

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 24, 2022

REGARDING RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS FOR THE DALE STREET PROJECT LOCATED AT 313 DALE STREET NORTH; APPROVING THE EXECUTION OF RELATED DOCUMENTS; AND ADOPTING A HOUSING PROGRAM; AND (ii) APPROVING AND AUTHORIZING A LOAN OF CDBG FUNDS AND THE EXECUTION OF RELATED DOCUMENTS, DISTRICT 8, WARD 1

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 authorizing the following:

1. Approval of a \$1,000,000 CDBG loan to the Dale Street Place project; and
2. Giving approval for the issuance of tax-exempt housing revenue bonds in an amount up to \$13,750,000 by on behalf of Trellis Company for the Dale Street Place project and approving and authorizing the execution of related documents.

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. 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.

Background

Constructed in 1964, Dale Street Place is a 4-story brick building containing 150 units of deeply affordable supportive housing comprised of 109 efficiency units and 41 one-bedroom units. The building also provides a community room, common laundry facilities and a manager's office. Located at the intersection of Dale Street North and Concordia Avenue, it sits on a 2.35-acre site and has 41 surface parking stalls.

Trellis Co. purchased the property in 2011 with plans to complete much needed renovations and continue operating the property long term for supportive housing. They are requesting the City issue tax exempt housing revenue bonds in an amount not to exceed \$13,750,000 to support this project. They plan to raise equity from the “automatic 4%” low-income housing tax credits (LIHTC). The project is also requesting a \$1,000,000 CDBG loan from the City and has received approval for a \$4,597,405 in new PARIF funds from Minnesota Housing, and assumption of \$2,684,595 in existing PARIF debt and assumption of an existing \$2,198,243 HUD first mortgage loan.

Rehabilitation work will address several critical physical needs. Activities include repairs to the plumbing stacks, roof, and windows, as well as unit bathroom updates, new kitchen appliances, and new flooring and lights. A fire sprinkler system will also be installed, and the alarm system upgraded.

Size and Income /Rent Limits of Units:

All 150 units will be affordable at or below the 50% Area Median Income (AMI) as defined by HUD and therefore tax credit eligible. 92 units are assisted with Federal Project Based Section 8, and 38 units are assisted with Housing Support from DHS, assuring that 130 of the units will serve very low-income households earning 30% AMI or less. 76 units will be serving high priority homeless households.

Unit Type	# of Bath-rooms	# of Units	Unit Sq Ft	Monthly Contract Rent	Rent Limit	Income Limit
Efficiency	1.00	36	350	888	50% MTSP	30% MTSP
Efficiency	1.00	32	400	934	50% MTSP	30% MTSP
Efficiency	1.00	20	400	891	50% MTSP	30% MTSP
Efficiency	1.00	21	400	474	50% MTSP	30% MTSP
1BR	1.00	7	400	816	50% MTSP	50% MTSP

1BR	1.00	10	400	842	50% MTSP	30% MTSP
1BR	1.00	24	450	1,058	50% MTSP	30% MTSP
Total		150				

Developer Experience

Trellis Co., formerly known as Community Housing Development Corporation (CHDC), was founded in 1991 and has provided stability to Minnesota residents and communities for more than 25 years as a nonprofit developer and owner. Trellis owns more than 3,500 affordable housing units including Hamline Townhomes, Ramsey Hill Apartments and Selby Milton Victoria Apartments located in Saint Paul. More than half of Trellis Co. units are assisted through the federal Section 8 program and approximately 2,000 units are assisted through the Low Income Housing Tax Credit (LIHTC) program.

Supportive Housing Services

In addition to Trellis Company oversight, supportive housing services will be provided by Simpson Housing Services which has been serving our unhoused members of the community for over 40 years.

Budget Action

None

Future Action

None

Financing Structure

Trellis Co. purchased the property in 2011 with plans to do the renovations. They are requesting the City to issue tax exempt affordable housing revenue bonds in an amount not to exceed \$13,750,000. They plan to raise equity from the “automatic 4%” low-income housing tax credits (LIHTC). The project is also requesting a \$1,000,000 CDBG loan from the City and has received approval for a \$4,597,405 in new PARIF funds from Minnesota Housing, and

assumption of \$2,684,595 in existing PARIF debt and a \$598,568 HTF LTH loan, and assumption of an existing \$2,198,243 HUD first mortgage loan.

