



City of Blaine Anoka County, Minnesota

Blaine City Hall
10801 Town Sq Dr NE
Blaine MN 55449

Legislation Text

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ADMINISTRATION - *Joe Huss, Finance Director*

PROVIDING FOR A PUBLIC HEARING REGARDING A MULTIFAMILY HOUSING DEVELOPMENT AND GRANTING PRELIMINARY APPROVAL TO THE ISSUANCE OF REVENUE BONDS TO FINANCE THE COSTS THEREOF (LEGENDS OF BLAINE PROJECT)

At two previous Council Workshops (April 13 and May 4), Wellington Management, Inc. presented their concept plan to develop 45 acres at the southwest corner of 109th and Lexington. Included in the plan was a 189 unit multi-family rental housing project designed and marketed for senior living to be built by Dominion, Wellington's partner. Dominion is intending to finance a portion of their costs through the issuance of conduit revenue bonds. This financing tool has been used a number of times to assist in financing other projects in Blaine.

At this point, Dominion's financing package is in the process of being finalized. Thus, the resolution below is not intended to provide Council authorization to issue conduit bonds at this time, nor does it set a specific public hearing date for Council to consider the issuance of conduit bonds. Rather, it is a preliminary resolution that authorizes staff to set a public hearing date if, and when, other elements of Dominion's financing plan are put together. This will assist in expediting approval of funding for Dominion and the project. The form of the notice of public hearing is attached.

In addition to the issuance of conduit revenue bonds, Dominion is seeking to establish a pay-as-you-go (PAYGO) tax increment financing (TIF) district to assist in financing the acquisition and construction of the multi-family housing project. At previous Council Workshops, the City Council expressed support for the use of PAYGO TIF.

This resolution does not commit the City/EDA to the use of TIF, but indicates that Council is supportive of the potential use of TIF. Per the resolution, Council retains sole discretion to authorize the use of TIF and will do so only if findings warrant the use of TIF and all required proceedings are conducted.

By motion, adopt the following resolution.

Section 1. Recitals.

1.01. The City of Blaine, Minnesota (the “City”) is a home rule charter city and political subdivision duly organized and existing under 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 issue revenue bonds to provide funds to finance multifamily rental housing developments located within the City.

1.03. Blaine Leased Housing Associates, a Minnesota limited liability limited partnership, or an affiliated entity (the “Borrower”), has proposed that the City issue its revenue bonds or other obligations in the approximate aggregate principal amount of up to \$40,000,000, in one or more series, bearing interest at fixed and/or variable rates, to be offered publicly and/or privately placed (the “Bonds”).

1.04. The proceeds of the Bonds are proposed to be loaned by the City to the Borrower to be applied by the Borrower to (i) finance the acquisition, construction, and equipping of an approximately 189-unit multifamily rental housing development and functionally related facilities to be located on an extended portion of Austin Street near the SW corner of the intersection of Lexington Avenue and 109th Avenue NE in the City (the “Project”); (ii) fund one or more reserve funds to secure the timely payment of the Bonds, if necessary; (iii) pay interest on the Bonds during the construction of the Project, if necessary; and (iv) pay the costs of issuing the Bonds.

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”).

1.06. Under Section 147(f) of the Internal Revenue Code of 1986, as amended (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 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 15 days before the hearing.

1.07. 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”). Prior to the submission of an application to the office of Minnesota Management and Budget for an allocation of bonding authority with respect to the Bonds to finance the Project, the City must grant preliminary approval to the issuance of the Bonds to

finance the 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 Project consists of the acquisition, construction, and equipping of a multifamily rental 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 of the loan will be applied to: (i) the acquisition, construction, and equipping of the Project; (ii) the funding of one or more reserve funds to secure the timely payment of the Bonds, if necessary; (iii) the payment of interest on the Bonds during the construction of the Project, if necessary; and (iv) the payment of the costs of issuing the Bonds. The City will enter into one or more loan agreements (or other revenue agreements) with the Borrower requiring loan repayments from the Borrower in amounts sufficient to repay the loan when due and requiring the Borrower to pay all costs of maintaining and insuring the Project, including taxes thereon.

(c) In preliminarily authorizing the issuance of the Bonds and the financing of the acquisition, construction, and equipping of the Project and related costs, the City's purpose is to further the policies of the 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 4. Public Hearing. The City Council will conduct a public hearing on the Housing Program, the Project, and the issuance of the Bonds by the City at a regular or special meeting on a date to be determined by the City Finance Director for which proper notice may be given as provided below. 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 *Blaine Spring Lake Park Life*, a newspaper of general circulation in the City, at least 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 Project, the Housing Program, and the proposed issuance of the Bonds.

Section 5. Housing Program. Kennedy & Graven, Chartered, acting as bond counsel

with respect to the Project and the Bonds (“Bond Counsel”) shall prepare and submit to the City a draft Housing Program to authorize the issuance by the City of up to approximately \$40,000,000 in revenue bonds in one or more series to finance the acquisition, construction, and equipping of the Project by the Borrower.

Section 6. Submission of an Application for an Allocation of Bonding Authority. Under Section 146 of the Code, the Bonds must receive an allocation of the bonding authority of the State of Minnesota. The City Council hereby authorizes the submission of an application for allocation of bonding authority 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 Finance Director of the City, and Bond Counsel are hereby authorized and directed to 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 and Budget.

Section 7. Preliminary Approval. The City Council hereby provides preliminary approval to the issuance of the Bonds in the approximate principal amount of up to \$40,000,000 to finance all or a portion of the costs of the Project pursuant to the Housing Program of the City, subject to: (i) a public hearing as required by the Act and Section 147(f) of the Code; (ii) receipt of allocation of bonding authority from the State of Minnesota; (iii) final approval by the City Council following the preparation of bond documents; and (iv) final determination by the City Council that the financing of the Project and the issuance of the Bonds are in the best interests of the City.

Section 8. Reimbursement of Costs under the Code.

8.01. 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 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 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 3 years after the date the expenditure is paid. The Regulations generally permit reimbursement of capital expenditures and costs of issuance of the Bonds.

8.02. To the extent any portion of the proceeds of the Bonds will be applied to expenditures with respect to the Project, the City reasonably expects to reimburse the Borrower for the expenditures made for costs of the 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 Project to be reimbursed with the proceeds of the Bonds have been made by the Borrower more than 60 days before the date of adoption of this resolution of the City.

8.03. 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 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 9. 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 Project and the issuance of the Bonds, whether or not the Bonds are issued.

Section 10. Commitment Conditional. The adoption of this resolution does not constitute a guarantee or a firm commitment that the City will issue the Bonds as requested by the Borrower. If, as a result of information made available to or obtained by the City during its review of the Project, it appears that the Project or the issuance of Bonds to finance the costs thereof is not in the public interest or is inconsistent with the purposes of the Act, the City reserves the right to decline to give final approval to the issuance of the Bonds. The City also retains the right, in its sole discretion, to withdraw from participation and accordingly not issue the Bonds should the City Council, at any time prior to the issuance thereof, determine that it is in the best interests of the City not to issue the Bonds or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents for the transaction.

Section 11. Support for Use of Tax Increment Financing. The City Council supports the use of tax increment financing for the Project; provided, however, that authorization of tax increment financing for the Project is solely within the discretion of the City Council following

all legally required proceedings pursuant to Minnesota Statutes 469.174 through 469.1794.

Section 12. Effective Date. This resolution shall be in full force and effect from and after its passage.

PASSED by the City Council of the City of Blaine this 13th day of July, 2017.