

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

REPORT TO THE COMMISSIONERS

DATE: JANUARY 11, 2023

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
CONDUIT MULTIFAMILY HOUSING REVENUE BONDS FOR THE
SIBLEY COURT AND SIBLEY PARK PROJECT LOCATED AT 484
TEMPERANCE STREET AND 211 7TH STREET EAST;
APPROVING THE ASSIGNMENT AND ASSUMPTION OF AN
EXISTING MET COUNCIL LOAN AND NOTE; APPROVING THE
EXECUTION OF RELATED DOCUMENTS**

DISTRICT 17, WARD 2

Requested Board Action

The requested action includes final approval for the HRA to issue up to \$40,000,000 in conduit multifamily housing revenue obligations for the benefit of Affordable Housing Preservation Corporation to assist in the financing of the acquisition and rehabilitation of two existing rental facilities known as Sibley Court and Sibley Park (the “Project”); and to approve an assignment and assumption of an existing Met Council Loan related to the Project.

Background

Sibley Court (122 units) located at 484 Temperance, is a five-story building that opened in 2003 and Sibley Park (114 units) located at 211 - 7th Street East, is a five-story building that opened in 2002. The buildings were constructed through HRA action primarily utilizing Low Income Housing Tax Credits (LIHTC) and tax increment financing.

The HRA authorized the execution of a \$500,000 Metropolitan Council Metropolitan Livable Communities Act Inclusionary Housing Account loan for the Sibley Park project on August 9, 2000 (the “Met Council Loan”). The Met Council loan was deferred until the maturity date of June 15, 2042. All other City/HRA debt for construction of both projects has been satisfied.

Affordable Housing Preservation Corporation, a Florida non-profit corporation and 501(c)(3) organization (the “Borrower” or “AHPC”), has submitted an application requesting that the HRA issue conduit multifamily housing revenue bonds (the “Bonds”), the proceeds of which will be

used to finance the acquisition and rehabilitation of the two rental housing buildings. AHPC has a purchase agreement to acquire the two properties and will complete over \$2 million in capital improvements including upgrading unit interiors, amenities and lighting and refreshing the exterior of each building. The closing is anticipated for the end of January and the improvements will be completed over time. AHPC has created two special purpose entities to act as co-borrowers (AHPC Sibley Court LLC and AHPC Sibley Park LLC), and each LLC will own their facility. The acquisition contemplates an assignment and assumption of the Met Council Loan to AHPC Sibley Park LLC; additionally, MN Housing provided deferred loans to the Project, which loans are anticipated to be assigned/assumed by the Borrower.

AHPC was established in early 2021 as a 501c3 organization to address a growing need in our country to prevent homelessness. AHPC has acquired more than 3,500 multi-family units across the Southeast serving a broad range of households. This would be their first acquisition in Minnesota.

Currently, all 236 units are income restricted as follows: 20% restricted to households at or below 50% AMI (48 units) , 43% restricted to households at or below 60% AMI (101 units), and 37% restricted to households at or below 115% AMI.

When AHPC acquires the Project, they will restrict all units to 80% AMI or below with 20% at or below 50% AMI as is required under their 501c3 organizing documents. Furthermore, when the existing restrictions expire for all the units, they will ensure 100% of the units are restricted to households with incomes at or below 75% AMI, with 20% restricted to 50% AMI. They will maintain the restrictions for 30 years from the closing.

The Project is in the B5 zoning district, and a map is **attached**. The demographic profile of District 17, the Saint Paul planning district in which the Project is located, is **attached**.

The HRA Board held a public hearing and adopted RES PH #22-380 on December 14, 2022, providing preliminary approval for the issuance of the Bonds. Representatives from AHPC provided a brief report to the HRA Board about the Project and their organization.

Budget Action

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 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.

Future Action

N/A

Financing Structure

The bonds will be unrated and sold through a limited offering by Piper Sandler (the “Underwriter”) in minimum bond denominations of \$100,000, consistent with PED’s conduit bond policy for unrated bonds. The HRA will require the initial purchasers to execute an Investor Letter confirming the purchaser is either a Qualified Institutional Buyer (“QIB”) or Accredited Investor (“AI”). The financing anticipates three series of bonds, with a senior/subordinate structure with estimated sizing shown below. The total estimated cost of the Project is \$41,925,396 as shown below.

Sources of Funds

Tax-Exempt Series 2023A-1	\$28,000,000
Taxable Series 2023A-2	\$3,425,000
Tax-Exempt Series 2023B - Subordinate	\$7,900,396
Assumed Debt	\$2,600,000
Total Sources	\$41,925,396

Uses of Funds

Acquisition	\$33,680,032
Deposit to Capital Fund	\$2,537,356
Soft Costs	\$1,620,000
Operating Deposits/Reserve Fund	\$1,687,332
Capitalized Interest Fund	\$500,000
Debt Service Reserve Fund	\$842,031
Costs of Issuance	\$1,058,645
Total Uses	\$41,925,396

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on December 6, 2022 and found it to be consistent with the HRA/PED's conduit bond policy. The PED Credit Committee approved the Met Council loan assignment/assumption on January 3, 2023.

Compliance

The Borrower has acknowledged receiving City/HRA compliance documents specifying that the following compliance requirements are applicable to this project:

- Vendor Outreach Program, Chapter 84.01.
- Affirmative Action, Chapter 183.04 applies to both the contractor and the Borrower.
- Little Davis-Bacon Labor Standards applies to the construction work.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will preserve 236 rental housing units for 30 years (20 years beyond current requirements) restricted to households earning up to 80% of the Area Median Income (AMI). The Project meets the following goal and policy from the 2040 Comprehensive Plan:

- **Goal 6:** Improved access to affordable housing;
- **Policy H-39:** Promote preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.

Recommendation:

The HRA Executive Director recommends approval of the resolution which provides final approval for the issuance of up to \$40,000,000 in conduit multifamily housing revenue bonds for the benefit of the Affordable Housing Preservation Corporation to assist in the financing of the acquisition and rehabilitation of two existing rental facilities known as Sibley Court and Sibley Park (the “Project”); and to approve an assignment and assumption of an existing Met Council Loan related to the Project.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachments:

- **Map**
- **D17 Downtown Neighborhood Profile**