

CITY OF BLOOMINGTON
economic & sustainable development

AGENDA

CITY OF BLOOMINGTON ECONOMIC DEVELOPMENT COMMISSION

Wednesday, August 21, 2019
4:15 pm – Hooker Conference Room
City Hall, 401 N. Morton Street
Bloomington, Indiana

1. Call to Order
2. Roll Call
3. Minutes
 - Minutes for May 15, 2019
4. Old Business
 - None
5. New Business
 - Resolution 19-04: Request from Bloomington RAD I, LP for a Recommendation to Common Council Regarding an Inducement Resolution for a Proposed Housing Bond Transaction
6. For the Good of the Order
7. Adjournment

**RESOLUTION 19-04
OF THE
CITY OF BLOOMINGTON
ECONOMIC DEVELOPMENT COMMISSION**

WHEREAS, the City of Bloomington, Indiana (the "Issuer"), is authorized by IC 36-7-11.9 and 12 (collectively, the "Act") to issue revenue bonds for the financing of economic development facilities, the funds from said financing to be used for the acquisition, renovation, improvement and equipping of said facilities, and said facilities to be either sold or leased to a company or directly owned by a company; and

WHEREAS, the Common Council of the City of Bloomington, Indiana ("Common Council") has requested that the Bloomington Economic Development Commission ("Commission") review and make recommendations for all economic development revenue bond projects; and

WHEREAS, Bloomington RAD I, LP, an Indiana limited partnership, on behalf of itself or an affiliated to-be-formed Indiana limited partnership or limited liability company (the "Applicant"), has advised the Bloomington Economic Development Commission (the "Commission") and the Issuer that it proposes that the Issuer lend proceeds of an economic development financing to the Applicant for the acquisition, renovation, improvement and equipping of multifamily housing facilities consisting of (a) an apartment complex known as Walnut Woods, containing approximately 60 apartment units located at 818 E. Miller Drive, Bloomington, Indiana, and (b) an apartment complex known as Reverend Butler Apartments containing approximately 56 units, each together with functionally related and subordinate facilities such as carports, garages and parking areas, located at 1202 W. 11th Street, Bloomington, Indiana (the "Project"); and

WHEREAS, the diversification of industry and increase in or retention of job opportunities (approximately 8 existing jobs to be retained) to be achieved by the acquisition, renovation, improvement and equipping of the Project will be of public benefit to the health, safety and general welfare of the Issuer and its citizens; and

WHEREAS, the Commission has considered whether the Project will have an adverse competitive effect on any similar facility already constructed or operating in Bloomington, Indiana;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF BLOOMINGTON ECONOMIC DEVELOPMENT COMMISSION as follows:

1. The Commission finds, determines, and confirms that the promotion of diversification of economic development and job opportunities in and near Bloomington, Indiana, is desirable to preserve the health, safety and general welfare of the citizens of the Issuer; and that it is in the public interest that the Commission and the Issuer take such action as they

lawfully may to encourage economic development, diversification of industry and promotion of job opportunities in and near the Issuer.

2. The Commission hereby recommends that the Common Council of the City of Bloomington, Indiana, approve the issuance and sale of economic development revenue bonds in an amount not to exceed \$10,500,000 under the Act for the lending of the proceeds of the revenue bonds to the Applicant, for the acquisition, renovation, improvement and equipping of the Project will serve the public purposes referred to above, in accordance with the Act.
3. In order to induce the Applicant to proceed with the acquisition, renovation, improvement and equipping of the Project, and subject to the further final approval of the Common Council of the City of Bloomington, Indiana, the Commission hereby approves, determines, ratifies and confirms that (i) it will take or cause to be taken such actions pursuant to the Act as may be required to implement the aforesaid financing, or as it may deem appropriate in pursuance thereof; and (ii) it will adopt such resolutions and authorize the execution and delivery of such instruments and the taking of such action as may be necessary and advisable for the authorization, issuance and sale of said economic development revenue bonds; and that the aforementioned purposes comply with the provisions of the Act; and (iii) it will use its best efforts at the request of Applicant to authorize the issuance of additional bonds for refunding and refinancing the outstanding principal amount of the bonds, for completion of the Project and for additions to the Project, including the costs of issuance (providing that the financing of such addition or additions to the Project is found to have a public purpose at the time of authorization of such additional bonds), and that the aforementioned purposes comply with the provisions of the Act; provided that all of the foregoing shall be mutually acceptable to the Issuer and the Applicant.
4. All costs of the Project incurred after the date permitted by applicable federal tax and state laws, including reimbursement or repayment to the Applicant of moneys expended by the Applicant for planning, engineering, a portion of the interest paid during acquisition, improvement and equipping, underwriting expenses, attorney and bond counsel fees, acquisition, improvement and equipping of the Project will be permitted to be included as part of the bond issue to finance the Project, and the Issuer will lend the proceeds from the sale of the bonds to the Applicant for the same purposes. Also, certain indirect expenses, including but not limited to, planning, architectural work and engineering incurred prior to this inducement resolution will be permitted to be included as part of the bond issue to finance the Project.



