

HENNEPIN COUNTY

MINNESOTA

FINAL BOARD AGENDA

BOARD OF HENNEPIN COUNTY COMMISSIONERS
HENNEPIN COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
TUESDAY, AUGUST 14, 2018
1:30 PM

Chair: Linda Higgins, District 2
Vice-Chair: Debbie Goettel, District 5
Members: Mike Opat, District 1
Marion Greene, District 3
Peter McLaughlin, District 4
Jan Callison, District 6
Jeff Johnson, District 7

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1. **Approval of the Agenda**
 2. **Minutes from Previous Meeting**
 - A. 07/10/2018 HRA Meeting Minutes
 3. **Claims Register**
 - A. **18-HCHRA-0020**
Claims Register for the period ending July 20, 2018
 4. **New Business**
 - A. **18-HCHRA-0021**
Reschedule the Hennepin County Housing and Redevelopment Authority meeting from September 18, 2018 to September 25, 2018
 - B. **18-HCHRA-0022**
Neg Agmt A189081 with Aeon to extend the affordability period for a naturally occurring affordable housing property, 08/14/18-12/31/49, NTE \$1,000
 - C. **18-HCHRA-0023**
Preliminary approval to issue one or more tax-exempt multifamily housing revenue bonds for an affordable housing project at 6247 Bloomington Rd., Fort Snelling Upper Post; authorization to apply for allocation of issuance authority
 - D. **18-HCHRA-0024**
Authorize satisfaction of senior and subordinate loans to Northwest Family Service Center Lender LLC

HENNEPIN COUNTY

MINNESOTA

MEETING MINUTES

BOARD OF HENNEPIN COUNTY COMMISSIONERS
HENNEPIN COUNTY HOUSING AND REDEVELOPMENT AUTHORITY
TUESDAY, JULY 10, 2018
1:30 PM

Chair: Linda Higgins, District 2
Vice-Chair: Debbie Goettel, District 5

Members: Mike Opat, District 1
Marion Greene, District 3
Peter McLaughlin, District 4
Jan Callison, District 6
Jeff Johnson, District 7

The Board of Commissioners of the Hennepin County Housing and Redevelopment Authority met in the Hennepin County Government Center on July 10, 2018. The meeting was called to order at 3:15 PM by Commissioner Linda Higgins, Chair. All Commissioners were present.

1. Approval of the Agenda
APPROVED

Commissioner Jeff Johnson moved to approve the agenda, seconded by Commissioner Debbie Goettel and approved - 7 Yeas

2. Minutes from Previous Meeting

A. 06/05/2018 HRA Meeting Minutes

APPROVED

Commissioner Mike Opat moved to approve the Minutes, seconded by Commissioner Marion Greene and approved - 7 Yeas

3. Claims Register

A. **18-HCHRA-0017**

Claims Register for the period ending June 20, 2018

BE IT RESOLVED, that the Claims Register for the period ending June 20, 2018 be approved/ratified.
ADOPTED

Commissioner Debbie Goettel moved to adopt, seconded by Commissioner Peter McLaughlin and approved - 7 Yeas

4. New Business

A. **18-HCHRA-0019**

Neg Lease Agmt A188897 with Gandhi Mahal LLC for rental of space at 2215 East Lake Street, Mpls, 2/1/19 – 1/31/34 (\$0 first year rent, NTE \$220,000 for building and tenant improvements); authorization to assign Lease Agmt A188897 to Hennepin County

BE IT RESOLVED, that the Executive Director be authorized to negotiate Lease Agreement A188897 with Gandhi Mahal LLC for rental of approximately 4,300 square feet of space located at 2215 East Lake Street in Minneapolis, during the period February 1, 2019 through January 31, 2034, with the first year receivable amount of \$0; that Gandhi Mahal be provided an amount not to exceed \$220,000 for completion of building and tenant improvements and related construction expenses; that following review and approval by the County Attorney's Office, the Chair be authorized to sign the agreement on behalf of the Authority; and that the Controller be authorized to accept and disburse funds as directed; and

BE IT FURTHER RESOLVED, that the Executive Director be authorized to assign Lease Agreement A188897 to Hennepin County upon transfer of the Human Services Center – South Minneapolis to the county; that

following review and approval by the County Attorney's Office, the Chair be authorized to sign any necessary assignment documents on behalf of the Authority.

