



REQUEST FOR ACTION

Issuance of Conduit Multifamily Housing Revenue Bonds Relating to the DevCo Rochester Apartments Project

MEETING DATE:

June 15, 2026

ORIGINATING DEPT:

Community Development

AGENDA SECTION:

Public Hearings

PRESENTER:

Brent Svenby

Action Requested:

Adopting a Resolution adopting the Housing Program, the issuance of Conduit Multifamily Housing Revenue Bonds and the execution of related documents relating to the DevCo Rochester Apartments Project.

Report Narrative:

This is a public hearing to consider adopting a Resolution for the issuance of the City's conduit revenue bonds or other obligations in one or more series of tax-exempt or taxable Conduit Multifamily Housing Revenue Bonds (the "Bonds") to finance the acquisition, construction, and equipping of an approximately 252-unit multifamily rental housing development consisting of an approximately a single four-story apartment building, including covered and uncovered surface level parking and functionally related facilities to be located at approximately 4395 23rd Avenue NW. The project qualifies as a "qualified residential rental project" under Minnesota Statutes, Chapter 474A, and Section 146 of the Internal Revenue Code of 1986 as a 50% Area Median Income (AMI) residential rental project. This means that 100% of the residential units in the project are (1) reserved for tenants whose income, on average, is 50% of AMI or less; (2) are subject to rent and income restrictions in accordance with section 42(g)(2) of the internal Revenue Code of 1986, as amended; and (3) are subject to rent and income restrictions for a period of not less than 30 years.

DRG Rochester Apartments, LLC, a Washington limited liability company, has requested that the City issue conduit multifamily housing revenue bonds in an aggregate principal amount not to exceed \$70,000,000. The City was awarded an allocation of Bonds from Minnesota Management and Budget, as part of the state's annual volume cap allocation, in the amount of \$40,500,000 for the project on January 12, 2026. The allocation of these Bonds expires 180 days from the award date if not issued. The remaining Bonds for the project would be taxable conduit revenue bonds.

The Bonds give the borrower (DRG Rochester Apartments, LLC, a Washington limited liability company, or an affiliate) access to tax-exempt financing, which means lower interest costs and allows the borrower to obtain 4% Low-Income Housing Tax Credits, which generate a significant source of equity for the project.

If issued, the Bonds are issued as conduit revenue bonds secured solely by the borrower's assets and the revenues derived from a loan agreement in which the borrower agrees to pay all payments on the Bonds. No money will pass through Rochester, and no money or assets of the City will be pledged or available to pay the Bonds. The Bonds will not constitute a general or moral obligation of the City. They

will not be secured by or payable from any property or assets of the City or by any taxing power of the City. The Bonds will not affect any debt limitation imposed on the City and will not have any adverse impact on the credit of the City, even if the Borrower encounters financial difficulties with respect to the project.

The borrower pays all the expenses of the City incurred with respect to the Bonds. The Bonds are a financing tool available to the City to help achieve the public purpose of generating affordable rental housing units without the financial risk or expenditure by the City.

The City has issued a number of Bonds for affordable housing projects. Most recently, for the Commons at Bear Creek project in 2026. Other affordable housing projects that the City has issued Bonds for include: Civic Center North, Bella Grove, River Glen, Flats on 4th, and Eastgate.

Priorities & Foundational Principles:

Affordable Living

Policy Considerations & DEI Impact:

The DevCo Rochester Apartment Project aligns with Rochester's housing policies by providing 252 units of affordable housing.

From a DEI standpoint, the project addresses housing inequities by prioritizing deeply affordable units and promoting inclusive design through accessible public spaces. Its focus on walkability, connectivity, and sustainable amenities ensures equitable access to housing, services, and opportunity, advancing Rochester's broader goals of building a resilient and inclusive community.

Prior Legislative Actions & Community Engagement:

December 9, 2024: Council Meeting - Preliminary approval for Conduit Revenue Bonds

Fiscal & Resource Impact:

The borrower pays the administrative fees of the City and all costs incurred by the City in connection with the issuance of the Bonds. This action will have no financial impact on the City, and the City is not liable for the financing and will not be obligated to cover any defaults. The City will receive an issuer fee (0.75%) for facilitating this conduit financing.

Alternative Action(s):

No alternative actions are suggested at this time.

Prepared By:

Brent Svenby

Attachments:

[Exhibit - DevCo Affordable Apartments Project](#)

[Map - Location of the DevCo Project](#)

[Resolution - Conduit MultiFamily Housing Bonds - DevCo Apartments](#)