MEMORANDUM

To: Members of the Economic Development Commission
From: Larry D. Allen, Assistant City Attorney
CC: Alex Crowley, Director, ESD
Philippa Guthrie, Corporation Counsel
Dan Sherman, Attorney Advisor, Common Council
Date: August 21, 2019
Re: EDC Resolution 19-04 — Request from Bloomington RAD I, LP for a Recommendation to Common Council Regarding Inducement Resolution for a Proposed Housing Bond Transaction

This Resolution is for Preliminary Approval for the City of Bloomington to Issue Economic Development Revenue Bonds pursuant to Indiana Code 36-7-11.9 and 36-7-12 in an amount not to exceed Eleven Million Dollars (\$11,000,000.00). The City would lend the funds from this Economic Development Revenue Bond to Bloomington RAD I, LP, an Indiana limited partnership and its affiliated limited partner or limited liability company for the acquisition, rehabilitation, and renovation of the affordable housing developments currently known as Walnut Woods Apartments, 818 E. Miller Drive, and Reverend Butler Apartments, 1202 W. 11th Street in Bloomington.

Bloomington RAD I, LP, and its partners would fully indemnify the City and take full responsibility for payment of the bond – the City would bear no cost. This renovation would modernize these housing developments, restore structural integrity, and bring them into compliance with current building codes. This Resolution is only the first step in the process, which is outlined below, and will allow Bloomington RAD I, LP, to apply for Indiana Community Housing Development Authority tax credits and bond volume cap that will make this project possible.

As requested by Council, this preliminary approval is being considered by the Economic Development Commission (“EDC”) in a public meeting on August 21, 2019.

Background

Walnut Woods and Reverend Butler Apartments are currently owned by the Bloomington Housing Authority (“BHA”). Earlier this year, the BHA changed its funding model for these types of property based on the federal Rental Assistance Demonstration Program. This program enables the BHA to give housing vouchers directly to residents. As a result, BHA has engaged Bloomington RAD I, LP, to acquire and renovate these developments.

Walnut Woods Apartments, located at 818 E. Miller Drive, was built in 1981 and contains 60 affordable housing units. Reverend Butler Apartments, located at 1202 W. 11th Street, was built in 1972 and contains 56 affordable housing units. There are currently eight (8) employees working at these complexes, all of whom shall be retained throughout the acquisition and renovation process.

Adopted this ____ day of August, 2019.

CITY OF BLOOMINGTON ECONOMIC
DEVELOPMENT COMMISSION

Kurt Zorn, President

Vanessa McClary, Member

Geoff McKim, Member

Dave Rollo, Member

Malcomb Webb, Member

Economic and Sustainable Development Department

Rehabilitation Project

Bloomington RAD I, LP proposes to invest more than \$5 million in capital improvements to address significant needs at the properties. The renovations will focus on addressing code requirements, environmental remediation, handicap accessibility, structural repair, unit modernization, improvements in energy efficiency, street appeal and site work. The work will include reconfiguring units to accommodate wheelchairs, safety features including new hardwired smoke detectors, new flooring throughout all units, new kitchen cabinets, countertops, addition of dishwashers and washers and dryers, high efficiency furnaces and air conditioner condensers, new roofs, handicap ramps, and site lighting. It has been estimated that the renovations will cost approximately \$45,000 per unit.

To fund this renovation project, Bloomington RAD I, LP will rely on available tax credits from the Indiana Community Housing Development Authority (IHCDA). Currently the project is located in a qualified census tract that the IHCDA considers a distressed area for development, which would allow for additional tax credits.

