EXECUTIVE SUMMARY

TITLE: PLACE Private Activity Revenue Bonds Financing (Housing)

RECOMMENDED ACTION: The Mayor is asked to open the public hearing, take testimony and then close the hearing. The recommended action is then as follows: Motion to Adopt Resolution Authorizing the issuance and sale of multifamily housing revenue obligations for the benefit of VIA Affordable Living Limited Partnership: authorizing the execution and delivery of documents related thereto; adopting a housing program; and taking certain other actions.

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

SUMMARY: On January 23, 2017, the project received a multifamily housing bond allocation from the state in the amount of $27,185,503. This was less than the original request due to the oversubscription of housing bonds, but still sufficient for PLACE to accept the allocation. As part of the acceptance they have to issue bonds within one hundred twenty (120) days of the allocation award date. Since financing approvals necessary to issue the bonds will not be complete prior to the allocation expiration date. The borrower has requested the City issue a short-term multifamily revenue note, which will be a private placement and within one year of the issuance of the Note, bonds will be issued which will refund the note and finance the remaining costs of the housing project.

The City Council is asked to conduct a public hearing, provide final approval for the issuance of the Note, and approve the documents related to the Note. This is all considered private activity bond financing.

FINANCIAL OR BUDGET CONSIDERATION: The note/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. The Admin fee goes to the Housing Rehab Fund and has a present value of $452,353.

SUPPORTING DOCUMENTS: Discussion
Kennedy & Graven Attorney Letter
Resolution
Housing Program

Prepared by: Tim Simon, Chief Financial Officer
Reviewed by: Nancy Deno, Deputy City Manager/HR Director
Kevin Locke CD Director
Michele Schnitker, Deputy CD Director

Approved by: Tom Harmening, City Manager
DISCUSSION

BACKGROUND: 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. The development will include 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.

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 to obtain low-income housing tax credits. PLACE must close on the bonds by May 22, 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.

Since financing approvals necessary to issue the bonds will not be complete prior to the allocation expiration date, the borrower has requested the City issue a temporary multifamily revenue note, which will be a private placement. Once the borrower has financing commitments for the remaining portion of the housing project, the borrower will ask the City to issue permanent financing in the form of tax-exempt bonds to refund the temporary note.

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

NEXT STEPS: The temporary note will close before May 22. In addition, the borrower will continue to work toward obtaining planning and zoning approvals and approval of TIF documentation. Council will be required to approve the final bonds that will be used to refund the note.
April 11, 2017

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

Re: Resolution approving a multifamily housing project to be financed with conduit revenue obligations proposed to be issued by the City of St. Louis Park

Dear Tim,

As you know, PLACE, a Minnesota nonprofit corporation and an organization 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 of St. Louis Park (the “City”). The development is expected 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”). Via Affordable Living Limited Partnership, whose general partner is PLACE E-Generation One LLC, a Delaware limited liability nonprofit company registered to do business in Minnesota, Via Apartments, LLC and/or another affiliate of PLACE (collectively, the “Borrower”), have requested the assistance of the City in financing all or a portion of the costs of the acquisition, construction, and equipping of the 299 affordable and market-rate apartments within the Project (the “Housing Project”) through the issuance of conduit revenue bonds in a maximum principal amount of $27,185,503.

The conduit revenue bonds (the “Bonds”) will be issued under Minnesota Statutes, Chapter 462C, as amended (the “Act”). One of the requirements set forth in Section 462C.03, subdivision 1a of the Act is that the City Council approve a housing program (the “Housing Program”) prior to issuing the Bonds. Section 146 of the Code requires that the 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 “Allocation Act”). Pursuant to the Allocation Act, the Bonds must be issued within one hundred twenty (120) days of the date of allocation (the “Award Expiration Date”). The Bonds are expected to be secured by a mortgage, tax credit investor contributions, and/or other security. However, the financing approvals necessary to issue the Bonds will not be complete by the Award Expiration Date.

