

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 22, 2022

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS FOR THE TWELVE-22 APARTMENT PROJECT TO BE LOCATED AT 1222 UNIVERSITY AVENUE; APPROVING THE EXECUTION OF RELATED DOCUMENTS; ADOPTING A HOUSING PROGRAM; AND APPROVING A POOLED TIF LOAN AND RELATED DOCUMENTS, DISTRICT 13, WARD 1**

## **Requested Board Action**

The specific actions being requested of the HRA Board are as follows:

1. Approval of a maximum of \$12,500,000 in volume cap conduit multifamily housing revenue bonds
2. Approval of a \$748,983 Pooled TIF loan to be blended with 30% AMI ARPA funds

## **Background**

The Twelve-22 project is located at 1222 University Avenue. The project will involve the conversion of an historic, vacant, commercial structure into an affordable apartment building with 55 units. Of those units, 15 will be deeply affordable at 30% of Area Median Income (AMI) and 40 units will be affordable at 60% of AMI. All units will be affordable for a term of 50 years. The building will be comprised of twenty-seven (27) 1-bedroom units, twenty-eight (28) 2-bedroom units, amenity spaces, and fifty (50) surface parking stalls. The developer is JB Vang Partners. The project owner is 1222 Partners Limited Partnership.

The Twelve-22 project is recommended for funding from the City's first 30% AMI ARPA solicitation round. Staff completed final underwriting of a proposed blended ARPA loan which led to the recommendation in this report.

JB Vang Partners has over 15 years of real estate development experience in Saint Paul focused on a wide variety of projects including but not limited to, commercial space, tribal facilities, and

senior housing projects. JB Vang recently developed a 60-unit affordable multi-family housing complex in St. Paul called “The Parkway”.

The Twelve-22 project is located on University between the Hamline Avenue and Lexington Parkway Green Line Light Rail Stations and is adjacent to bus transit route 16. Residents will have multiple transportation options.

The project is located within the T4 Traditional Neighborhood zoning district and complies with the transit-oriented development zone guidelines. No businesses or residents will be displaced because of this project. Eminent domain will not be required for this acquisition.

Below is a description of the unit sizes, rents and income restrictions.

<b>Size</b>	<b># of Units</b>	<b>Gross Rent</b>	<b>Area Median Income Limits</b>
1 Bed 1 Bath	10	\$660	30%
1 Bed 1 Bath	17	\$1320	60%
2 bed 1 Bath	5	\$792	30%
2 bed 1 Bath	23	\$1584	60%
<b>Total</b>	<b>55</b>		

### **Budget Action**

There is no budget action required.

**This is a conduit bond issue. The bonds shall not constitute an indebtedness, liability, general or moral obligation, or pledge of the faith or credit or taxing power of the HRA, City of Saint Paul, or any agency or political subdivision thereof, and shall not constitute indebtedness of any of the foregoing within the meaning of any constitutional, statutory, or charter provision, nor be a charge against their respective general assets, credit or taxing powers, and do not grant the owners or holders of the bonds any right to have the HRA, City of Saint Paul or any agency or political subdivision thereof to levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon.**

**Principal and interest on the bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.**

### **Future Action**

At the June 22<sup>nd</sup> City Council meeting, City Council approval of \$2,534,489 in ARPA funds will be requested. The ARPA funds will be combined with the HRA Pooled TIF for a total blended loan of \$3,283,472.

### **Financing Structure**

The total development cost is \$24,797,410. The project will be financed with a \$6,200,000 permanent first mortgage, \$7,618,655 of Low-Income Housing Tax Credits (LIHTC); \$3,707,178 of Federal Historic Tax Credits; \$3,215,409 of State Historic Tax Credits; a \$3,283,472 blended deferred loan comprised of ARPA funds and Pooled TIF; a \$33,096 Metropolitan Council Tax Base Revitalization Account (TBRA) grant; a \$174,600 Metropolitan Council TBRA Cleanup loan; a \$15,000 energy rebate; and a \$550,000 deferred developer fee. See attached Sources and Uses of funds.