Financing Process

To finance this major rehabilitation project, Bloomington RAD I, LP will require the issuance of revenue bonds, in an amount not to exceed \$11,000,000. While they could seek these revenue bonds from the State of Indiana through IHCDA, that would add a 1% financing fee to the cost. Instead, they request that the City of Bloomington issue the necessary revenue bonds to finance the acquisition, renovation, improvement and equipping of the properties. These bonds would not be payable from taxes or be a general obligation of the City; they would be payable solely from revenues of the project. Bloomington RAD I, LP, would assume total liability for bond payments and indemnify the City via the financing agreement. This would exert no effect on the City's constitutional debt limit or bank qualified limit. In essence, the City acts only as a "conduit"—allowing the borrower to access capital at a tax-exempt rate and receive equity for the project in the form of tax credits.

Procedure of Housing Bond Transaction

Bloomington RAD I, LP, is seeking an inducement resolution from Common Council, which is essentially permission to issue bonds and use proceeds to reimburse developer for these improvements. It is a requirement of the application process through which Bloomington RAD I, LP, obtains IHCDA tax credits, and would also serve to formally begin the project process to preserve the "distressed" status of the qualified census tract containing Walnut Woods and Reverend Butler developments, resulting in a larger amount of tax credit equity for the rehabilitation of the project.

The public procedure required by state law is the following:

- Common Council passes inducement resolution
- Bloomington RAD I, LP, applies for IHCDA tax credits, negotiates financing agreement
- IHCDA approves Bloomington RAD I, LP, tax credit application
- EDC holds public hearing to approve financing agreement, issuance of bonds
- Common Council approves financing agreement and issuance of bonds

Though not required by state law, Common Council requested that EDC make a recommendation prior to their consideration of said inducement resolution.

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4. All costs of the Project incurred after the date permitted by applicable federal tax and state laws, including reimbursement or repayment to the Applicant of moneys expended by the Applicant for planning, engineering, a portion of the interest paid during acquisition, improvement and equipping, underwriting expenses, attorney and bond counsel fees, acquisition, improvement and equipping of the Project will be permitted to be included as part of the bond issue to finance the Project, and the Issuer will lend the proceeds from the sale of the bonds to the Applicant for the same purposes. Also, certain indirect expenses, including but not limited to, planning, architectural work and engineering incurred prior to this inducement resolution will be permitted to be included as part of the bond issue to finance the Project.

Adopted this ____ day of August, 2019.

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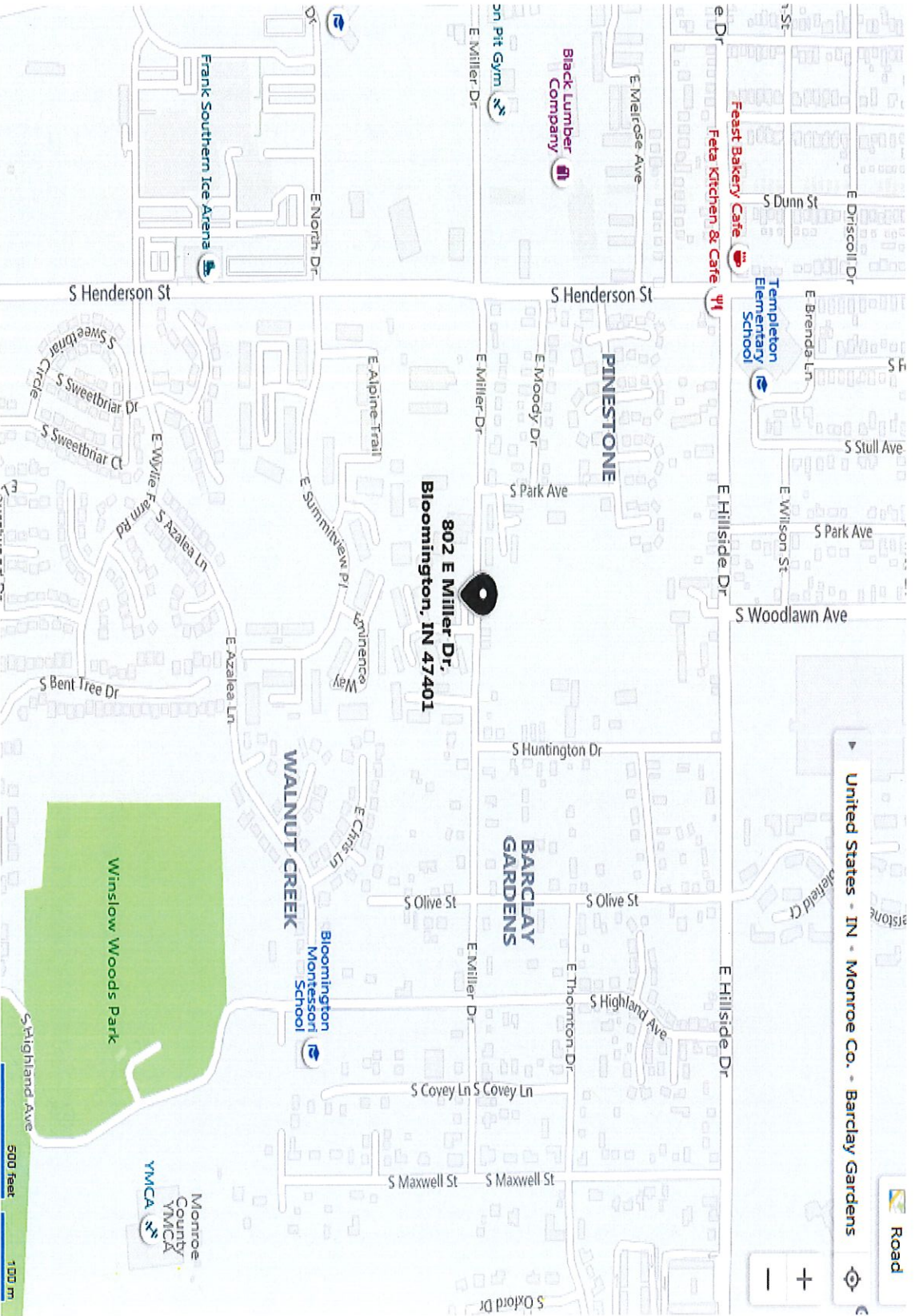