In order to provide short-term financing for the Housing Project and avoid the expiration of the bond allocation obtained from the State of Minnesota, the Borrower is asking the City to issue a short-term conduit revenue obligation (the “Note”) in the maximum principal amount of $27,185,503, which will be privately placed with a commercial lender to be selected by the Borrower (the “Purchaser”).
enclosed resolution authorizes the issuance of the Note and also authorizes the execution of the Note, a Loan Agreement, a Pledge Agreement, and a Regulatory Agreement. The enclosed resolution also approves the Housing Program pursuant to the requirements of the Act. Once the Borrower is able to obtain the necessary financing approvals, the Borrower will return to the City Council to request that the City issue the Bonds as permanent financing for the Housing Project. The proceeds of the Bonds will be used to refund the Note and finance the remaining costs of the Housing Project.

The Note will be secured solely by the revenues derived from the Loan Agreement to be executed by the Borrower and from other security provided by the Borrower, which may include one or more guaranties. The Note will not constitute a general or moral obligation of the City and will not be secured by or payable from any property or assets of the City (other than the interests of the City in the Loan Agreement) and will not be secured by any taxing power of the City. The Note will not be subject to any debt limitation imposed on the City, and the issuance of the Note will not have any adverse impact on the credit rating of the City, even in the event that the Borrower encounters financial difficulties with respect to the Housing Project.

The Note will constitute a “private activity bond” within the meaning of Section 141(a) of the Code but will be an “exempt facility bond” the net proceeds of which are to be used to provide a “qualified residential rental project” within the meaning of Sections 142(a)(7) and 143(d) of the Code and will not affect the City’s ability to designate up to $10,000,000 in tax-exempt bonds as “qualified tax-exempt obligations” (or “bank-qualified bonds”) for calendar year 2017.

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.

I will attend the City Council meeting on April 17, 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
RESOLUTION NO. 17-____

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF MULTIFAMILY HOUSING REVENUE OBLIGATIONS FOR THE BENEFIT OF VIA AFFORDABLE LIVING LIMITED PARTNERSHIP; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO; ADOPTING A HOUSING PROGRAM; AND TAKING CERTAIN OTHER ACTIONS

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. The City is a home rule city duly organized and existing under its Charter and the Constitution and laws of the State of Minnesota.

1.02. 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 obligations to provide funds to finance multifamily housing developments.

1.03. PLACE, a Minnesota nonprofit corporation and an organization 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 Wooldale Avenue, 5814 and 5816 36th Street, 3520 Yosemite Avenue, and the western portion of 3548 Xenwood Avenue in the City. The proposed development includes 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”).

1.04. Via Affordable Living Limited Partnership, whose general partner is PLACE E-Generation One LLC, a Delaware limited liability nonprofit company registered to do business in Minnesota, Via Apartments, LLC and/or another affiliate of PLACE (collectively, the “Borrower”) are requesting that the City issue multifamily housing revenue bonds as tax-exempt obligations (the “Bonds”) pursuant to the Act, in the maximum aggregate principal amount of $27,185,503, for the benefit of the Borrower, in order to (i) 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”); (ii) finance capitalized interest during the construction of the Housing Project, if needed; (iii) fund required reserves, if any; and (iv) pay costs of issuance of the Bonds. The Housing Project will be owned and operated by the Borrower.

1.05. As a condition to the issuance of the Bonds, the City must adopt a housing program providing the information required by Section 462C.03, subdivision 1a of the Act (the “Housing Program”). The Housing Program was prepared and submitted to Metropolitan Council for its review and comment.

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.

1.07. On the date hereof, the City Council conducted a public hearing on the Housing Program and the issuance of revenue obligations to finance the Housing Project and pay other costs. Notice of the hearing (the “Public Notice”) was published as required by Section 462C.04, subdivision 2 of the Act and Section 147(f) of the Code. The Public Notice was published in the *Sun Sailor*, the official newspaper of and a newspaper circulating generally in the City, on March 30, 2017, a date at least fifteen (15) days before a meeting of the City Council on the date hereof. At the public hearing, a reasonable opportunity was provided for interested individuals to express their views, both orally and in writing, on the Housing Program and the proposed issuance of the revenue obligations.