Sources and Uses of Funding

Sources of Funds

HUD First Mortgage (Assumed)	\$ 2,198,243
LIHTC Tax Credit Equity	9,330,942
MHFA PARIF Loan	7,282,000
MHFA HTF LTH	598,568
City CDBG Loan	1,000,000
Sales Tax Rebates	154,656
Energy Rebates	35,000
GP Capital Contribution	455,682
Seller Loan	5,776,224
Deferred Developer Fee	1,150,000
Interim Income	<u>353,565</u>
Total Sources of Funds	\$ 28,334,880

Uses of Funds

Acquisition and Refi Debt	\$ 11,600,000
Construction Costs	9,904,297
Environmental Abatement	25,000
Professional Services & 3 rd Party Reports	1,292,155
Bond, Tax Credit and Other Financing Costs	1,284,828
Reserves	1,928,600
Developer Fee	<u>2,300,000</u>
Total Uses of Funds	\$ 28,334,880

Tax Credits

The Project will be financed with the “Automatic 4%” Low Income Housing Tax Credits (LIHTC). Automatic 4% tax credits can be used “automatically” for projects with tax exempt revenue bond financing. These credits are not limited as are the “9%” credits. In addition, the Developer is in a “Qualified Census Tract” as defined by the Department of Housing and Urban Development (HUD). This will allow the project to receive an additional 30% “boost” in tax credit equity. The tax credit equity will come in over time for a total contribution of approximately \$9,330,942.

MHFA PARIF and HTF-LTH Loan

Minnesota Housing will be providing a PARIF Loan in the amount of \$7,282,000 and a HTF-LTH loan in the amount of \$598,568 both will have a 0% interest rate deferred for 30 years and will be in second and fourth (2nd and 4th) collateral position, respectively.

CDBG Loan

The \$1,000,000 CDBG loan will have a 0% interest rate, with both principal and interest deferred for 30 years and will be in third (3rd) collateral position behind the HUD first mortgage and PARIF loan.

Seller Note

To help fill the financing gap, Trellis Co. as the seller of the property will take back a Seller Note in the amount of \$5,776,224 as a portion of the purchase price. It is a 30-year deferred note with a 6% interest rate. The note will be secured by a mortgage on the property.

PED Credit Committee Review

On July 26, 2022, the PED Credit Committee reviewed and approved the terms of the \$1,000,000 CDBG Loan and determined that the tax exempt housing revenue bonds meet the HRA Board’s policy.

Compliance

The following compliance requirements will apply to this project including: Vendor Outreach, Affirmative Action, Federal Davis Bacon, Section 3, Project Labor Agreement, and the 2-Bid Policy.

Green/Sustainable Development

The Dale Street Place project will comply with Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This Project meets several public purpose objectives as listed and will further several planning strategies and goals such as the following:

1. One of the 2040 Comprehensive Plan major housing strategies is to ensure the availability of affordable housing across the city.
2. Comprehensive Plan policy H 3.1. calls for support the preservation of publicly assisted and private affordable housing.
3. Comprehensive Plan policy H 1.1 calls for increasing housing choices across the city to support economically diverse neighborhoods;
4. The Summit University Planning District plan calls for preserving the existing housing stock with special commitment to the preservation of affordable housing.
5. Comprehensive Plan policy LU 1.41 calls for promoting the development of a range of housing types and housing values in each of the 17 planning districts.

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 Saint Paul Pioneer Press on August 9, 2022. The Notice of Public Hearing will be made a part of these proceedings.

Is there anyone who wishes to be heard on this item? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which approves the following:

1. A \$1,000,000 CDBG Loan to the Dale Street Place project; and
2. Approval to issue tax-exempt housing revenue bonds in an amount up to \$13,750,000 on behalf of Trellis Company for the Dale Street Place Project and authorizing the execution of related documents

Sponsored by: Commissioner Russel Balenger

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Map**
- **Public Purpose**
- **D8 Summit University Neighborhood Profile**