

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

REPORT TO THE COMMISSIONERS

DATE: JULY 10, 2019

**REGARDING: RESOLUTION AUTHORIZING AND APPROVING THE CONVEYANCE OF SEVEN PARCELS OF LAND LOCATED AT THE NORTHEAST CORNER OF RICE STREET AND WEST SYCAMORE STREET; APPROVAL OF A HRA LAND SALE LOAN OF \$340,000 TO ASSIST IN THE PURCHASE OF THE PROPERTY; FINANCING OF \$1,500,000 HOME LOAN, AND AUTHORIZATION TO ENTER INTO A DEVELOPMENT AGREEMENT FOR THE RICE STREET FLATS PROJECT; DISTRICT 6, WARD 1**

## **Requested Board Action**

The HRA Board will take action on two separate HRA Board resolutions pertaining to the Rice Street Flats project. The first resolution will be for the Multifamily Housing Revenue Bonds, and the second will be a Public Hearing to sell the HRA owned land, authorize approval of a deferred land loan in the amount of \$340,000 and authorize approval of a deferred HOME loan in the amount up to \$1,500,000 to Rice Sycamore Housing LLC.

The HRA Board is requested to approve the following:

1. The sale of seven HRA parcel to Rice Sycamore Housing LLC for the purchase price of \$340,000.
2. Approval of a deferred land sale loan in the amount of \$340,000.
3. Approval of a HOME loan in the amount up to \$1,500,000.
4. Approval of a Development Agreement with Rice Sycamore Housing, LLC
5. Authorizing the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the Rice Street Flats project.

## **Background**

The HRA acquired 782, 786, 792, and 794 Rice Street and 129 Sycamore Street from TCR Land Holding, LLC on October 3, 2008 for purchase price of \$520,000 (ISP Parking Program Improvement and Implementation Fund 118).

The HRA acquired 796 Rice Street from Ramsey County through the tax forfeiture process on October 6, 2000 at no cost.

The HRA acquired 804 Rice Street from Ramsey County through the tax forfeiture process on September 6, 2002 for purchase price of \$103.15 (HRA Real Estate Fund 148).

The Rice Street site measures approximately 240 feet by 125 feet, for a total area of 30,000 square feet.

The Developer is aware of pollution on the site. A Phase I has been completed and that information has been sent to the Developer. However, the property will be sold “as is”.

On April 11, 2017, PED Staff received a proposal from Phoenix Development Company of Minneapolis, LLC. PED staff did not receive any additional applications to purchase the property.

On July 12, 2017 the HRA Board by resolution 17-1057 award Phoenix Development Company of Minneapolis, LLC (Rice Sycamore Housing LLC) tentative developer status for this property. The Developer has extensive experience in rehabilitation of historical properties and construction of new multifamily and mixed used buildings. They have completed 14 projects within Minneapolis and Saint Paul. They just recently received 9% Tax Credits from the HRA on another project to assist in the renovation of 5 separate parcels containing 172 housing units. This renovation will take place this summer.

The current proposal by the Developer includes construction of a four story building with 41 housing units and 52 parking spaces. The proposed housing will consist of 9 one-bedroom, 12 two-bedroom units, and 20 three-bedroom units.

The forty-one (41) housing units will be affordable to households as follows:

Size and Income /Rent Limits of Units:

| <u>Size</u> | <u># of units</u> | <u>Gross Rent</u> | <u>Rent Limit</u> | <u>Income Limit</u> |
|-------------|-------------------|-------------------|-------------------|---------------------|
| 1 BR        | 7                 | \$1,125           | 60%               | 60%                 |
| 1 BR        | 2                 | \$915             | Low HOME Rent     | 50%                 |
| 2 BR        | 9                 | \$1,350           | 60%               | 60%                 |
| 2 BR        | 3                 | \$1,125           | Low HOME Rent     | 50%                 |
| 3 BR        | 16                | \$1,560           | 60%               | 60%                 |
| 3 BR        | 4                 | \$1,560           | High HOME Rent    | 60%                 |
| Total       | 41                |                   |                   |                     |

The Developer is experienced in the construction and management of multifamily housing projects within the metropolitan area.

The property is currently zoned T2 – Traditional Neighborhood and the proposed project is permitted in this district. See attached **Map**/Address of the Property, and attached **demographic profile** of District 5, the Saint Paul Planning District in which the Project is located. No businesses will be displaced, and no land acquisition took place as a result of eminent domain.