1.08. 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, pursuant to Minnesota Statutes, Chapter 474A (the “Allocation Act”). In accordance with Allocation Act, the Bonds must be issued within one hundred twenty (120) days of the allocation award date (the “Allocation Expiration Date”).

1.09. The Bonds are expected to be secured by a mortgage, tax credit investor contributions, and/or other security. The financing approvals necessary to issue the Bonds will not be complete prior to the Allocation Expiration Date.

1.10. In order to provide short-term financing for the Housing Project, the Borrower has requested that the City issue its Multifamily Housing Revenue Note (PLACE St. Louis Park Multifamily Housing Project), Series 2017 (the “Note”), in one or more series, in the maximum principal amount of $27,185,503. The Borrower has further proposed that a commercial lender selected by the Borrower (the “Purchaser”) purchase the Note.

1.11. The Note is expected to be issued on a short-term basis. The Bonds are proposed to be issued as permanent financing for the Housing Project within one year of the issuance of the Note, at which time proceeds of the Bonds will refund the Note and finance the remaining costs of the Housing Project.

1.12. With respect to the Note, there have been presented before the City Council (i) a form of Loan Agreement (the “Loan Agreement”) proposed to be entered into between the City and the Borrower, pursuant to which the City will loan the proceeds of the Note to the Borrower; (ii) a form of Pledge Agreement (the “Pledge Agreement”) proposed to be entered into between the City and the Purchaser, pursuant to which the City will assign the repayments to be made under the Loan Agreement to the Purchaser; (iii) a form of the Note; (iv) a form of Regulatory Agreement (the “Regulatory Agreement”) proposed to be entered into between the City, the Borrower, and the Purchaser to ensure compliance with certain rental and occupancy restrictions imposed by the Act and Section 142(d) of the Code and to ensure compliance with certain restrictions imposed by the City; and (v) a form of Disbursing Agreement (the “Disbursing Agreement”) proposed to be entered into between the Borrower and the Purchaser.

Section 2. The Housing Program. The Housing Program, in the form substantially on file with the City, is hereby approved.
Section 3. The Note.

3.01. The Borrower has requested that the City issue, sell, and deliver the Note, in one or more series, in the maximum principal amount of $27,185,503, to the Purchaser for the purposes of financing the Housing Project and paying costs of issuance of the Note.

3.02. The proceeds derived from the sale of the Note will be loaned by the City to the Borrower pursuant to the terms of the Loan Agreement.

3.03. The Note and the interest on the Note (i) shall be payable solely from the revenues pledged therefor under the Loan Agreement and additional sources of revenue provided by or on behalf of the Borrower; (ii) shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation; (iii) shall not constitute nor give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers; (iv) shall not constitute a charge, lien, or encumbrance, legal or equitable, upon any property of the City other than the City’s interest in the Loan Agreement; and (v) shall not constitute a general or moral obligation of the City.

3.04. The loan repayments to be made by the Borrower under the Loan Agreement will be fixed so as to produce revenue sufficient to pay the principal of, premium, if any, and interest on the Note when due. Such loan repayments will be assigned to the Purchaser under the terms of the Pledge Agreement.

3.05. The City acknowledges, finds, determines, and declares that the issuance of the Note is authorized by the Act and is consistent with the purposes of the Act and that the issuance of the Note, and the other actions of the City under the Loan Agreement, the Pledge Agreement, and this resolution constitute a public purpose and are in the interests of the City. In authorizing the issuance of the Note for the financing of the Housing Project and the related costs, the City’s purpose is and the effect thereof will be to promote the public welfare of the City and its residents by providing multifamily housing developments for low or moderate income residents of the City and otherwise furthering the purposes and policies of the Act.

3.06. For the purposes set forth above, there is hereby authorized the issuance, sale, and delivery of the Note in the maximum aggregate principal of $27,185,503. The Note shall bear interest at the rate or rates, shall be designated, shall be numbered, shall be dated, shall mature, shall be in the aggregate principal amount, shall be subject to redemption prior to maturity, shall be in such form, and shall have such other terms, details, and provisions as are prescribed in the Note, substantially in the form now on file with the City, with the amendments referenced herein. The City hereby authorizes all or a portion of the Note to be issued as a “tax-exempt bond,” the interest on which is not includable in gross income for federal and State of Minnesota income tax purposes.