ADOPTED

Commissioner Peter McLaughlin moved to adopt the Resolution, seconded by Commissioner Marion Greene and approved - 6 Yeas 1 Nays: Johnson

5. Adjournment

On motion, the Hennepin County Housing and Redevelopment Authority adjourned at 3:27 PM. The next meeting of the Housing and Redevelopment Authority will be Tuesday, August 14, 2018.

Yolanda C Clark
Deputy Clerk to the Board

Contracting opportunities can be found on the Hennepin County website: www.hennepin.us

HENNEPIN COUNTY

MINNESOTA

Housing and Redevelopment Authority Board Action Request 18-HCHRA-0020

Item Description:

Claims Register for the period ending July 20, 2018

Resolution:

BE IT RESOLVED, that the Claims Register for the period ending July 20, 2018 be approved/ratified.

Recommendation from County Administrator: Recommend Approval

ATTACHMENTS:

Description	Upload Date	Type
Claims Register for the period ending July 20, 2018	8/1/2018	Claims

HENNEPIN COUNTY HOUSING AND REDEVELOPMENT AUTHORITY

Period Ending July 20, 2018

ACCOUNT NAME	VENDOR NAME	AMOUNT
Advertising	Finance and Commerce	\$ 61.00
Consulting	The Edward Lowe Foundation	\$ 10,000.00
Consulting	Ehlers	\$ 5,400.00
Other Services General	City of Minneapolis	\$ 74.99
		\$ 15,535.99

HENNEPIN COUNTY

MINNESOTA

Housing and Redevelopment Authority Board Action Request 18-HCHRA-0021

Item Description:

Reschedule the Hennepin County Housing and Redevelopment Authority meeting from September 18, 2018 to September 25, 2018

Resolution:

BE IT RESOLVED, that the Hennepin County Housing and Redevelopment Authority meeting on Tuesday, September 18, 2018 as scheduled by Resolution 18-HCHRA-0002 be changed to Tuesday, September 25, 2018 following the Hennepin County Board meeting at 1:30 p.m., or as soon thereafter as practicable, in Room A-2400 of the Hennepin County Government Center, in the City of Minneapolis.

Recommendation from County Administrator: Recommend Approval

HENNEPIN COUNTY

MINNESOTA

Housing and Redevelopment Authority Board Action Request 18-HCHRA-0022

Item Description:

Neg Agmt A189081 with Aeon to extend the affordability period for a naturally occurring affordable housing property, 08/14/18-12/31/49, NTE \$1,000

Resolution:

BE IT RESOLVED, , that the Executive Director be authorized to negotiate Agreement A189081 with Aeon, or affiliated entity, to extend the affordability period for a naturally occurring affordable housing property, during the period August 14, 2018 through December 31, 2049, with the amount not to exceed \$1,000.00; that following review and approval by the County Attorney's Office, the Chair be authorized to sign the agreement on behalf of the authority; and that the Controller be authorized to disburse funds as directed.

Background:

History: The acquisition and repositioning of naturally occurring affordable housing (NOAH) is occurring throughout the Twin Cities due to extremely low vacancy rates and a strong real estate market. NOAH buildings have no government subsidy, but have affordable rents often due to their age, amenity package, or condition.

One way in which to secure long-term affordability of NOAH properties is through the existing "4d" tax classification program, also called the "Low-Income Residential Classification." The 4d classification results in a roughly 40 percent property tax reduction per unit.

To receive this tax classification, a building owner agrees to keep a percentage of the units in a building affordable at 60 percent of area median income (AMI) (\$56,580 for a family of four) in exchange for a financial contribution from a government entity. This agreement is reflected in a deed restriction on the property. Applications are made to Minnesota Housing for certification to the local assessor that a property qualifies for the reduced rate.