**Budget Action**

If this resolution is approved today we will have \$3,139,174 of HOME funds remaining uncommitted. This balance includes 2019 grant funds.

**Future Action:**

None

**Financing Structure**

The Developer has proposed the following permanent sources and uses to complete the construction project. They are seeking HRA issued Multifamily Housing Revenue Bonds with automatic 4% Low Income Housing Tax Credits (LIHTC) and HOME funds.

| <u>SOURCE</u>              |                   | <u>USES</u>          |                   |
|----------------------------|-------------------|----------------------|-------------------|
| LIHTC Equity (4% from HRB) | \$ 4,344,756      | HRA Owned Land       | \$ 340,000        |
| First Mortgage             | \$ 5,604,800      | Construction         | \$ 9,359,158      |
| Deferred Developer Fee     | \$ 851,000        | Professional Fees    | \$ 461,400        |
| HOME Deferred Loan         | \$ 1,500,000      | Financing Costs      | \$ 1,304,343      |
| Letter of Credit           | \$ 392,336        | Developer Fee        | \$ 1,655,200      |
| HRA Land Sale Loan         | \$ 340,000        | Replacement Reserves | \$ <u>338,000</u> |
| Equity                     | \$ 200,000        |                      |                   |
| Sales Tax Refund           | \$ <u>225,209</u> |                      |                   |
| TOTAL                      | \$13,458,101      |                      | \$13,458,101      |

Summary of Estimated Permanent Sources and Uses for the Project is shown on the attached **Sources and Uses Summary**.

#### HRA Property Sale

PED Staff is recommending that the HRA owned property be sold to the Developer for \$340,000. The current value is estimated at \$339,397. To assist in the development staff is recommending that the HRA take a Seller Note for the sale price of \$340,000. The HRA's Land Sale Loan will be a cash flow note based will have a term of 41 years with a 1% interest rate with deferment of payments for the first 15 years. This loan will be in 2nd position behind the first lender's \$5,604,800 mortgage. PED staff will file a Declaration of Restricted Uses on the property prior to selling the property. PED staff will file a Declaration of Restricted Uses on the property prior to selling the property.

#### Multifamily Housing Revenue Note and 4% LIHTC

On June 5, 2019, the City Council conducted a public hearing and authorized preliminary approval for the HRA to issue a tax-exempt multifamily housing revenue note for the Project. The principal amount of the note will not exceed \$7,500,000 and will have a fixed interest. The Project will also be financed with 4% non-competitive Low-Income Housing Tax Credits available with the issuance of a tax exempt multifamily housing revenue note. The Bonds be

sold with minimum denominations of \$5,000 for rated bonds. The tax exempt bond financing will be structured in two Notes.

#### Low Income Tax Credits (LIHTC)

The 4% LIHTC are to be purchased by Crea SLP, LLC for \$0.88 per dollar and Crea Rice Street Flats, LLC will become the Limited Partner.

#### \$1,500,000 HOME Loan

The \$1,500,000 HOME loan will be structured as a 1% deferred loan for 41 years. The HOME loan will be a cash flow Note based will have a term of 41 years with a 1% interest rate with deferment of payments for the first 15 years. This loan will be in 3rd position behind the first lender's \$5,604,800 loan and the \$340,000 HRA Land loan.

#### Deferred Developer Fee

In order to maximize the amount of tax credit equity, the Developers are requesting a Developer fee of \$1,655,200. This fee is within the City's Developer Fee Guidelines and will include this fee as eligible tax credit basis. A portion of the Developer Fee of \$851,000 will be deferred and paid over a period of up to 15 years through excess cash flow.

#### **PED Credit Committee Review**

On July 2, 2019, the Credit Committee reviewed the proposed Multifamily Housing Revenue Bonds, Land sale and the HOME loan. The Credit Committee approved the Bond assistance as consistent with PED Bond policies. The Credit Committee also approved of the terms of the \$1,500,000 HOME loan and the \$340,000 Land Loan with both being risk rated as "Originated as a Loss".

#### **Compliance**

The Applicant has signed the compliance letters regarding the Project. The Project will comply with the following programs and/or requirements: Vendor Outreach Program, Affirmative Action, Federal Labor Standards, Project Labor Agreement, Sustainable Green Policy and Two

Bid Policy. The Project is exempt from the following: Business Subsidy based on development of housing; Living Wage based on the number of employees.