All of the provisions of the Note, when executed as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Note shall be substantially in the form now on file with the City, which form is hereby approved, with such necessary and appropriate variations, omissions, and insertions (including changes to the aggregate principal amount of the Note, the stated maturity of the Note, the interest rate or rates on the Note and the terms of redemption of the Note) as the Mayor and the City Manager, in their discretion, shall determine. The execution of the Note with the manual or facsimile
signatures of the Mayor and the City Manager and the delivery of the Note by the City shall be conclusive evidence of such determination.

3.07. The Note shall be a special, limited obligation of the City payable solely from the revenues provided by the Borrower pursuant to the Loan Agreement and other funds pledged to the payment of the Note. The City Council hereby authorizes and directs the Mayor and the City Manager to execute the Note in accordance with the terms thereof.

3.08. The Mayor and the City Manager are hereby authorized and directed to execute and deliver the Loan Agreement, the Pledge Agreement, and the Regulatory Agreement. All of the provisions of the Loan Agreement, the Pledge Agreement, and the Regulatory Agreement, when executed and delivered as authorized herein, shall be deemed to be a part of this resolution as fully and to the same extent as if incorporated verbatim herein and shall be in full force and effect from the date of execution and delivery thereof. The Loan Agreement, the Pledge Agreement, and the Regulatory Agreement shall be substantially in the forms on file with the City which are hereby approved, with such omissions and insertions as do not materially change the substance thereof, and as the Mayor and the City Manager, in their discretion, shall determine, and the execution thereof by the Mayor and the City Manager shall be conclusive evidence of such determinations.

3.09. The Mayor, the City Manager, and the Chief Financial Officer of the City are hereby authorized to execute and deliver, on behalf of the City, such other documents and certificates as are necessary or appropriate in connection with the issuance, sale, and delivery of the Note, including various certificates of the City, an Information Return for Tax-Exempt Private Activity Bond Issues, Form 8038 (Rev. April 2011), an endorsement of the City to the tax certificate of the Borrower, and similar documents, and all other documents and certificates as shall be necessary and appropriate in connection with the issuance, sale, and delivery of the Note. The City hereby authorizes Kennedy & Graven, Chartered, as bond counsel (“Bond Counsel”), to prepare, execute, and deliver its approving legal opinion with respect to the Note.

3.10. The Chief Financial Officer of the City is appointed note registrar and paying agent for the Note.

3.11. The City Council authorizes the execution and delivery of the Disbursing Agreement by the Borrower and the Purchaser and authorizes the disbursement of the proceeds of the Note pursuant to the Disbursing Agreement or any other agreement providing for the disbursement of proceeds of the Note. The Purchaser is authorized to accept the Pledge Agreement in order to secure payment of the Note and is hereby authorized to take all actions necessary or appropriate under the terms of the Pledge Agreement to ensure timely payment of the principal of, premium, if any, and interest on the Note.

3.12. The City hereby authorizes the Borrower to provide such security for payment of its obligations under the Loan Agreement and for payment of the Note, including but not limited to one or more guaranties or any other security agreed upon by the Borrower and the Purchaser, and the City hereby approves the execution and delivery of such security by the parties thereto.

Section 4. Additional Findings and Certifications.

4.01. Except as otherwise provided in this resolution, all rights, powers, and privileges conferred and duties and liabilities imposed upon the City or the City Council by the provisions
of this resolution or of the aforementioned documents shall be exercised or performed by the City or by such members of the City Council, or such officers, board, body or agency thereof as may be required or authorized by law to exercise such powers and to perform such duties.

No covenant, stipulation, obligation or agreement herein contained or contained in the aforementioned documents shall be deemed to be a covenant, stipulation, obligation or agreement of any member of the City Council, or any officer, agent or employee of the City in that person’s individual capacity, and neither the City Council nor any officer or employee executing the Note shall be personally liable on the Note or be subject to any personal liability or accountability by reason of the issuance thereof.