In December of 2017, the Hennepin County Housing and Redevelopment Authority Board approved three \$5,000 investments in naturally occurring affordable housing projects acquired by the nonprofit developer, Aeon (Resolution 17-HCHRA-0054). This 4d tax classification allowed Aeon to acquire 277 units in Brooklyn Center and New Hope.

Aeon plans to acquire another property, Carrington Drive, located at 6910 Humboldt Avenue North in Brooklyn Center. Carrington Drive is a 128-unit building currently affordable to households at or below 50 percent of AMI. The lender currently requires seven years of affordability. The requested HCHRA investment of \$1,000 will extend the affordability up to 30 years.

Aeon will seek approval from the Brooklyn Center City Council on August 13, 2018.

Current Request: Negotiate Agreement A189081 with Aeon to extend the affordability of the Carrington Drive apartment building, during the period August 14, 2018 through December 31, 2049, with the amount not to exceed \$1,000.

Impact/Outcomes: 128 units of housing in Hennepin County will remain affordable for households at or below 60 percent AML.

Recommendation from County Administrator: Recommend Approval

ATTACHMENTS:

Description	Upload Date	Type
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HENNEPIN COUNTY

MINNESOTA

Housing and Redevelopment Authority Board Action Request 18-HCHRA-0023

Item Description:

Preliminary approval to issue one or more tax-exempt multifamily housing revenue bonds for an affordable housing project at 6247 Bloomington Rd., Fort Snelling Upper Post; authorization to apply for allocation of issuance authority

WHEREAS, the Hennepin County Housing and Redevelopment Authority (the “Issuer” or “HCHRA”) is a housing and redevelopment authority and a public body corporate and politic duly organized and existing under the Constitution and laws of the State of Minnesota; and

WHEREAS, pursuant to Minnesota Statutes, Chapter 462C, as amended (the “Housing Act”), the Issuer is authorized to carry out the public purposes described in the Housing Act by issuing revenue bonds or other obligations to finance or refinance multifamily housing developments, and as a condition to the issuance of such revenue bonds, adopt a housing program providing the information required by Section 462C.03, subdivision 1a of the Housing Act; and

WHEREAS, in the issuance of revenue bonds to finance multifamily housing developments, the Issuer may exercise within its corporate limits any of the powers the Minnesota Housing Finance Agency may exercise under Minnesota Statutes, Chapter 462A, as amended, without limitation under the provisions of Minnesota Statutes, Chapter 475, as amended; and

WHEREAS, Fort Snelling Leased Housing Associates I, LLLP, a Minnesota limited liability limited partnership (the “Borrower”), submitted an application to the Issuer requesting the issuance of one or more series of multifamily housing revenue bonds or other obligations (the “Bonds”), in an aggregate principal amount not to exceed \$58,000,000, under the provisions of the Housing Act to assist in the financing of the acquisition, rehabilitation, and equipping of an approximately 176-unit multifamily rental housing development and facilities functionally related and subordinate thereto, located at 6247 Bloomington Road within unincorporated Hennepin County, for occupancy by persons and families of low-and moderate-income (the “Project”); and

WHEREAS, under Section 147(f) of the Internal Revenue Code of 1986, as amended (the “Code”), prior to the issuance of the Bonds a public hearing duly noticed must be held by the Board of Commissioners (the “Board”) of the Hennepin County Housing and Redevelopment Authority. Under Section 462C.04, subdivision 2 of the Housing Act, a public hearing must be held on a housing program with respect to the Project (the “Housing Program”) after one publication of notice in a newspaper circulating generally in the county, at least 15 days before the hearing; and

WHEREAS, under Section 146 of the Code, the Bonds must receive an allocation of the bonding authority of the State of Minnesota, and an application for such an allocation must be made pursuant to the requirements of Minnesota Statutes, Chapter 474A, as amended (the “Allocation Act”); and

WHEREAS, the Board may grant preliminary approval to the issuance of the Bonds to finance the multifamily housing development referred to in the Housing Program, and may authorize the submission of an application to the State of Minnesota Department of Management and Budget (“MMB”) for an allocation of bonding authority with respect to the Bonds to finance the Project in accordance with the requirements of

Section 146 of the Code and the Allocation Act, including in particular, Section 474A.22 of the Allocation Act, added by special legislation enacted by the Minnesota Legislature, designated as 2018 Minnesota Session Laws, Chapter 214, Article 3, Section 2 (the "Special Law"), which reserves bonding authority for the issuance of residential rental project bonds for purposes of the Project.