**Presentation to City of
Bloomington Economic
Development Commission
(8/21/2019)**

Walnut Woods and Rev. Butler
Apartments
Economic Development Revenue
Bonds

Walnut Woods



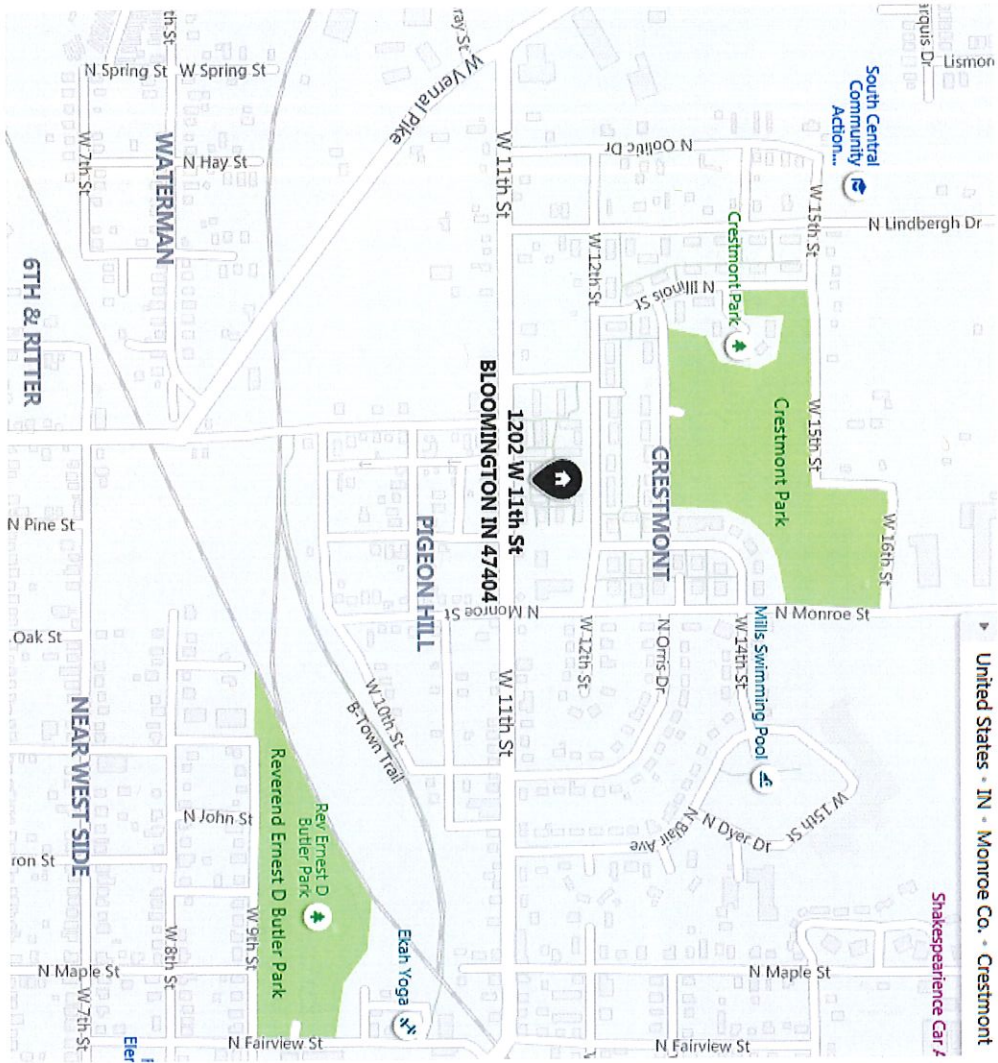
Walnut Woods Highlights

- ➔ Originally built in 1982.
- ➔ 60 apartments serving Individuals and Families.
- ➔ Located at 802-808 East Miller Drive and 1751-1781 South Park Ave.
- ➔ Head Start location.
- ➔ Currently managed and owned by Bloomington Housing Authority.
- ➔ 100% of the units will receive rental subsidy through a HAP contract.
- ➔ Will be owned and managed by partnership (Investor LP and BHA instrumentality- Summit Hill CDC, GP)

Walnut Woods



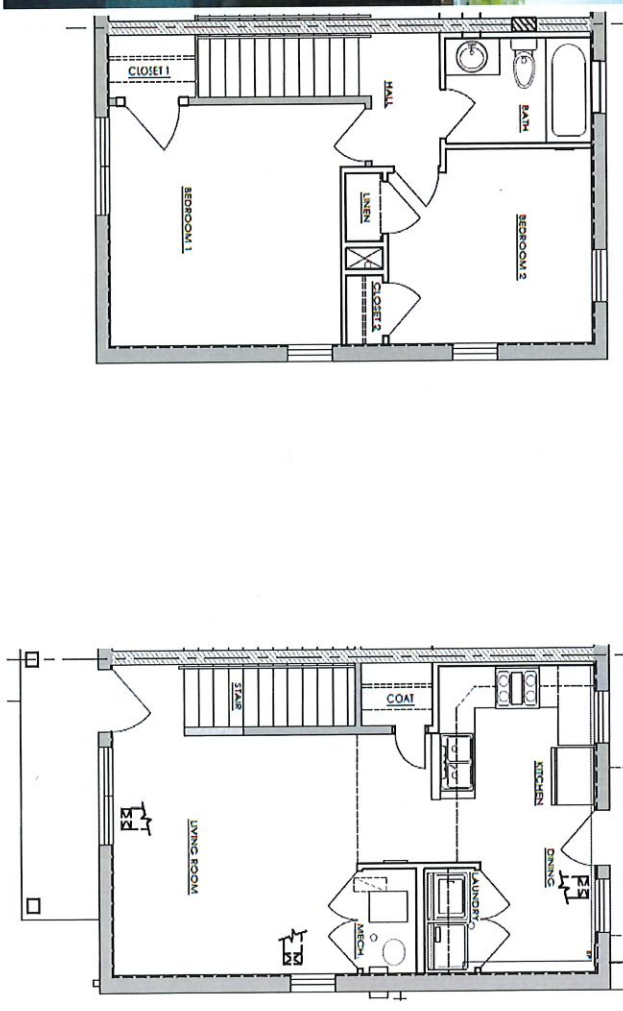
Rev. Butler Apartments



Rev. Butler Highlights

- ➔ Originally built in 1972.
- ➔ 56 apartments serving Individuals and Families.
- ➔ Located at 1202-1326 West 11th Street and 1201-1321 West 12th Street.
- ➔ Currently managed and owned by Bloomington Housing Authority.
- ➔ 100% of the units will receive rental subsidy through a HAP contract.
- ➔ Will be owned and managed by partnership (investor LP and BHA instrumentality- Summit Hill CDC, GP)

Rev. Butler



Proposed Project

- Renovations focused on addressing code requirements, handicap accessibility, structural repair, unit modernization and energy efficiency.
- Includes reconfiguring units to accommodate wheelchairs and safety features as well as new roofs and site lighting.
- Interior improvements include: new hardwired smoke detectors, new flooring throughout all units, new kitchen cabinets, countertops, addition of dishwashers and washers and dryers, high efficiency furnaces and air conditioner condensers, new roofs, handicap ramps, and site lighting
- Total renovation cost per unit is \$53,000
- Resident relocation for no more than 60 days. Moving and relocation services will be paid for by BHA.
- No new jobs will be created and 8 jobs will be retained.