No provision, covenant or agreement contained in the aforementioned documents, the Note, or in any other document relating to the Note, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to a general or moral obligation of the City or any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants, and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the Loan Agreement which are to be applied to the payment of the Note, as provided therein.

4.02. Except as herein otherwise expressly provided, nothing in this resolution or in the aforementioned documents expressed or implied is intended or shall be construed to confer upon any person or firm or corporation, other than the City, any holder of the Note issued under the provisions of this resolution, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provisions hereof, this resolution, the aforementioned documents, and all of their provisions being intended to be and being for the sole and exclusive benefit of the City, and any holder from time to time of the Note issued under the provisions of this resolution.

4.03. In case any one or more of the provisions of this resolution, other than the provisions contained in the first sentence of Section 3.07 hereof, or of the aforementioned documents, or of the Note issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this resolution, or of the aforementioned documents, or of the Note, but this resolution, the aforementioned documents, and the Note shall be construed and endorsed as if such illegal or invalid provisions had not been contained therein.

4.04. The Note, when executed and delivered, shall contain a recital that it is issued pursuant to the Act, and such recital shall be conclusive evidence of the validity of the Note and the regularity of the issuance thereof, and that all acts, conditions, and things required by the laws of the State of Minnesota relating to the adoption of this resolution, to the issuance of the Note, and to the execution of the aforementioned documents to happen, exist, and be performed precedent to the execution of the aforementioned documents have happened, exist, and have been performed as so required by law.

4.05. The officers of the City, Bond Counsel, other attorneys, engineers, and other agents or employees of the City are hereby authorized to do all acts and things required of them by or in connection with this resolution, the aforementioned documents, and the Note, for the full, punctual, and complete performance of all the terms, covenants, and agreements contained in the Note, the aforementioned documents, and this resolution. If for any reason the Mayor or the City Manager is unable to execute and deliver the documents referred to in this resolution,
such documents may be executed by any member of the City Council or any officer of the City delegated the duties of the Mayor or the City Manager with the same force and effect as if such documents were executed and delivered by the Mayor or the City Manager.

4.06. The Borrower shall pay the administrative fee of the City as set forth in the Loan Agreement. The Borrower will also pay, or, upon demand, reimburse the City for payment of, any and all costs incurred by the City in connection with the Housing Project and the issuance of the Note, whether or not the Note is issued, including any costs for attorneys’ fees.

Section 5. Effective Date. This resolution shall be in full force and effect from and after its approval. The approvals contained in the resolution are effective for one year after the date hereof.

Reviewed for Administration: 

Adopted by the City Council April 17, 2017

Thomas K. Harmening, City Manager

Jake Spano, Mayor

Attest:

Melissa Kennedy, City Clerk
CITY OF ST. LOUIS PARK, MINNESOTA

HOUSING PROGRAM FOR A MULTIFAMILY HOUSING DEVELOPMENT

Pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Housing Act”), the City of St. Louis Park, Minnesota (the “City”) is authorized to develop and administer programs to finance the acquisition, construction, and equipping of multifamily housing developments under the circumstances and within the limitations set forth in the Housing Act. Section 462C.07 of the Housing Act provides that such programs for multifamily housing developments may be financed by revenue bonds issued by the City.

The City has received a proposal that it approve a program providing for the acquisition, construction, and equipping 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. The acquisition, construction, and equipping of the Housing Project is to be funded in part through the issuance by the City of one or more series of tax-exempt revenue obligations (the “Bonds”) in the aggregate principal amount not to exceed $27,185,503, the proceeds of which will be loaned to Via Affordable Living Limited Partnership, whose general partner is PLACE E-Generation One LLC, a Delaware limited liability nonprofit company registered to do business in Minnesota, Via Apartments, LLC and/or another affiliate of PLACE, a Minnesota nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (collectively, the “Borrower”). It is expected that a portion of the apartments of the Housing Project will be subject to occupancy limits imposed by federal income tax law and regulations such that only persons and families within designated income limits will be permitted to occupy such apartments.

The City, in establishing this multifamily housing program (the “Program”), has considered the information contained in the City’s comprehensive plan. The Housing Project will be constructed in accordance with the requirements of Section 462C.05, subdivisions 1 and 2 of the Housing Act.