The housing revenue bonds, in a maximum amount of \$12,500,000 will be privately placed with R4 Capital Funding (R4CF). The bonds will have a 15-year term. The interest rate upon stabilization will be based upon the 10-year Treasury Index, plus a spread of 1.85%, and so long as the deal closes before July 31<sup>st</sup>, 2022, the bonds have an Interest Rate Ceiling of 4.40%. The bonds will generate the 4%” LIHTC funds. A portion of the bonds will be taken out as tax credits are received.

The blended ARPA/Pooled TIF loan will provide gap financing for the 15 units affordable at 30% AMI. The loan will be deferred and have a 50-year term at 0% interest and will be comprised of \$2,534,489 of ARPA and \$748,983 of Pooled TIF.

### **PED Credit Committee Review**

The Credit Committee reviewed the proposed financing on June 7<sup>th</sup> and confirmed the bond structure is in conformance with PED policy. The Credit Committee determined the Pooled TIF deferred loan, and deferred TBRA loan, should have Loss risk ratings per PED policy for long term deferred loans.

### **Compliance**

The project will comply with Vendor Outreach, Affirmative Action, Davis Bacon, Living Wage, Project Labor Agreement, Sustainable Building Policy, Two Bid Policy, Compliance Agreement for Bonds, and ENS. The second *Developer/Applicant Compliance Acknowledgement Letter* has been executed and received.

Approximately 150 construction jobs will be created by the project with about 35,000 hours of onsite work. All trades and subs have apprenticeship programs in place as required by their local unions and the CERT program.

### **Green/Sustainable Development**

The project will comply with the Saint Paul Sustainable Development Policy. It will meet the Green Communities guidelines and the St. Paul Overlay requirements.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

The developer has received a Phase 2 review approval from the State Historic Preservation Office (SHPO). The National Park Service (NPS) final approval is anticipated by the end of June. This approval is required for the historic tax credits.

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

The proposed housing project is consistent with the 2040 Saint Paul Comprehensive Plan (2020), the Lexington Station Area Plan (2008), and Union Park Community Plan (2016). The project site is identified as a mixed-use area in the land use plan and is within an area identified in the

Lexington Station Area Plan as an “area of change”. Generally, the comprehensive plan encourages transit supportive density and supports growth and development of new housing, particularly in areas identified as Mixed Use, Urban Neighborhoods and/or in areas with the highest existing or planned transit capacity, to meet market demand for living in walkable, transit-accessible, urban neighborhoods. The plan also supports increases in density on valuable urban land and calls for high-quality urban design that is pedestrian friendly, that facilitates a healthy environment, and enhances the public realm. The plan supports preservation of the former Casket Company building, noting that it adds character and a sense of urban scale to the neighborhood. Specifically, the comprehensive plan includes the following policies:

- Policy LU-1 in the land use chapter calls for encouraging transit-supportive density and directing the majority of growth to areas with the highest existing or planned transit capacity.
- Policy LU-30 in the land use chapter calls for focusing growth at Neighborhood Nodes; the Lexington Station Area is a Neighborhood Node.
- Policy H-18 in the housing chapter calls for fostering the preservation and production of deeply affordable rental housing (housing affordable to those at 30% or less of AMI), supportive housing, and housing for people experiencing homelessness.
- Policy H-31 in the housing chapter supports the development of new affordable housing units throughout the city. Policy H-37 encourages the development of affordable housing in areas well-served by transit and/or in proximity to employment centers.
- Policy H-36 in the housing chapter encourages the development of family-sized affordable housing in strong market areas; the project includes a mix of one and two-bedroom units.

### **Statement of Chairman**

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open.”

Notice of time, place, and purpose of this hearing was published in the Twin Cities Pioneer Press on June 6, 2022. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

**Recommendation:**

Staff recommends the Board of Commissioners adopt the attached resolution regarding issuance of conduit revenue bonds in the maximum amount of \$12,500,000 and a Pooled TIF loan in the maximum amount of \$748,983 to be combined with American Rescue Plan (ARPA) funds for a blended loan for the Twelve-22 project.

**Sponsored by:** Commissioner Dai Thao

**Staff:** Marie Franchett, 266-6702 and Hannah Chong, 266-6552

**Attachments:**

- **Map**
- **Rendering**
- **Sources and Uses**
- **D13 Union Park Neighborhood Profile**