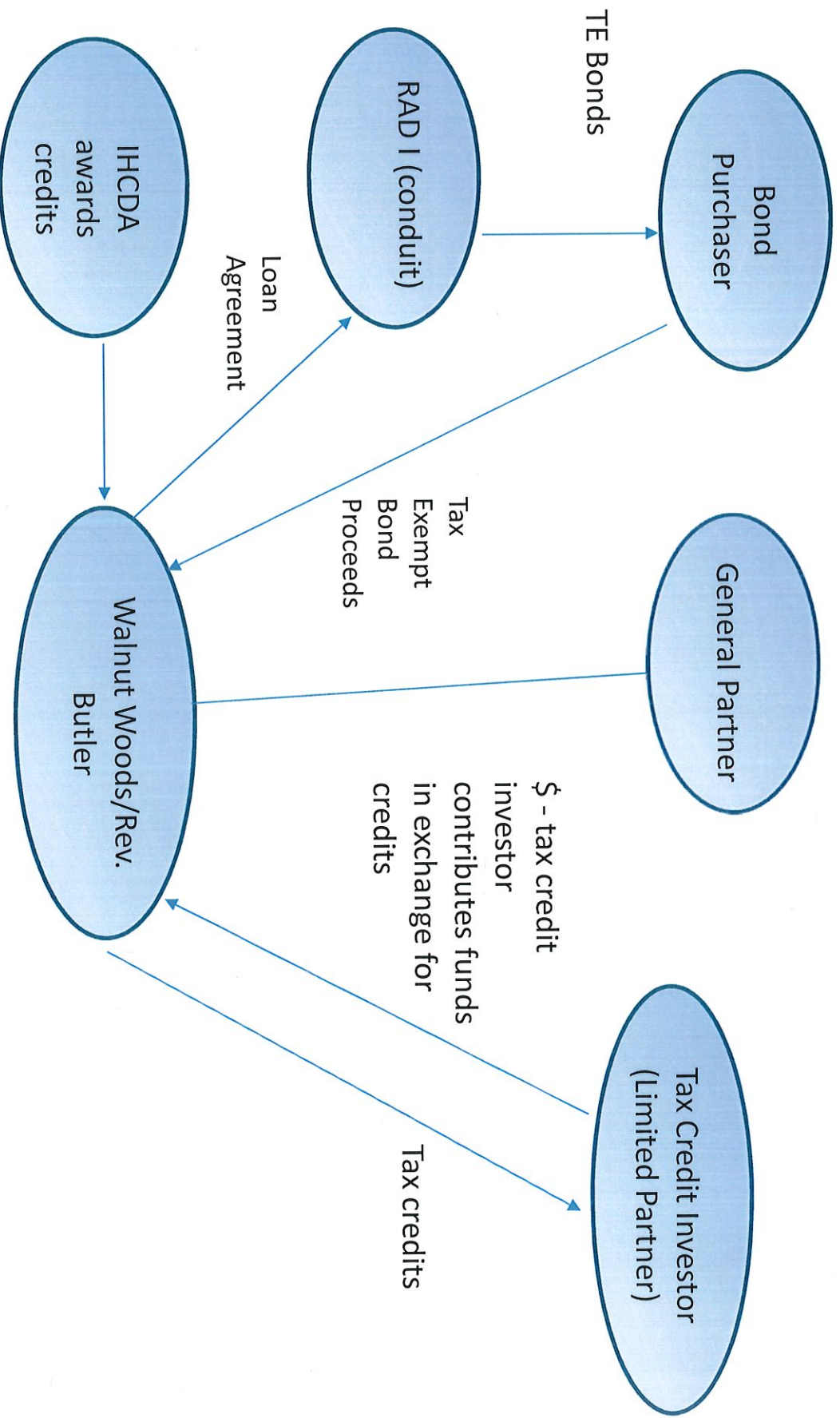
BRINSHORE DEVELOPMENT

- ➔ Established in 1994
- ➔ Senior Housing, market rate and low income community developer
- ➔ 7,000 unit portfolio
- ➔ Experienced community developer and partner
 - ➔ Supportive Service communities
 - ➔ Non-Profit Housing organizations
 - ➔ Health system partnerships
 - ➔ Arts and Public Housing