Section A. Definitions. The following terms used in this Program shall have the following meanings, respectively:

“Apartments” shall mean any one of the apartments financed with the Bonds, each located in the Housing Project, occupied by one person or family, and containing complete living facilities.

“Bonds” shall mean the revenue bonds to be issued by the City to finance the Housing Project.

“Borrower” shall mean Via Affordable Living Limited Partnership, whose general partner is PLACE E-Generation One LLC, a Delaware limited liability nonprofit company registered to do business in Minnesota, Via Apartments, LLC and/or another affiliate of PLACE, a Minnesota nonprofit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.
“City” shall mean the City of St. Louis Park, Minnesota.

“Housing Act” shall mean Minnesota Statutes, Chapter 462C, as currently in effect and as the same may be from time to time amended.

“Housing Project” shall mean the approximately 299 affordable and market-rate apartments within the development to be 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 be acquired, constructed, and equipped by the Borrower.

“Land” shall mean the real property upon which the Housing Project is situated.

“Program” shall mean this housing program for the financing of the Housing Project pursuant to the Housing Act.

Section B. Program for Financing the Housing Project. It is proposed that the City establish this Program to provide financing for the acquisition, construction, and equipping of the Housing Project at a cost and upon such other terms and conditions as are set forth herein and as may be agreed upon in writing between the City, the initial purchaser(s) of the Bonds, and the Borrower. The City expects to issue the Bonds in one or more series as soon as the terms of the Bonds have been agreed upon by the City, the Borrower, and the initial purchaser(s) of the Bonds. The proceeds of the Bonds will be loaned to the Borrower to finance the acquisition, construction, and equipping of the Housing Project, to fund required reserves, if any, to finance interest on the Bonds during construction of the Housing Project, if needed, and to pay the costs of issuing the Bonds. A trustee may be appointed by the City to provide for the payment of the principal of and interest on a portion of the Bonds. It is anticipated that all series of Bonds will have a maturity of approximately forty (40) years or less. It is expected that the Bonds will bear interest consistent with the market at the time of issuance.

The City will hire no additional staff for the administration of the Program. Insofar as the City will be contracting with underwriters, legal counsel, bond counsel, the trustee, and others, all of whom will be reimbursed from bond proceeds and revenues generated by the Program, no administrative costs will be paid from the City’s budget with respect to this Program. The Bonds will not be general obligations of the City, but will be issued as conduit revenue obligations to be paid only from loan repayments by the Borrower and revenues generated by the property pledged to the payment thereof, which may include additional security such as additional collateral, insurance or a letter of credit.

Section C. Standards and Requirements Relating to the Financing of the Housing Project Pursuant to the Program. The following standards and requirements shall apply with respect to the operation of the Housing Project by the Borrower pursuant to this Program:

1. Substantially all of the proceeds of the sale of the Bonds will be applied to the acquisition, construction, and equipping of the Housing Project, the payment of the costs of issuing the Bonds, the payment of interest on the Bonds during the construction of the Housing Project, if needed, and the funding of required reserves, if any. The proceeds of the Bonds will be made available to the Borrower pursuant to the terms of one or more loan agreements (or other revenue agreements) which will include certain...
covenants to be made by the Borrower to the City regarding the use of proceeds and the character and use of the Housing Project.

(2) The Housing Project qualifies as a “multifamily housing development” within the meaning of the Housing Act, since it is comprised of an apartment facility, the Apartments of which are to be rented to persons or families for use as residences.

(3) The Borrower, and any subsequent owner of the Housing Project, will not arbitrarily reject an application from a proposed tenant because of race, color, creed, religion, national origin, sex, marital status, or status with regard to public assistance or disability.

(4) Either (i) at least twenty percent (20%) of the Apartments will be held for occupancy by families or individuals with gross income not in excess of fifty percent (50%) of median family income, adjusted for family size; or (ii) at least forty percent (40%) of the Apartments will be held for occupancy by families or individuals with gross income not in excess of sixty percent (60%) of median family income, adjusted for family size. This set aside will satisfy the low-income occupancy requirements of Section 462C.05, subdivision 2 of the Housing Act.

