERATION: Should the City Council provide preliminary approval of the application made by PLACE for the issuance of tax-exempt bonds to finance the affordable housing portion of its project in one or more series in the approximate principal amount up to $55,000,000?

SUMMARY: PLACE, a Minnesota nonprofit corporation, has proposed the acquisition, construction, and equipping of a mixed-use, mixed-income, transit-oriented development on property located at 5725, 5925, and 5815 Highway 7, 3565 and 3575 Wooddale Avenue, 5814 and 5816 36th Street, 3520 Yosemite Avenue, and the western portion of 3548 Xenwood Avenue in the City to include 300 apartments, affordable and market rate, space for local businesses, a hotel, an e-generation facility, and live/work space designed for creatives.

PLACE has made application to the City for the issuance of the bonds. Approval of the Preliminary Resolution is necessary for an application to be submitted to the State for an allocation of Bonding Authority for the affordable housing component of the PLACE project. The Preliminary Resolution is the first step in the process and does not obligate the City to issue the bonds. That decision will depend on the successful conclusion of several other steps including a public hearing, finalizing, and approving the project plans, TIF request and redevelopment contract.

On October 10, 2016, the City Council discussed the project and the use of TIF and private activity revenue bonds. At the end of the discussion the consensus of the Council was that the developer should continue to move forward with the project.

NEXT STEPS: If the City Council adopts the preliminary resolution an application will be made to the State by January 3rd. The City Council will then be asked to conduct a public hearing to be held after January 3rd, to consider providing final approval for the Bonds and related documents.

FINANCIAL OR BUDGET CONSIDERATION: Per the City’s private activity revenue bond policy PLACE will pay an annual administration fee in the amount of 1/8th of 1% (0.125%) of the outstanding principal of the bonds. The admin fee is currently estimated at $1.6m over the life of the bonds which goes to the Housing Rehab Fund. The bonds will not impact the City’s debt capacity, does not constitute a general or moral obligation of the City, and will not be secured by the taxing powers of the City or any assets or property of the City.

SUPPORTING DOCUMENTS: Resolution
Kennedy & Graven Attorney Letter

Prepared by: Tim Simon, Chief Financial Officer
Reviewed by: Kevin Locke, Community Development Director
             Greg Hunt, Economic Development Coordinator
             Nancy Deno, Deputy City Manager/HR Director
Approved by: Tom Harmening, City Manager
CITY OF ST. LOUIS PARK, MINNESOTA

RESOLUTION NO. 16-___

RESOLUTION PROVIDING PRELIMINARY APPROVAL TO THE ISSUANCE OF REVENUE OBLIGATIONS UNDER MINNESOTA STATUTES, CHAPTERS 462C AND 474A, AS AMENDED, AND TAKING OTHER ACTIONS IN CONNECTION THEREWITH

BE IT RESOLVED by the City Council (the “City Council”) of the City of St. Louis Park, Minnesota (the “City”), as follows:

Section 1. Recitals.

1.01. Pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Housing Act”), the City is authorized to carry out the public purposes described in the Housing Act by providing for the issuance of revenue bonds to provide funds to finance or refinance multifamily housing developments.

1.02. PLACE, a Minnesota nonprofit corporation, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and a publicly supported charity, has proposed the acquisition, construction, and equipping of a mixed-use, mixed-income, transit-oriented development on property located at 5725, 5925, and 5815 Highway 7, 3565 and 3575 Wooddale Avenue, 5814 and 5816 36th Street, 3520 Yosemite Avenue, and the western portion of 3548 Xenwood Avenue in the City to include 300 apartments, affordable and market rate, space for local businesses, a hotel, an e-generation facility, and live/work space designed for creatives (collectively, the “Project”).

1.03. PLACE is requesting that the City issue revenue obligations, in one or more series, as taxable or tax-exempt obligations (the “Bonds”), in the approximate principal amount of $55,000,000, in order to finance a portion of the Project. The Bonds are expected to be issued for the benefit of PLACE, or any one or more affiliates thereof (collectively, the “Borrower”), as multifamily housing revenue bonds under the Housing Act to finance the portion of the Project constituting the affordable multifamily housing development (the “Housing Project”).

1.04. Under Section 146 of the Code, the Bonds must receive an allocation of the bonding authority of the State of Minnesota. An application for such an allocation must be made pursuant to the requirements of Minnesota Statutes, Chapter 474A, as amended (the “Allocation Act”). The City Council must grant preliminary approval to the issuance of the Bonds to finance the Housing Project and authorize the submission of an application to the office of Minnesota Management & Budget for an allocation of bonding authority with respect to the Bonds to finance the Housing Project.

Section 2. Preliminary Findings. Based on representations made by the Borrower to the City to date, the City Council hereby makes the following preliminary findings, determinations, and declarations:

(a) The Bonds will finance a multifamily housing development designed and intended to be used for rental occupancy.
(b) The proceeds of the Bonds will be loaned to the Borrower and the proceeds thereof, along with other available funds, will be used to finance the Housing Project, finance capitalized interest during the construction of the Housing Project, fund required reserve funds, and pay costs of issuance of the Bonds. The City will enter into one or more loan agreements (or other revenue agreement) with the Borrower requiring loan repayments from the Borrower in amounts sufficient to repay the loan of the proceeds of the Bonds when due and requiring the Borrower to pay all costs of maintaining and insuring the Housing Project, including taxes thereon.

(c) In preliminarily authorizing the issuance of the Bonds, the City’s purpose is to further the policies of the Housing Act.

(d) The Bonds will be special, limited obligations of the City payable solely from the revenues pledged to the payment thereof, will not be a general or moral obligation of the City, and will not be secured by or payable from revenues derived from any exercise of the taxing powers of the City.