Resolution:

BE IT RESOLVED, that the Board of Commissioners of the Hennepin County Housing and Redevelopment Authority approve the following:

1. The Project and the issuance of the Bonds therefore in an amount not to exceed \$58,000,000 are hereby given preliminary approval by the Issuer, subject to mutual agreement of the Issuer, the Borrower, and the initial purchaser of the Bonds as to the details of the Bonds and provisions for their payment. In all events, it is understood, however, that the Bonds shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Issuer, except the Issuer's interest in the loan agreement with the Borrower for the Project. The Bonds, when, as, and if issued, shall recite in substance that the Bonds, including interest thereon, are payable solely from the revenues received from the Project and property and security pledged to the payment thereof, and shall not constitute general or moral obligations of the Issuer or Hennepin County.
2. The Bonds will be payable solely from the revenues of the Project and other money and security, if any, provided by the Borrower, and the Bonds will not constitute or give rise to a pecuniary liability of the Issuer or of Hennepin County or a charge against the general credit, full faith and credit, or taxing powers of the Issuer or Hennepin County.
3. No holder of any such Bonds shall ever have the right to compel any exercise of the taxing power of the Issuer or Hennepin County to pay the Bonds, or the interest thereon, nor to enforce payment against any property of the Issuer, except revenues of the Project to be paid to the Issuer and pledged to the Bonds.
4. The Borrower may incur expenditures on the Project prior to the issuance of the Bonds therefore, and such expenditures may be reimbursed from proceeds of the Bonds, when, and if issued. This resolution shall constitute an "official intent" to reimburse such expenditures for purposes of Treasury Regulations, Section 1.150-2.
5. The Executive Director and other official employees, and agents of the Issuer, with the assistance of the Borrower and Kennedy & Graven, Chartered, in its capacity as bond counsel with respect to the Project and the Bonds ("Bond Counsel"), are authorized and directed to prepare and submit an application to the State of Minnesota Department of Management and Budget (MMB) for an allocation of bonding authority for the Project and the Bonds to be issued therefore in an amount not to exceed \$58,000,000, pursuant to the Allocation Act and the Special Law.
6. The Executive Director and other officers, employees and agents of the Issuer are hereby authorized to: (i) prepare the Housing Program in accordance with the requirements of the Act; (ii) submit the Housing Program to the Metropolitan Council for its review and comments in accordance with Section 462C.04, subdivision 2 of the Housing Act; and (iii) participate in the preparation and review of necessary documents relating to the Project and Bonds issued in connection therewith.
7. The Borrower will be responsible for paying any and all costs incurred by the Issuer in connection with the Bonds and the Project, including reasonable costs that the Issuer may incur for legal counsel and any reasonable fees the Issuer may charge, whether or not the Project is carried to completion, and whether or not the Bonds or operative instruments are executed.
8. The adoption of this resolution does not constitute a guaranty or firm commitment that the Issuer will

issue the Bonds as requested by the Borrower. The Issuer 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 Issuer at any time prior to issuance thereof determine that it is in the best interest of the Issuer not to issue the Bonds, or to issue the Bonds in an amount less than the amount referred to in paragraph 1 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 this transaction.

9. A public hearing on the Housing Program relating to the Project and the issuance of the Bonds shall be held before the Board of Commissioners of the Housing and Redevelopment Authority on a date, and at a time and place, as is deemed appropriate by the Clerk of the Board. The Clerk of the Board shall publish notice of the public hearing, in substantially the form attached hereto as EXHIBIT A in Finance and Commerce, the official newspaper of Hennepin County. Bond Counsel is hereby directed to publish notice of the public hearing in the Star Tribune, a newspaper of general circulation in Hennepin County. The notice shall be published at least once, in each newspaper, at least 15 days prior to the date of the public hearing, but not more than 30 days prior to the date of the public hearing, and a copy of the Housing Program shall be submitted to the Metropolitan Council for review and comment on or before the date of publication of the notice.

