

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2023

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
CONDUIT MULTIFAMILY HOUSING REVENUE OBLIGATIONS;
APPROVING RELATED DOCUMENTS; AND ADOPTING A
HOUSING PROGRAM FOR THE MARVELLA PHASE II PROJECT,
LOCATED AT 2190 HILLCREST DRIVE**

DISTRICT 15, WARD 3

Requested Board Action

Final approval to issue up to \$80,000,000 in conduit multifamily housing revenue obligations for the benefit of PHS Highland Park, LLC to assist in the financing of the Marvella Phase II senior rental facility on the Highland Bridge site.

Background

PHS Highland Park, LLC, is a Minnesota 501(c)(3) nonprofit corporation whose sole member is PHS Highland Park, Inc., which entity is 100% owned by Presbyterian Homes and Services (the “PHS”). PHS was incorporated in 1953, and the first senior residence was built in 1955 in Arden Hills. Today, over 7,400 employees serve 24,250 older adults through 59+ PHS-affiliated senior living communities in Minnesota, Washington, Wisconsin, and Iowa. The PHS continuum of care reaches into the larger community through home services and a progressive model of primary care, care navigation and value-based services. PHS’s mission and vision focus’ on enriching the lives of older adults and to provide more choices and opportunities for more older adults to live well.

The HRA previously issued 501c3 conduit revenue bonds for PHS facilities, including Carondelet Village, a 50/50 partnership with the Sisters of St. Joseph (\$35 million outstanding); and more recently for the Borrower for Marvella Phase I at Highland Bridge, which includes 300 senior rental units with 220 independent living units, 40 assisted living units and 40 memory care units (\$100 million outstanding).

The HRA has received an application from PHS Highland Park, LLC (the “Borrower”) to issue up to \$80 million in conduit revenue obligations (the “Series 2023 Notes”) to finance the acquisition, construction and equipping of a 276,000 square foot facility with 125 units of senior rental units,

3,700 square feet of commercial/retail space and structured parking, the Marvella Phase II (the “Project”). The Project will be across the Civic Plaza from the Marvella Phase I project at Highland Bridge mentioned above.

The Project is in the Ford Site F5 zoning district and a map is **attached**. The demographic profile of District 15, the Saint Paul planning district in which the Project is located, is **attached**.

On November 8, 2023, the HRA held a public hearing and adopted a resolution providing preliminary approval of the Project and issuance of the Series 2023 Notes.

Budget Action

This is a conduit bond issue. The Series 2023 Notes 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 Series 2023 Notes 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 Series 2023 Notes will be directly purchased/participate by/to private banks and Piper Sandler is serving as placement agent. There will be two series with a lead lender for each series; Alerus Financial, N.A. is the lead lender for the Series A and Sunrise Bank is the lead lender for the Series B. Each lender purchasing or participating in the issuance will execute an Investor Letter, the form of which will be provided by the HRA.

The projected note structure for each series is summarized below:

- **Series A Notes (\$57,000,000)** – estimated fixed interest rate based on a swap agreement is 5.60%, with interest only for 3 years, followed by 27-year amortization with 10-year term;

- **Series B Notes (\$19,926,200)** - estimated fixed interest rate is 5.40%, interest only with a 5-year term, however, the Borrower expects to pay-down about 40% at completion and then the full balance within approximately 34 months;

The total estimated cost of the Project is \$86,561,200 as shown below:

Sources Summary	Amounts	
Series A Bonds	\$	57,000,000
Series B Bonds		19,926,200
PHS Equity		9,635,000
Total Sources	\$	86,561,200

Uses Summary	Amounts	
Land	\$	3,350,000
Hard Costs		67,520,780
Soft Costs		2,669,412
Project Contingency		2,997,747
Development Fee		2,923,428
Capitalized Interest		3,616,085
Working Capital		1,613,138
Costs of Issuance		1,870,610
Total Uses	\$	86,561,200

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on October 31, 2023, and found it to be consistent with the HRA/PED’s conduit bond policy.

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.

Additionally, this Project is located within the Highland Bridge site (aka the Ford Site) and subject to the Redevelopment Agreement (RDA) encumbering the land that requires all vertical developers to comply with the additional compliance requirements:

- Sustainable Building Policy

- Two Bid policy
- Project Labor Agreement

Green/Sustainable Development

Again, per the RDA, all the buildings on the Highland Bridge site are subject to Saint Paul's Sustainable Building Ordinance and the Sustainable Building (SB) 2030 energy efficiency requirements. Saint Paul's Sustainable Building Ordinance, and the SB2030 efficiency requirement set aggressive goals to reduce the energy and carbon emissions in Minnesota buildings. Each building will comply with the sustainability standards set forth by the RDA and each building will be LEED Silver certified.

Environmental Impact Disclosure

Redevelopment of the Highland Bridge site required an environmental review and the development proposal underwent a full environmental analysis as part of the Alternative Urban Areawide Review (AUAR). A detailed transportation study was conducted. The AUAR concluded that the surrounding transportation network is able to support the redevelopment proposal, which includes this proposed Project.

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will produce 125 housing units for seniors living independently. The Project is expected to result in the creation of about 8 new FTE jobs with projected total annual wages of \$406,010. Additionally, an estimated 185 construction jobs will be created.

The proposed senior living project is in conformance with the Land Use Chapter of the 2040 Comprehensive Plan, which identifies the site as part of a mixed-use corridor and an opportunity site; and is in conformance with the Ford Site Zoning and Public Realm Master Plan and Highland Park District 15 Plan, which references the master plan and describes a future site consistent with it in its Land Use chapter.

Recommendation:

The HRA Executive Director recommends approval of the resolution authorizing final approval for the HRA to issue up to \$80,000,000 in conduit multifamily housing revenue obligations for the benefit of PHS Highland Park, LLC to assist in the financing of the Marvella Phase II senior rental facility on the Highland Bridge site.

Sponsored by: Chair Tolbert

Staff: Jenny Wolfe, 266-6680

Attachments:

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