Section 3. Submission of an Application for an Allocation of Bonding Authority. The City Council hereby authorizes the submission of an application for allocation of bonding authority with respect to the Bonds in the approximate principal amount of $55,000,000 pursuant to Section 146 of the Code and the Allocation Act in accordance with the requirements of the Allocation Act. The Mayor of the City, the City Manager, the Chief Financial Officer of the City, and Kennedy & Graven, Chartered, acting as Bond Counsel to the City, shall take all actions, in cooperation with the Borrower, as are necessary to submit an application for an allocation of bonding authority to the office of Minnesota Management & Budget.

Section 4. Preliminary Approval. The City Council hereby provides preliminary approval to the issuance of the Bonds in the estimated principal amount not to exceed $55,000,000, subject to: (i) a public hearing as required by the Housing Act and Section 147(f) of the Code; (ii) final approval following the preparation of bond documents; and (iii) final determination by the City Council that the financing of the Housing Project and the issuance of the Bonds are in the best interests of the City.

Section 5. Reimbursement of Costs under the Code.

5.01. The United States Department of the Treasury has promulgated 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 the Borrower 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 and costs of issuance of the Bonds.

5.02. To the extent any portion of the proceeds of the Bonds will be applied to expenditures with respect to the Housing Project, the City reasonably expects to reimburse the Borrower for the expenditures made for costs of the Housing Project from the proceeds of the Bonds after the date of
payment of all or a portion of such expenditures. All reimbursed expenditures shall be capital expenditures, costs 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.

Based on representations by the Borrower, other than (i) expenditures to be paid or reimbursed from sources other than the Bonds, (ii) expenditures permitted to be reimbursed under prior regulations pursuant to the transitional provision contained in Section 1.150-2(j)(2)(i)(B) of the Regulations, (iii) expenditures constituting preliminary expenditures within the meaning of Section 1.150-2(f)(2) of the Regulations, or (iv) expenditures in a “de minimis” amount (as defined in Section 1.150-2(f)(1) of the Regulations), no expenditures with respect to the Housing Project to be reimbursed with the proceeds of the Bonds have been made by the Borrower more than sixty (60) days before the date of adoption of this resolution of the City.

5.03. 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 Housing 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.

Section 6. Costs. The Borrower will pay the administrative fees of the City and pay, or, upon demand, reimburse the City for payment of, any and all costs incurred by the City in connection with the issuance of the Bonds, whether or not the Bonds are issued.

Section 7. Commitment Conditional. The adoption of this resolution does not constitute a guaranty or firm commitment that the City will issue the Bonds as requested by the Borrower. The City retains the right in its sole discretion to withdraw from participation and accordingly not to issue the Bonds, or issue the Bonds in an amount less than the amount referred to herein, should the City at any time prior to issuance thereof determine that it is in the best interest of the City not to issue the Bonds, or to issue the Bonds in an amount less than the amount referred to in Section 4 hereof, or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents required for the transaction.

Section 8. Effective Date. This resolution shall be in full force and effect from and after its passage.

Reviewed for Administration: Adopted by the City Council December 19, 2016

Thomas K. Harmening, City Manager Jake Spano, Mayor

Attest:

Melissa Kennedy, City Clerk
December 12, 2016

Tim Simon, Chief Financial Officer
City of St. Louis Park
5005 Minnetonka Boulevard
St. Louis Park, MN  55416-2216

Re:  Resolution providing preliminary approval for the issuance of conduit revenue bonds proposed to be issued by the City of St. Louis Park

Dear Tim,

PLACE, a Minnesota nonprofit corporation, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), and a publicly supported charity, has proposed the acquisition, construction, and equipping of a mixed-use, mixed-income, transit-oriented development on property located at 5725, 5925, and 5815 Highway 7, 3565 and 3575 Wooddale Avenue, 5814 and 5816 36th Street, 3520 Yosemite Avenue, and the western portion of 3548 Xenwood Avenue in the City of St. Louis Park (the “City”) to include 300 apartments, affordable and market rate, space for local businesses, a hotel, an e-generation facility, and live/work space designed for creatives (collectively, the “Project”). PLACE has requested the assistance of the City in financing a portion of the Project through the issuance of one or more series of conduit revenue bonds in a principal amount of up to $55,000,000. Enclosed is a resolution to be considered by the City Council on December 19, 2016, to provide preliminary approval for the issuance of tax-exempt bonds to finance the affordable housing portion of the Project (the “Housing Bonds”).

The Housing Bonds proposed to be issued are for the benefit of PLACE, or any one or more of its affiliates (collectively, the “Borrower”). The Borrower anticipates that the Housing Bonds will be issued in one or more series as housing revenue bonds under Minnesota Statutes, Chapter 462C, as amended (the “Housing Act”). Section 146 of the Code requires that the Housing Bonds receive an allocation of bonding authority of the State of Minnesota. An application for this allocation must be made pursuant to Minnesota Statutes, Chapter 474A, as amended (the “Allocation Act”). The enclosed resolution authorizes the City to take actions to apply for allocation in accordance with Section 146 of the Code and the Allocation Act with respect to the Housing Bonds.

If the City Council adopts the enclosed resolution, the City Council will be asked to call for and conduct a public hearing required under the Housing Act and the Code at a City Council meeting to be held after the new year.
The Borrower will agree to pay the out-of-pocket expenses of the City with respect to this transaction as well as the City’s administrative fee.

Gina Fiorini will attend the City Council meeting on December 19, 2016 and can answer any questions that may arise during the meeting. Please contact me with any questions you may have prior to the City Council meeting.

Sincerely,

Julie A. Eddington