Background:

History: Fort Snelling Leased Housing Associates I, LLLP (the “Company”) has submitted an application for housing revenue bond financing to assist in the renovation of 26 historic buildings into a multifamily residential rental project at 6247 Bloomington Road (the “Project”) in the Fort Snelling Upper Post, unincorporated Hennepin County. The Company is a single-asset entity created by Dominion, one of the nation’s largest affordable housing developers. Dominion is based in Plymouth, Minnesota and owns, develops, and manages affordable housing.

The Fort Snelling Upper Post site was part of the larger Fort Snelling military base established in 1819. Construction of the Upper Post buildings began in 1879 and continued into the early 1900s. Over time, the Upper Post served as a defense facility, administration base, and rehabilitation center for wounded veterans.

After the site was decommissioned in 1946, the property was transferred to the Minnesota Department of Natural Resources. Fort Snelling was placed on the National Register of Historic Places in 1966.

Once completed, the Project will include 176 units of affordable housing comprised of 60 one-bedroom, 77 two-bedroom, 15 three-bedroom, and 24 four-bedroom units. All units will be affordable to households at or below 60 percent of area median income, as defined by the U.S. Department of Housing and Urban Development. Units will remain affordable for at least 25 years and veterans will receive a rental preference.

The Project total development cost is expected to be approximately \$98,000,000. The Company is requesting Hennepin County Housing and Redevelopment Authority’s (HCHRA) preliminary approval to issue multifamily revenue bonds not to exceed \$58,000,000.

The bonds would be special limited obligations of the HCHRA, payable solely from the revenues specifically pledged by the Company. In addition to the housing revenue bonds, proposed sources of funding include four percent Low-Income Housing Tax Credits, Federal and State Historic Tax Credits, and developer equity. According to Dominion, there is a \$1.2 million dollar gap for which it will seek Tax Increment Financing, Tax Abatement, Affordable Housing Incentive Funds, HOME funds, and/or Environmental Response Funds.

The Project meets the guidelines for conduit financing, as established by Resolution 02-HCHRA-32, and will provide 176 units of long-term affordable housing. The request is also consistent with previous HCHRA multifamily housing revenue bond actions for the A-Mill, Village Green, and Millworks Lofts apartment projects.

Based on current information, staff anticipates HCHRA Board consideration of final approval in the first quarter of 2019.

Current Request: This request is for preliminary approval to issue an amount not to exceed \$58,000,000 of multifamily housing revenue bonds and submission of an application to the State of Minnesota Department of Management and Budget for an allocation of bonding authority.

Impact/Outcomes: Issuance of multifamily housing revenue bonds will create 176 housing units serving households at or below 60 percent of area median income.

Recommendation from County Administrator: Recommend Approval

ATTACHMENTS:

Description	Upload Date	Type
Exhibit A - Notice of Public Hearing	8/6/2018	Backup Material

Exhibit A

Notice of Public Hearing

NOTICE OF PUBLIC HEARING ON THE ISSUANCE OF REVENUE BONDS TO FINANCE A MULTIFAMILY RENTAL HOUSING DEVELOPMENT UNDER MINNESOTA STATUTES, CHAPTER 462C, AS AMENDED

NOTICE IS HEREBY GIVEN that the Board of Commissioners (the “Board”) of the Hennepin County Housing and Redevelopment Authority (the “HCHRA”) will hold a public hearing on Tuesday, _____, 20__, commencing on or after 1:30 p.m. in the Hennepin County Commissioner Board Room (A-2400) at the Hennepin County Government Center, 300 South Sixth Street, in the City of Minneapolis (the “City”), to consider a housing program (the “Housing Program”) prepared under the provisions of Minnesota Statutes, Chapter 462C, as amended (the “Act”), for the issuance by the HCHRA of revenue bonds or other obligations (the “Bonds”) to finance a multifamily housing development located within unincorporated Hennepin County. The Bonds are proposed to be issued in an aggregate principal amount not to exceed \$58,000,000. The Bonds may be issued in one or more series of tax-exempt or taxable obligations.

