

# HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 28, 2022

**REGARDING: RESOLUTION APPROVING THE EXECUTION OF A TAX INCREMENT FINANCING DEVELOPMENT AGREEMENT, FOR A PROJECT LOCATED AT 830 CRETIN AVENUE (THE LUMIN AT HIGHLAND BRIDGE PROJECT), DISTRICT 15, WARD 3**

## **Requested Board Action**

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners to approve the attached Resolution approving the Development Agreement by and between the Housing and Redevelopment Authority of the City of Saint Paul and CB Ford Site I Limited Partnership.

## **Background**

On December 4, 2019, the Saint Paul City Council and HRA Board approved a redevelopment agreement with Ryan Companies for the redevelopment of the Ford site, now known as “Highland Bridge”, (RES 19-2066 and RES PH 19-388) (the “Agreement”). Terms of the Agreement were based on the vision laid out in the Ford Master Plan, approved in 2017, and included affordable housing goals for the entire site. These goals were memorialized in the Agreement with Ryan Companies and require that at least 20% of all housing units (or approximately 760) constructed be affordable at various affordability tiers and with a mix of rental and owner-occupied housing. Of these 760 affordable housing units approximately 5% (190 units) are to be affordable to households earning 60% of Area Median Income (AMI), 5% (190 units) affordable to households earning 50% AMI, and 10% (380 units) to households earning 30% AMI.

Ryan Companies selected CommonBond Communities (the “Developer”) to construct one of the first affordable housing developments on the Ford site, located at 830 Cretin Avenue. The Lumin at Highland Bridge is a proposed five-story building with 60-units of affordable rental housing restricted to senior households aged 55 and over. The building includes 48 one-bedroom units and 12 two-bedroom units. The building includes a lobby, on-site management offices, an activity

room, community room with kitchen, individual storage units, bike storage, and both surface and covered parking tucked behind the building.

On June 23, 2021, the Saint Paul HRA approved a new Housing TIF District (Ford Site Housing TIF District #2) which paired the CommonBond affordable housing project with a market-rate senior housing project developed by Presbyterian Homes which will consist of a 118-unit independent senior living building with approximately 4,000 square feet of retail space. Pairing the two properties in one TIF district increases the availability of TIF assistance for development of the affordable housing units.

**Unit Mix and Affordability Levels**

All 60 units will be affordable at or below the 60% Area Median Income (AMI) as defined by HUD and therefore low-income housing tax credit (LIHTC) eligible. In addition, all 60 units will be further assisted with Federal Project Based Section 8 provided through the Saint Paul Public Housing Authority (PHA) at fair market rents (FMR) and restricted to households earning 30% AMI serving very low-income households. Seven (7) units will be reserved for High Priority Homeless households who are prioritized for permanent supportive housing by the Coordinated Entry System.

Unit Type	# of Bath-rooms	# of Units	Unit Sq Ft	Monthly Contract Rent	Rent Limit	Income Limit
1BR	1.00	24	565	1,130	30% FMR	30% AMI
1BR	1.00	16	590	1,130	30% FMR	30% AMI
1BR	1.00	4	615	1,130	30% FMR	30% AMI
1BR	1.00	4	625	1,130	30% FMR	30% AMI
2BR	1.00	4	790	1,395	30% FMR	30% AMI
2BR	1.00	4	875	1,395	30%FMR	30% AMI
2BR	1.00	4	900	1,395	30% FMR	30% AMI

## **FINANCING**

### **MHFA First Mortgage Loan**

Minnesota Housing (MHFA) will provide a \$10,602,000 first mortgage loan upon construction completion. Of this amount, the TIF will capitalize \$5,351,000 portion of the loan. The MHFA loan will have a term of 40 years and a 40-year amortization with an interest rate of 4.625%.

### **Tax Increment Financing (TIF) Note**

The HRA will provide the project up to \$5,351,000 in tax increment financing in the form of a pay as you go note to help fund the first mortgage loan. The Developer will receive the lesser of 65% of the tax increment generated or \$400,000 on an annual basis. The interest on the TIF Note will be a fixed rate of 4.625% and has been set at the same rate as the MHFA first mortgage.

### **Tax Credits and Tax-Exempt Bonds**

The Project will have construction financing provided through tax exempt housing revenue bonds. These bonds will be provided through MHFA and will come with the “Automatic 4%” Low Income Housing Tax Credits (LIHTC). Automatic 4% tax credits come “automatically” for projects with tax exempt revenue bond financing. These credits will also be provided through MHFA.

### **Ramsey County CI Loan**

Ramsey County will be providing a \$4,500,000 Capital Improvement (CI) loan which will have a 0% interest rate, with both principal and interest deferred for 40 years and will be in second (2nd) collateral position to the LMIR first mortgage.

### **Deferred Developer Fee**

CommonBond Communities will defer a portion of their developer fee for up to 10 years in an amount of approximately \$491,288 to be paid out of cash flow.

**Sources and Uses of Funding:**

**Sources of Funds**

First Mortgage	\$ 5,251,000
LIHTC Tax Credit Equity	6,259,000
City Tax Increment Financing	5,351,000
Sales Tax Rebate	381,039
Energy Rebate	21,033
Ramsey County	4,500,000
Deferred Developer Fee	<u>491,288</u>
<b>Total Sources of Funds</b>	\$ 22,254,510

**Uses of Funds**

Acquisition	\$ 1,500,000
Construction Costs	15,326,783
Professional Services & 3 <sup>rd</sup> Party Reports	1,459,521
Bond, Tax Credit and Other Financing Costs	1,805,700
Reserves	562,506
Developer Fee	<u>1,600,000</u>
<b>Total Uses of Funds</b>	\$ 22,254,510

**Budget Action**

None

**Future Action**

None

**PED Credit Committee Review**

On August 23, 2022, the Credit Committee reviewed and approved the terms of the TIF assistance for the CommonBond project.

**Compliance**

The following compliance requirements will apply to this project including Vendor Outreach, Affirmative Action, Federal Davis Bacon, Section 3, Project Labor Agreement, Living Wage, and the Two-Bid Policy.

**Green/Sustainable Development**

The CommonBond project will comply with Saint Paul Sustainable Development Ordinance.

## **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

N/A

## **Public Purpose/Comprehensive Plan Conformance**

1. The Ford Master Plan is in conformance with the Land Use and Housing Chapters of the 2040 Comprehensive Plan, which identifies the site as part of a mixed-use corridor and an opportunity site and a partial contributor to the Highland Village/Ford Site neighborhood node.
2. The Housing TIF District #2 is in conformance with Comprehensive Plan policy H-15 calls for accommodating a wide variety of culturally appropriate housing types for residents at all stages of life and levels of abilities.
3. Comprehensive Plan policy H-16 calls for increasing housing choice across the city to support economically diverse neighborhoods.
4. Comprehensive Plan policy H-37 encourages new affordable housing development near transit and jobs.

Comprehensive Plan policy H-55 calls for the development of housing for older people

### **Recommendation:**

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which will approve the tax increment financing Development Agreement for the CommonBond senior housing project and approves a TIF note in the amount not to exceed \$5,351,000.

**Sponsored by:** Commissioner Chris Tolbert

**Staff:** Diane Nordquist, 651-266-6640

## **Attachments**

- **Map**
- **Public Purpose**
- **D15 Highland Park Neighborhood Profile**