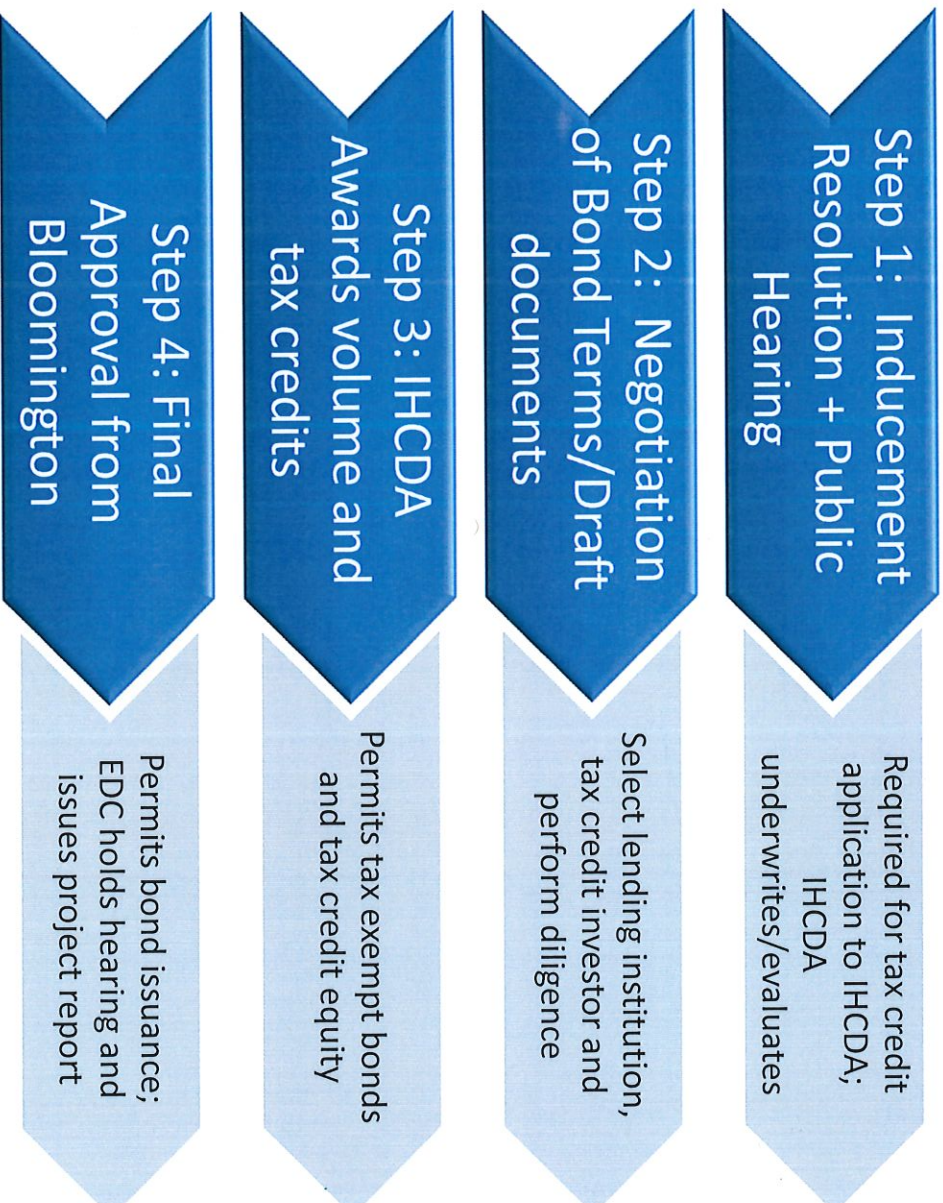
RENTAL ASST DEMONSTRATION (RAD)

- Enacted by Congress in 2012 because of underfunding of public housing.
- RAD allows public housing agencies to leverage public and private debt and equity in order to reinvest in the public housing stock. This is critical given the 25.6 billion dollar backlog of public housing capital improvements.
- In RAD, units move to a Section 8 platform with a long-term contract that, by law, must be renewed. This ensures that the units remain permanently affordable to low-income households.
- Residents continue to pay 30% of their income towards the rent and they maintain the same basic rights as they possess in the public housing program.
- RAD maintains the public stewardship of the converted property through clear rules on ongoing ownership and use.
- The RAD program is cost-neutral and does not increase HUD's budget. This program simply shifts units from the Public Housing program to the Section 8 program so that providers may leverage the private capital markets to make capital improvements.

