EXECUTIVE SUMMARY

TITLE: PLACE Private Activity Revenue Bond Financing (Housing)

RECOMMENDED ACTION: Motion to Adopt Resolution calling for a public hearing regarding the issuance of revenue bonds for the benefit of PLACE, or affiliated thereof, and a multifamily housing program.

POLICY CONSIDERATION: Does the City Council wish to consider the issuance of tax exempt bonds to finance all or a portion of the proposed 299 housing units in the project in the approximate principal amount up to $27,185,503?

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 299 apartments (200 affordable and 99 market rate), space for businesses, a hotel, an e-generation facility, and live/work space designed for creatives.

On December 19, 2016, the City Council adopted a resolution authorizing PLACE to seek $55 million in multifamily housing bond allocation from the State. On January 23, 2017, the project received an allocation in the amount of $27,185,503 which is less than anticipated due to the oversubscription of housing bonds, but still sufficient for the project’s low-income housing tax credits by right. PLACE must close on the bonds by May 23, 2017. The term of these bonds is anticipated to be 35 years at 5% interest. Allianz Life Insurance Company of North America will purchase the project’s tax credits and the purchase price will provide equity for the housing project.

PLACE intends to request additional conduit bond assistance from the City in the future to finance the remaining portions of the project which are financeable with tax-exempt bonds.

NEXT STEPS: Provided the City Council adopts the resolution calling for the public hearing, the City Council will conduct the public hearing on April 17, 2017 and will be asked to consider a resolution approving the housing program and providing final approval to the issuance of the bonds.

FINANCIAL OR BUDGET CONSIDERATION: 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. 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 $781,375 over the life of the bonds (present value of $452,353).

SUPPORTING DOCUMENTS: Resolution
Kennedy & Graven Attorney Letter

Prepared by: Tim Simon, Chief Financial Officer
Reviewed by: Greg Hunt, Economic Development Coordinator
Nancy Deno, Deputy City Manager/HR Director
Approved by: Tom Harmening, City Manager
RESOLUTION CALLING A PUBLIC HEARING REGARDING THE
ISSUANCE OF REVENUE BONDS FOR THE BENEFIT OF PLACE, OR
AFFILIATES THEREOF, AND A MULTIFAMILY HOUSING PROGRAM

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 “Act”), the City is authorized to carry out the public purposes described in the Act by providing for the issuance of revenue bonds to provide funds to finance multifamily housing developments.

1.02. PLACE, a Minnesota nonprofit corporation, an organization (“PLACE”) described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), 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. The development is proposed to include approximately 299 apartments (200 affordable and 99 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, as tax-exempt obligations (the “Bonds”), in the approximate aggregate principal amount of $27,185,503, in order to finance all or a portion of the costs of the acquisition, construction, and equipping of the approximately 299 apartments to be included in the Project (the “Housing Project”). The Bonds are expected to be issued for the benefit of PLACE E-Generation One LLC, a Delaware limited liability nonprofit company registered to do business in Minnesota and an affiliate of PLACE (the “Borrower”), as multifamily housing revenue bonds under the Act.

1.04. On December 19, 2016, the City Council adopted Resolution No. 16-165 (the “Preliminary Housing Resolution”), which provided preliminary approval to the issuance of the Bonds in the maximum principal amount of $55,000,000 to finance the Housing Project. The Preliminary Housing Resolution also authorized the submission of an application to the office of Minnesota Management & Budget for an allocation of bonding authority of the State of Minnesota with respect to the Bonds in accordance with Section 146 of the Code and Minnesota Statutes, Chapter 474A, as amended. On January 23, 2017, the City received Certificate of Allocation No. 299 from Minnesota Management & Budget allocating bonding authority to the City in the amount of $27,185,503.

1.05. As a condition to the issuance of the Bonds, the City is required to adopt a housing program providing the information required by Section 462C.03, subdivision 1a of the Act (the “Housing Program”).

1.06. Under Section 147(f) of the Code, prior to the issuance of the Bonds, the City Council must conduct a public hearing after one publication of notice in a newspaper circulating generally in the City at least fourteen (14) days before the hearing. Under Section 462C.04, subdivision 2 of the
Act, a public hearing must be held on the Housing Program after one publication of notice in a newspaper circulating generally in the City at least fifteen (15) days before the hearing.

Section 2. Public Hearing. The City Council shall meet at 7:30 p.m. on Monday, April 17, 2017, to conduct a public hearing on the issuance of the Bonds by the City and the approval of the Housing Program. Notice of such hearing (the “Public Notice”) will be published as required by Section 462C.04, subdivision 2 of the Act and Section 147(f) of the Code. The City Clerk of the City is hereby authorized and directed to publish the Public Notice, in substantially the form attached hereto as EXHIBIT A, in the Sun-Sailor, the official newspaper of and a newspaper of general circulation in the City, at least fifteen (15) days before the meeting of the City Council at which the public hearing will take place. At the public hearing reasonable opportunity will be provided for interested individuals to express their views, both orally and in writing, on the proposed issuance of the Bonds.

