

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 26, 2022

REGARDING: RESOLUTION APPROVING THE ISSUANCE OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS; APPROVING A RELATED HOUSING PROGRAM; AND APPROVING THE EXECUTION OF A TAX INCREMENT FINANCING DEVELOPMENT AGREEMENT, INCLUDING A POOLED TIF LOAN AND RELATED DOCUMENTS, 801 MOUNT CURVE BOULEVARD AND 2265 HILLCREST AVENUE (THE RESTORING WATERS PROJECT), DISTRICT 15, WARD 3

Requested Board Action

The purpose of this report is to request approval from the Housing and Redevelopment Authority (HRA) Board of Commissioners for the issuance and sale of Multifamily Housing Revenue Bonds, the entrance into a TIF Development Agreement, which includes a Pooled TIF loan, by and between the Housing and Redevelopment Authority of the City of Saint Paul and Emma Norton PPL 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 Project for Pride in Living (“PPL” or the “Developer”) to construct one of the first affordable housing developments on the Ford site, located at 801 Mount Curve Boulevard. Restoring Waters (the “Project”) is a proposed five-story building with 60-units of

affordable rental housing restricted to formerly homeless individuals and their dependent children. The building includes 56 efficiency units and 4 one-bedroom units. The building will house Emma Norton's corporate offices and include a lobby, on-site management offices, service provider space, a computer room, fitness room, meeting and gathering space, a rooftop deck, a communal dining area and 28 underground parking spaces. The Project is connected via the underground parking to the adjacent Nellie Francis Court project being constructed by the same Developer.

On June 23, 2021, the Saint Paul HRA approved a new Housing TIF District (Ford Site Housing TIF District #1) which paired the PPL affordable housing project with a market-rate senior housing project developed by Presbyterian Homes which will consist of a 182-unit independent senior independent living and memory care building. 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 Housing Supports (formerly GRH) and restricted to individuals earning 30% AMI. Thirty (30) units will be reserved for High Priority Homeless, and Nine (9) units will be reserved for persons with disabilities.

Unit Type	# Baths	# Units	Unit Sq Ft	Monthly Contract Rent	Rent and Income Limit	
0BR/Eff	1	15	479	\$ 891	30%	HPH
0BR/Eff	1	4	563	\$ 891	30%	
0BR/Eff	1	8	563	\$ 891	30%	
0BR/Eff	1	6	439	\$ 891	30%	HPH
0BR/Eff	1	4	439	\$ 891	30%	PWD
0BR/Eff	1	5	476	\$ 891	30%	PWD
0BR/Eff	1	5	476	\$ 891	30%	HPH
1BR	1	2	612	\$ 660	30%	HPH
1BR	1	1	612	\$ 660	30%	HPH
1BR	1	1	612	\$ 660	30%	HPH
0BR/Eff	1	9	479	\$ 891	30%	

HPH – High Priority Homeless units
PWD – units for People with Disabilities
All units are funded using Housing Supports

Service Provider

The Project is being developed in cooperation with Emma Norton Services, Inc., which will be the on-site service provider. Emma Norton was founded in 1917 and began by providing safe and affordable housing for women coming from rural Minnesota to the Twin Cities for work or school. In 1967, the organization relocated to its current location near Robert Street and University Avenue East. In response to evolving community needs, their focus changed to serving homeless women in the mid-1990s. Emma Norton's mission is to provide transformational housing for women and families on their journey of recovery. Emma's Place is a project located in Maplewood and provides supportive housing for homeless families with three or more children; Emma Norton Residence in Saint Paul serves 50 single adult women. In recent years, Emma Norton launched scattered-site housing for women and families who have completed site-based programming and are ready for increased independent living. The Emma Norton Services, Inc. corporate office will be located within the Restoring Waters building and occupy approximately 7,000 square feet, the initial lease term is 16 years with four 5-year options to extend.

FINANCING

As of the writing of this report, interest rates are 5.9%. GMHF and the Development Team intend to lock the interest rate at the end of October and GMHF has committed to a maximum interest rate of 6.25% through November 30, 2022. Project financing, including the information in this report, was modeled using the higher rate of 6.25%.

Restoring Waters and the adjacent Nellie Francis Court project, in combination, will receive 90% of the TIF generated from District #1; this is the maximum amount available under HRA policy. If the interest rate is less than 6.25%, the project- and TIF-supported debt will increase and the Pooled TIF loan will decrease.