Section D. Evidence of Compliance. The City may require from the Borrower at or before the issuance of the Bonds evidence satisfactory to the City of compliance with the standards and requirements for the financing established by the City, as set forth herein; and in connection therewith, the City or its representatives may inspect the relevant books and records of the Borrower in order to confirm such ability, intention and compliance. In addition, the City may periodically require certification from either the Borrower or such other person deemed necessary concerning compliance with various aspects of this Program.

Section E. Issuance of Bonds. To finance the Housing Project, the City will by resolution authorize, issue and sell the Bonds, in one or more series of tax-exempt obligations, in the aggregate principal amount not to exceed $27,185,503. The Bonds will be issued pursuant to Section 462C.07, subdivision 1 of the Housing Act, and will be payable primarily from the revenues of the Housing Project. If the costs of the Housing Project, including capitalized interest, if any, costs of issuance of the Bonds, and any required reserve funds exceed the principal amount of the Bonds, the Borrower will contribute to the Housing Project the difference between the total costs of the Housing Project and the principal amount of the Bonds available to finance the Housing Project. The costs of the Housing Project may change between the date of preparation of this Program and the date of issuance of the Bonds. The Bonds are expected to be issued in spring 2017.

Section F. Severability. The provisions of this Program are severable and if any of its provisions, sentences, clauses or paragraphs shall be held unconstitutional, contrary to statute, exceeding the authority of the City or otherwise illegal or inoperative by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions.

Section G. Amendment. While Bonds authorized hereby are outstanding, the City shall not amend this Program to the detriment of the holders of such Bonds.

Section H. State Ceiling.
(1) An application for an allocation of a portion of the annual volume cap for private activity bonds to be issued to provide “qualified residential rental projects,” within the meaning of Sections 142(a)(7) and 142(d) of the Internal Revenue Code of 1986, as amended (the “Code”), has been made to the office of Minnesota Management & Budget, pursuant to Section 146 of the Code and Minnesota Statutes, Chapter 474A, as amended (the “Allocation Act”).

(2) Pursuant to the terms and requirements of the Allocation Act: (i) the Housing Project will meet the requirements of Section 142(d) of the Code regarding the incomes of the occupants of the Housing Project; and (ii) the maximum rent for at least twenty percent (20%) of the Apartments will not exceed the area fair market rent or exception fair market rents for existing housing, if applicable, as established by the United States Department of Housing and Urban Development.

(3) Prior to the issuance of the Bonds, the Borrower will enter into an agreement with the City that specifies the maximum rental rates of the rent-restricted Apartments and the income levels of the residents of the Housing Project occupying the income-restricted Apartments (the “Regulatory Agreement”). Such rental rates and income levels must be within the limitations established in accordance with the preceding paragraph (2). The Borrower will be required to annually certify to the City over the term of the agreement that the rental rates for the rent-restricted Apartments are within the limitations under the preceding paragraph (2). The City may request individual certification of the income of residents of the income-restricted Apartments. The office of Minnesota Management & Budget may request from the City a copy of the annual certification prepared by the Borrower. The office of Minnesota Management & Budget may require the City to request individual certification of all residents of the income-restricted Apartments of the Housing Project.

(4) The City will monitor Housing Project compliance with the rental rate and income level requirements established under the preceding paragraph (2). The City may issue an order of noncompliance if the Housing Project is found by the City to be out of compliance with the rental-rate or income-level requirements established under the preceding paragraph (2). The Borrower shall pay a penalty to the City equal to one-half of one percent (0.5%) of the total amount of the tax-exempt Bonds issued under the Housing Act for the Housing Project if the City issues an order of noncompliance. For each additional year the Housing Project is out of compliance, the annual penalty must be increased by one-half of one percent (0.5%) of the principal amount of tax-exempt Bonds issued under the Housing Act for the Housing Project. The City may waive insubstantial violations.

(5) The City will enter into the Regulatory Agreement with the Borrower with a term of at least fifteen (15) years in order to ensure that the Housing Project satisfies the requirements of this Program, Section 142(d) of the Code, the Housing Act, and the Allocation Act.