The project proposed to be financed under the Housing Program consists of the acquisition, rehabilitation, and equipping of an approximately 176-unit multifamily rental housing development and facilities functionally related and subordinate thereto, located at 6247 Bloomington Road within unincorporated Hennepin County, for occupancy by persons and families of low-and-moderate income (the “Project”). The Project will be developed and initially operated by Fort Snelling Leased Housing Associates I, LLLP, a Minnesota limited liability limited partnership, or its affiliates or assigns. The Bonds will be issued by the HCHRA and will be a special, limited obligation of the HCHRA payable solely from the revenues pledged to the payment thereof. The Bonds will not constitute a general or moral obligation of the HCHRA, Hennepin County (the “County”), the State of Minnesota, or any political subdivision thereof, and will not be secured by any taxing powers of the HCHRA or the County or other assets of the HCHRA (other than the interests of the HCHRA in the Project) or assets of the County.

At said time and place all parties who appear shall be given an opportunity to express their views with respect to the Housing Program and the proposal to issue the Bonds to finance the Housing Program and the Project.

For further information, please contact Margo Geffen, Manager of Housing Development and Finance, 612-543-1965.

Dated: [date of publication]

HENNEPIN COUNTY

MINNESOTA

Housing and Redevelopment Authority Board Action Request 18-HCHRA-0024

Item Description:

Authorize satisfaction of senior and subordinate loans to Northwest Family Service Center Lender LLC

Resolution:

BE IT RESOLVED, that the Hennepin County Housing and Redevelopment Authority Board of Commissioners authorizes the satisfaction of senior and subordinate loans to Northwest Family Service Center Lender LLC relating to the implementation of HSPHD Northwest Suburban Hub project (CP 0031818); that following review and approval by the County Attorney's Office, the Chair be authorized to sign satisfaction of all loan agreements and all necessary documents to complete the close out of the New Markets Tax Credits financing.

Background:

History: The Northwest Family Service Center (NWFSC), located at 7051 Brooklyn Boulevard, Brooklyn Center, was advanced in 2011 as a joint development between the Hennepin County Housing and Redevelopment Authority (HCHRA), Community Emergency Assistance Program (CEAP) and Independent School District 279 - Osseo Area Schools. Part of this development was the establishment of a Human Services and Public Health regional service center. The service center has been in operation since October 1, 2012.

The NWFSC development financing was provided through the use of the New Markets Tax Credit (NMTC) program. As a requirement of the NMTC program, equity funding was loaned from Hennepin County to the HCHRA and in turn the HCHRA extended a loan to Northwest Family Service Center Lender LLC (Resolution 11-HCHRA-0012R1). Both loans have been secured by senior and subordinate loan documents. These loans were obligated by provisions of the NMTC program and required to remain in place for seven years, commencing on September 7, 2011.

With the seven-year period coming to an end, the wind down of the NMTC can take place. During this time, real estate within the NWFSC project will be conveyed from Northwest Family Service Center Lender LLC to Hennepin County through the exercise of a purchase option included in Lease Agreement A110674 between Northwest Family Service Center Lender LLC and Hennepin County. Consideration for the exercising of the purchase option is the outstanding amount of indebtedness on the senior and subordinate loans. In exchange for the real estate, Hennepin County will provide a letter of satisfaction of senior and subordinate loans to HCHRA and the HCHRA will provide a letter of satisfaction of senior and subordinate loans to Northwest Family Service Center LLC.

Current Request: Authorization of the satisfaction of senior and subordinate loans to the Northwest Family Service Center LLC. A companion Board Action Request will be considered by the Hennepin County Board of Commissioners.

Impact/Outcomes: The authorization will facilitate the transfer of real estate from Northwest Family Service Center Lender LLC to Hennepin County as part of the HSPHD Northwest Suburban Hub project.

Recommendation from County Administrator: Recommend Approval