Section 3. Housing Program. Kennedy & Graven, Chartered, as bond counsel to the City, is authorized to prepare and submit to the City a draft Housing Program to authorize the issuance by the City of the Bonds to finance the Housing Project. The City is authorized and directed to submit the Housing Program to Metropolitan Council for review and comment pursuant to Section 462C.04, subdivision 2 of the Act.

Section 4. Effective Date. This resolution shall be in full force and effect from and after its passage.

Reviewed for Administration: Adopted by the City Council March 20, 2017

Thomas K. Harmening, City Manager Jake Spano, Mayor

Attest:

Melissa Kennedy, City Clerk
EXHIBIT A

NOTICE OF PUBLIC HEARING

NOTICE OF A PUBLIC HEARING TO BE CONDUCTED BY THE CITY OF ST. LOUIS PARK, MINNESOTA TO CONSIDER THE ISSUANCE OF REVENUE BONDS FOR THE BENEFIT OF PLACE, OR AFFILIATES THEREOF, AND THE ADOPTION OF A MULTIFAMILY HOUSING PROGRAM

NOTICE IS HEREBY GIVEN that the City Council of the City of St. Louis Park, Minnesota (the “City”), will hold a public hearing on Monday, April 17, 2017, at or after 7:30 p.m. at City Hall, located at 5005 Minnetonka Boulevard in the City, to consider a proposal that the City approve and authorize the issuance of its revenue bonds, as tax-exempt obligations (the “Bonds”), pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Act”), for the purposes of (i) financing the acquisition, construction, and equipping of all or a portion of approximately 299 affordable and market-rate apartments (the “Housing Project”) to be constructed as part of a larger 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; (ii) financing capitalized interest, if necessary; (iii) funding required reserves, if any; and (iv) paying costs of issuance of the Bonds. The Housing Project will be owned and operated by PLACE E-Generation One LLC, a Delaware limited liability nonprofit company registered to do business in Minnesota, or another affiliate of PLACE, a Minnesota nonprofit corporation, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The aggregate principal amount of the proposed Bonds is estimated not to exceed $27,185,503.

Following the public hearing, the City Council will consider a resolution approving a housing program prepared in accordance with the requirements of the Act and granting approval to the issuance of the Bonds.

The Bonds will be special, limited obligations of the City, and the Bonds and interest thereon will be payable solely from the revenues and assets pledged to the payment thereof. No holder of any Bond will have the right to compel any exercise of the taxing power of the City to pay the Bonds or the interest thereon, or to enforce payment against any property of the City except money payable by the Borrower to the City and pledged to the payment of the Bonds. Before issuing the Bonds, the City will enter into one or more agreements with the Borrower, whereby the Borrower will be obligated to make payments at least sufficient at all times to pay the principal of and interest on the Bonds when due.

At the time and place fixed for the public hearing, the City Council will give all persons who appear at the hearing an opportunity to express their views with respect to the proposal. In addition, interested persons may direct any questions or file written comments respecting the proposal with the City Clerk, at or prior to said public hearing.

Dated: [Date of Publication]

BY ORDER OF THE CITY COUNCIL OF THE
CITY OF ST. LOUIS PARK, MINNESOTA

/s/ Melissa Kennedy
City Clerk
City of St. Louis Park, Minnesota
City of St. Louis Park, Minnesota
March 10, 2017

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

Re: Resolution calling a public hearing on a multifamily housing project to be financed with conduit revenue bonds proposed to be issued by the City of St. Louis Park

Dear Tim,

As you know, 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”). The development is expected to include 299 apartment units (200 affordable and 99 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 all or a portion of the costs of the acquisition, construction, and equipping of the 299 units of affordable and market-rate housing within the Project (the “Housing Project”) through the issuance of conduit revenue bonds in a principal amount of $27,185,503. Enclosed is a resolution to be considered by the City Council on March 20, 2017, calling a public hearing on the proposal to issue the Bonds to finance the Housing Project.

The Bonds proposed to be issued are for the benefit of PLACE E-Generation One LLC, a Minnesota limited liability company (the “Borrower”), which is an affiliate of PLACE. The Bonds will be issued in under Minnesota Statutes, Chapter 462C, as amended (the “Act”). Section 146 of the Code requires that the Housing Bonds receive an allocation of bonding authority of the State of Minnesota. On January 23, 2017, the City received allocation for the Housing Project from Minnesota Management & Budget in the amount of $27,185,503, in accordance with the terms of Minnesota Statutes, Chapter 474A, as amended. The enclosed resolution, in addition to calling a public hearing in accordance with Section 147(f) of the Code and Section 462C.04, subdivision 2 of the Act, authorizes the City to take actions to prepare a housing program providing the information required by Section 462C.03, subdivision 1a of the Act (the “Housing Program”).

If the City Council adopts the enclosed resolution, the City Council will be asked to conduct the public hearing required under the Act and the Code on Monday, April 17, 2017. Following the public hearing, the City Council will be asked to consider a resolution approving the Housing Program, providing final approval to the issuance of the Bonds, and authorizing the execution of documents in connection therewith.
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.

Either Martha Ingram or I will attend the City Council meeting on March 20, 2017 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