

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 28, 2022

REGARDING: AUTHORIZATION TO BORROW FUNDS FROM THE MINNESOTA HOUSING FINANCE AGENCY AND RAMSEY COUNTY FOR IMPROVEMENTS TO THE MIDWAY RESIDENCE PROJECT; AUTHORIZATION TO EXECUTE NECESSARY AGREEMENTS WITH THE MINNESOTA HOUSING FINANCE AGENCY AND RAMSEY COUNTY; AND AUTHORIZATION TO AMEND THE PROJECT BUDGET, DISTRICT 12, WARD 4

Requested Board Action

1. Authorization to borrow funds from the Minnesota Housing Finance Agency (MHFA) and Ramsey County and execute necessary agreements
2. Authorization to amend the project budget

Background

The Midway Residence is an HRA owned 120-unit housing facility located at 902 Hersey Street in the Saint Anthony Park neighborhood. The residence serves 120 persons: 60 single men with disabilities, and 60 men suffering from chronic substance addiction. Many of these individuals were formerly without a home.

State general obligation bond funds were loaned by the Minnesota Housing Finance Agency (MHFA) to the HRA for construction of the project in 2007. The HRA owns the property because the State of Minnesota general obligation bond rules require public ownership. In 2006 the HRA entered into a long-term lease with Catholic Charities of the Archdiocese of Saint Paul and Minneapolis. Catholic Charities continues to operate and manage the Midway Residence.

Since the construction of the project, a number of capital improvement needs have arisen and are required for the long-term operation of the building. As the owner, the HRA is responsible for, and will implement, the renovation of the Midway Residence. The work will include replacement of the building envelope, a new roof, new boilers, and improvements to the bathrooms needed to increase safety for the aging resident population.

Ramsey County and the MHFA are partnering with the HRA to help finance the renovation work. Ramsey County and MHFA are making long term deferred loans to the HRA for the project and the HRA has committed funds.

On September 22, 2021, the HRA approved \$500,000 of HRA rental rehabilitation funds, authorized acceptance of a \$1,784,000 loan from MHFA and a \$1,750,000 loan from Ramsey County, authorized execution of a new 10-year lease with Catholic Charities, and authorized staff to solicit general contractor bids for the renovation work.

Since then, the HRA solicited bids for the project and Meisinger Construction was selected. On May 17, 2022, the Ramsey County Board, by Resolution B2022-128, awarded an additional \$530,774 in funds for the project primarily to cover increased construction costs due to inflation, and for the installation of security cameras. With the additional Ramsey County funding, the total Ramsey County loan to the HRA is \$2,280,774.

We anticipate a closing on the MHFA and Ramsey County loans the fall of 2022. The contractor will then order materials needed for a construction start the spring of 2023. Construction is anticipated to be completed the fall of 2023.

Budget Action

The HRA previously budgeted the MHFA loan and the first Ramsey County loan. At this time the HRA spending budget will be increased by \$636,157 to reflect the additional \$530,774 loan from Ramsey County and \$105,383 of additional HRA funds to be spent on the project. It is anticipated that a portion, or all of the \$105,383 of the HRA funds, will be refunded to the HRA through sales tax rebate payments for construction materials.

The HRA previously budgeted \$500,000 of Rental Rehab/Loan Enterprise funds for the project and in previous years \$211,179 of STAR funding. Per the attached sources and uses of funds, HRA direct funds to be spent on the project will be \$605,383. This will be funded with \$211,179 of STAR and \$394,204 of Rental Rehab monies. Since only \$394,204 of the Rental Rehab funds will be required, \$105,796 will remain in the HRA Rental Rehab/HRA Loan Enterprise fund.

Future Action

No future action is anticipated.

Financing Structure

The total project cost is \$5,606,230 and will be funded with a \$1,784,000 MHFA loan to the HRA, a \$2,280,774 loan from Ramsey County to the HRA, \$605,383 of HRA funds and \$936,073 of existing project reserves. The MHFA, Ramsey County and HRA funding to be invested by the HRA into the project totals \$4,670,157. The \$936,073 of reserves are held by MHFA and will remain with MHFA upon closing.

The MHFA loan will be a deferred loan to the HRA with a 30-year term at 0% interest. MHFA staff are working with HRA staff toward a closing this fall.

On December 15, 2020, the Ramsey County Board, in Resolution B2020-254, authorized a \$1,750,000 loan for the Midway Residence Project and on May 17, 2022, by Resolution B2022-128, authorized an additional \$530,744 for a total loan of \$2,280,774. The Ramsey County loan to the HRA will be a deferred loan with a 30-year term and 0% interest.

The HRA will be contributing \$605,383 for the project which will include \$394,383 of Rental Rehab funds and \$211,179 of STAR funds.

An updated “Sources and Uses of funds” is attached.

PED Credit Committee Review

At the August 24, 2021, Credit Committee meeting, the Committee reviewed and approved the proposed financing for the Project. The additional Ramsey County funds won't change the terms of the financing.

Compliance

State and federal funds will be utilized so the higher of Federal Davis Bacon or Little Davis Bacon rates will be required. Section 3 will be required.

Green/Sustainable Development

NA

Environmental Impact Disclosure

No adverse environmental impacts were identified in the project's environmental review.

Historic Preservation

NA

Public Purpose/Comprehensive Plan Conformance:

2040 Comprehensive Plan

Policy H-15. Accommodate a wide variety of culturally appropriate housing types throughout the city to support residents at all stages of life and levels of ability.

Policy H-16. Increase housing choice across the city to support economically diverse neighborhoods by pursuing policies and practices that maximize housing and locational choices for residents of all income levels.

The need for permanent supportive housing with deeply affordable rents is significant. This project will provide 120 individuals with housing affordable to persons, who had been homeless or were at risk of becoming homeless.

Recommendation: Staff recommends approval of the attached resolution.

Sponsored by: Councilmember Jalali

Staff: Marie Franchett, Principal Project Manager, 651-266-6702

Attachments

- **Financial Analysis**
- **Map**
- **Sources and Uses**
- **D12 St. Anthony Park Neighborhood Profile**