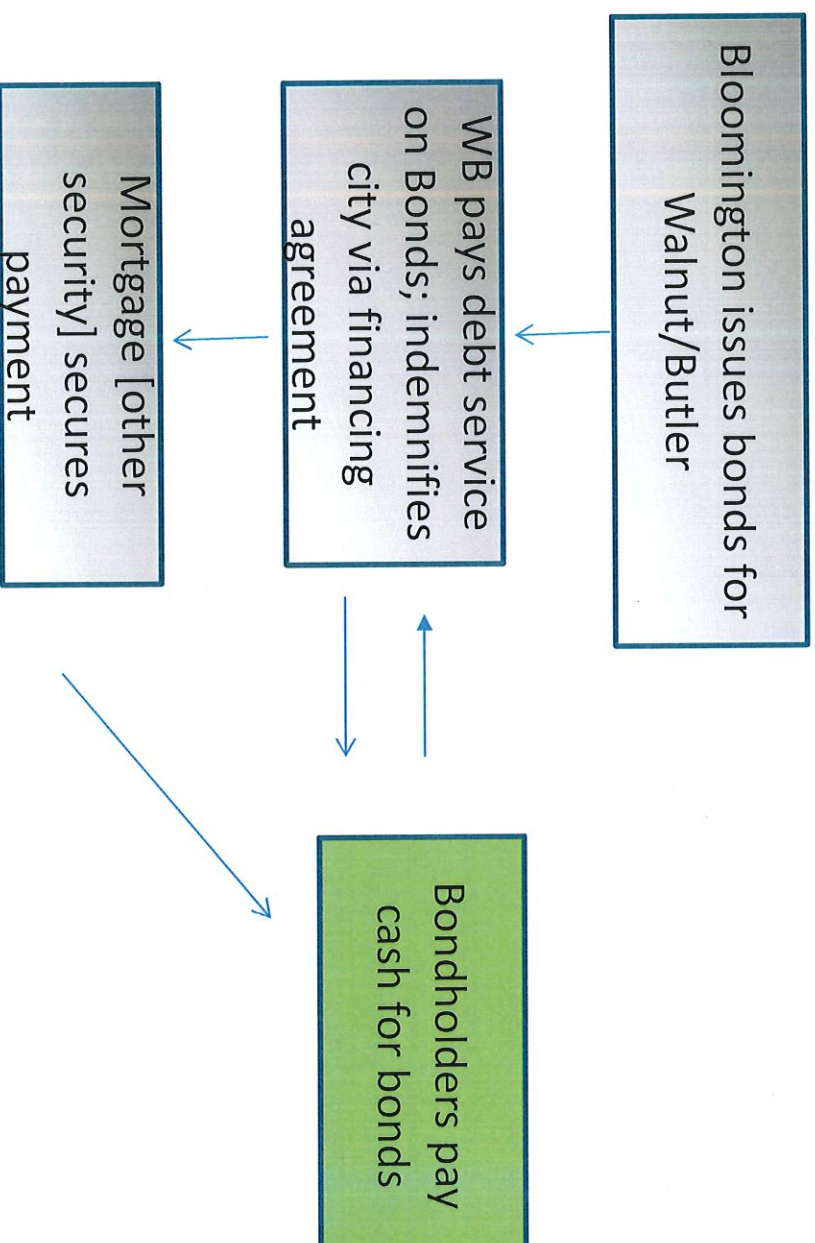
Bond and Credit Structure



Bond and Tax Credit Process



Basic Bond Issuance



Bond Characteristics

- ➔ Issued pursuant to IC 36-7-12
 - Requires EDC to render project report, hold public hearing, approve ordinance authorizing bonds
- ➔ Bonds will not be payable from taxes or be a general obligation of the city; payable solely from revenues of the project; no effect on the city's constitutional debt limit or bank qualified limit
- ➔ City acts only as a “conduit” – allowing the borrower to access capital at a tax-exempt rate and receive equity for the project in the form of tax credits
 - No ongoing obligations or administration by the city – borrower is responsible for all tax covenants, payments and indemnifies city in all respects

Conclusion

Any Questions?

Thank you!