GMHF Financing

Greater Minnesota Housing Fund (GMHF) will provide an estimated \$4,673,000 first mortgage loan during construction, which will convert to permanent financing upon construction completion. The loan will be capitalized by net operating income (NOI) in the amount of \$1,619,000 and TIF will capitalize the remaining \$3,054,000. The NOI portion of the loan will have a term of 40 years and a 26-year amortization, the TIF portion will fully amortize over 26 years, both will have an estimated interest rate of 6.25%.

Tax Increment Financing (TIF) Note

The HRA will provide the project an estimated \$3,054,000, but up to \$3,160,000 (maximum TIF at a 5.9% interest rate), 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 a payment of approximately 23.94% of the tax increment generated or \$237,972 on an annual basis. The interest on the TIF Note will be a maximum fixed rate of 6.25% and will be set at the same rate as the GMHF first mortgage.

Pooled TIF Loan

The City will provide a Pooled TIF loan in the amount of up to \$500,000 to fill the gap on this project. The loan will be fully deferred for 30 years with an interest rate of 0%.

Conduit Multifamily Housing Revenue Bonds

There is a total not to exceed of \$11,500,000 of bond authority being requested. In order to receive the 4% “automatic” tax credits, the project must meet the “50% test” which means at least 50% of the Developer’s basis must be initially financed with Bond proceeds (the City’s QAP limits this to 53% as an additional cushion in case costs change). The tax-exempt financing will be short term (approximately 24 months) and repaid with permanent financing and tax credit equity. The Bonds will be a direct placement with GMHF.

Low Income Housing Tax Credits

The tax-exempt Housing Revenue Bonds come with the “Automatic 4%” Low Income Housing Tax Credits (LIHTC) provided they meet the “50% test”. The projected credit price is \$0.86, and Minnesota Equity Fund is the syndicator.

Minnesota Housing Financing

Minnesota Housing (MHFA) will be providing 2 loans to the Project. The first is through MHFA's National Housing Trust Fund and in the amount of \$4,209,369. The second is a HOME loan in the amount of \$2,416,070. Both loans are deferred at 0% interest for a period of 30 years.

Ramsey County HRA Loan

The Ramsey County HRA will be providing a \$1,366,767 loan, which will have a 0% interest rate, with both principal and interest deferred for 30 years.

Local Housing Incentives Account (LHIA)

The Developer secured a grant through the Metropolitan Council in the amount of \$1,918,140, which passes through the city, and has requested it be structured as a loan, which is typical when tax credits are involved. The grant was approved and accepted by the City Council on April 21, 2021 via Resolution #21-95.

Additional Sources

In addition to those sources already mentioned, Emma Norton Services, Inc. will be contributing approximately \$500,000 for their corporate office buildout and will be loaning an additional approximately \$300,000 for the construction of the rooftop deck for residents.

Sources and Uses of Funding:

Sources of Funds

First Mortgage	\$ 1,619,000
LIHTC Equity	\$ 6,571,818
City Tax Increment Financing	\$ 3,054,000
Sales Tax Rebate	\$ 470,759
Energy Rebate	\$ 22,340
MHFA HOME MF	\$ 2,416,070
MHFA NHTF	\$ 4,209,369
LHIA	\$ 1,918,140
Emma Norton Capital Contribution	\$ 494,174 (office space buildout)
Emma Norton Capital Contribution	\$ 294,946 (rooftop deck buildout)
Ramsey County HRA Funds	\$ 1,366,767
Income from Operations	\$ 73,000
<u>City Pooled TIF loan</u>	<u>\$ 476,705</u>
Total Sources of Funds	\$ 22,987,201

Uses of Funds

Acquisition	\$ 1,292,670
Construction Costs	\$ 17,861,013
Professional Services	\$ 1,262,190
Bond, Tax Credit and Other Financing Costs	\$ 1,046,089
Reserves	\$ 445,239
Developer Fee	\$ 1,080,000
Total Uses of Funds	\$ 22,987,201

Budget Action

No budget action is needed. The HRA approved a budget amendment to align with the financing and spending included in the TIF Plan in June, 2021.

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, not 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

None

PED Credit Committee Review

On October 18, 2022, the Credit Committee reviewed and approved the terms of the TIF assistance and Pooled TIF loan terms, determined that the bond issuance is consistent with PED policies and approved the LHIA loan terms.

Compliance

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

Green/Sustainable Development

The 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 #1 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.

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, including a Pooled TIF loan, and the issuance and sale of multifamily housing revenue bonds for the Restoring Waters project, and the execution of related documents. The bond issuance is subject to final approval by the Saint Paul City Council.

Sponsored by: Commissioner Chris Tolbert

Staff: Sarah Zorn, 651-266-6570

Attachments

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