### **Green/Sustainable Development**

The project will comply with the Saint Paul Sustainable Development Policy.

### **Environmental Impact Disclosure**

An Environmental Review was completed. The Environmental Review was published on April 13, 2019 in the Pioneer Press paper.

### **Historic Preservation**

This project will not require HPC PED Staff review. However, a HUD 106 review was completed.

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

#### ***Housing***

This project conforms to the adopted Saint Paul Comprehensive Plan (2010), particularly Land Use Strategy 1: Target growth in unique neighborhoods. It meets the goals of increasing density where appropriate, particularly along Mixed-Use Corridors, and supporting a mix of uses in those corridors. This project also meets the stated goals of Housing Strategy 1: Build upon Saint Paul's strengths in the evolving metropolitan housing market, particularly regarding increasing housing choice (H-1.1), meeting market demand for transit-oriented housing (H1.2).

The North End District 6 Plan does not provide specific recommendation for this site, but does support "promoting the development of new multi-family housing."

### **Statement of Chairman (for Public Hearing)**

"Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of conveyance of a certain Parcels of land located in District 6 (North End) by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on June 29, 2019. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

The HRA proposes to convey the following property in the District 6 (North End):

| <b>Property Description</b> | <b>Purchaser/Developer</b> | <b>Purchase Price</b> |
|-----------------------------|----------------------------|-----------------------|
| 782 Rice Street             | Rice Sycamore Housing, LLC | \$340,000             |

Legal description

| <u>Current Parcel ID</u> | <u>Current Address</u> | <u>Current Legal Description</u>   |
|--------------------------|------------------------|--|
| 30-29-22-33-0080         | 129 W Sycamore Street  | The Easterly 60 feet of that parcel of land in the Southwest Quarter of the Southwest Quarter of Section 30 Township 29 Range 22, embraced within the area bounded as follows: Commencing at the Northeast corner of Sycamore and Rice Streets in the City of Saint Paul; thence Easterly along the North line of Sycamore Street 150 feet; thence Northerly parallel with Rice Street 42 feet and 8 inches; thence Westerly on a line parallel with Sycamore Street 150 feet to Rice Street; thence Southerly along the east line of Rice Street 42 feet and 8 inches to Sycamore Street and place of beginning |
| 30-29-22-33-0063         | 804 Rice Street        | Block 5, Lockey's Addition to the City of St. Paul   |
| 30-29-22-33-0075         | 796 Rice Street        | Lot 13 and 14, Block 3; Lyton's Addition to St. Paul   |
| 30-29-22-33-0076         | 794 Rice Street        | Lot 15, Block 3, Lyton's Addition to St. Paul  |
| 30-29-22-33-0077         | 792 Rice Street        | Lot 16, Block 3, Lyton's Addition to St. Paul  |
| 30-29-22-33-0078         | 786 Rice Street        | Lot 17, Block 3, Lyton's Addition to St. Paul  |

30-29-22-33-0079 782 Rice Street

That parcel of land in the Southwest Quarter of the Southwest Quarter of Section 30 Township 29 Range 22, embraced within the area bounded as follows: Commencing at the Northeast corner of Sycamore and Rice Streets in the City of Saint Paul; thence Easterly along the North line of Sycamore Street 150 feet; thence Northerly parallel with Rice Street 42 feet and 8 inches; thence Westerly on a line parallel with Sycamore Street 150 feet to Rice Street; thence Southerly along the east line of Rice Street 42 feet and 8 inches to Sycamore Street and place of beginning, Except the Easterly 60 feet thereof

The property will be conveyed for redevelopment of a 41-unit apartment building. Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.”

**Recommendation:**

The Executive Director recommends approval of the attached resolution which approves the following actions:

1. The sale of HRA parcel to Rice Sycamore Housing LLC for the purchase price of \$340,000.
2. Authorize approval of a Land Sale Loan in the amount of \$340,000.
3. Authorize approval of a HOME Loan in the amount up to \$1,500,000.
4. Authorizing the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the Rice Street Flats project.

**Sponsored by:** Commissioner Thao

**Staff:** Report prepared by: Daniel K. Bayers, (266-6685)  
Jenny Wolfe (266-6680)

**Attachments**

- Project Summary
- Map
- Sources and Uses
- Public Purpose
- District 6 Profile