

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 23, 2017

REGARDING: PUBLIC HEARING AND RESOLUTION AUTHORIZING AND APPROVING: 1) THE SALE OF HRA PARCEL TO ST. PAUL EUCLID, LLC FOR THE PURCHASE PRICE OF \$1; 2) APPROVAL OF UP TO \$750,000 IN CDBG/POOLED TIF FUNDS; 3) APPROVAL OF A DEVELOPMENT AGREEMENT WITH ST. PAUL EUCLID, LLC; AND 5) AUTHORIZING THE EXECUTIVE DIRECTOR TO FINALIZE THE LOAN DOCUMENTS FOR EXECUTION BY THE APPROPRIATE HRA OFFICERS IN CONNECTION WITH THE EUCLID VIEW FLATS (234-238 BATES AVERNUE) PROJECT, DISTRICT 4, WARD 7

Requested Board Action

The HRA Board is requested to approve the following:

1. The sale of HRA parcel to St. Paul Euclid, LLC for the purchase price of \$1.
2. Approval of up to \$750,000 in CDBG/Pooled TIF funds.
3. Approval of a Development Agreement with St. Paul Euclid, LLC.
4. Authorizing the Executive Director to finalize the loan documents for execution by the appropriate HRA Officers.

Background

The Housing and Redevelopment Authority of the City of Saint Paul (HRA) acquired the bank foreclosed 234-238 Bates Avenue property in July 2011 from First National Community Bank of Hudson, WI for \$346,000. The property, which had been heavily vandalized, has been vacant since 2010.

In May of 2013, the HRA issued a Request for Proposals for rehabilitation of the historic 12-unit property known as Euclid Flats. Three proposals were received. The HRA Board awarded Sand Companies, Inc. tentative developer status in August 2013 and full developer status in December 2014. The Development Agreement between the HRA Board and Sand Companies, Inc. expired on July 2015.

In March 2016, St Paul Euclid, LLC (Sand Companies) updated their original proposal to include historic rehabilitation requirements. They hired an historic consultant and were able to have the

property listed on the National Register of Historic Places. The costs associated with this process and the historic rehabilitation requirements resulted in a gap of up to \$750,000. The developer has requested gap financing of up to \$750,000 and the purchase of the HRA property for \$1.00. This request required staff to issue a notification through the ENS which was sent out on March 24, 2016. On May 5, 2016, an additional proposal was received for the property. On July 27, 2016, the HRA Board granted tentative developer status to Sand Companies.

The twelve (12) housing units will be tax credit units affordable to households as follows:

Size and Income /Rent Limits of Units:

Size	# of units	Gross Rent	Rent Limit	Income Limit
2 BR	3	\$1,018	50%AMI	50%AMI*
2 BR	9	\$1,221	60%AMI	60%AMI
Total	12			

*Areawide Median Income

The property is currently zoned RM2 – Medium Density Multifamily Residential District and the proposed project use is permitted in this district.

See **Attachment –District 4 Profile** for a demographic profile of Dayton’s Bluff - District 4, the Saint Paul planning district in which the Property is located. No existing businesses will be displaced or relocated as a result of this project, and there was no land acquisition that took place as a result of eminent domain.

Budget Action

The current breakdown of the \$750,000 Loan is \$591,753 in CDBG and \$158,247 in Pooled TIF. The TIF funds are already budgeted and the CDBG funds will be allocated through the AO process. If this resolution is approved there will be a remaining uncommitted CDBG fund balance of \$150,000. This balance includes 2017 grant funds. There will be a current balance of \$1,121,834 of pooled TIF for affordable housing, which includes the first half 2017 TIF receipts.

Future Action: NA

Financing Structure

HRA Property Sale

Sands Company is requesting to purchase the Property for \$1. A Development Agreement will provide the terms and conditions of this transaction.

Housing Revenue Bonds

There is a total of up to \$4,000,000 in tax-exempt bond authority being requested for final approval structured into three series.

Low Income Tax Credits (LIHTC)

The 4% LIHTC are to be purchased by WNC & Associates for \$.83 per dollar and WNC & Associates will become the Limited Partner. The tax credit equity will come in over time for a total contribution of \$1,224,572.

Deferred Developer Fee

In order to maximize the amount of tax credit equity, the Developers are requesting the maximum fee under the City's Developer Fee Guidelines and will include this fee as eligible tax credit basis. A portion of the Developer Fee or \$115,690 will be deferred and paid over a period of 15 years through excess cash flow.

\$750,000 CDBG/Pooled TIF Loan

The \$750,000 CDBG/Pooled TIF loan will be structured as a 2% deferred loan for 30 years. This loan will be in 2nd position behind the MidCounty Bank's \$621,000 loan.

The \$750,000 loan will have two different funding sources – CDBG and Pooled TIF. The final break down between the CDBG Funds and the Pooled TIF funds will be determined at the time of closing. PED staff would like to maximize the amount of CDBG funds into this loan. If the HRA receives additional CDBG funds prior to the closing, the CDBG funds will be inserted into the loan and the equivalent amount of

Pooled TIF will be reduced.

Federal Historic Tax Credits

The Federal Historic Tax Credits will be purchased by WNC & Associates for \$1.00 per credit dollar and WNC & Associates will become the Limited Partner. The tax credit equity will come in over time for a total contribution of \$884,959.

State Historic Tax Credits

In order to keep the MN State Historic Tax Credits from creating “income” to the project, these credits are awarded to a non-profit entity, who in turn loans the credits to the limited partnership. In this case, the Minnesota Historic Tax Credits will be awarded to Preservation Alliance of Minnesota, a 501(c)(3) organization. Preservation Alliance of Minnesota will then create PAM Euclid, LLC, a Minnesota Limited Liability Company who will then loan St Paul Euclid, LLC the funds. The term of this loan will be 40 years at .1% with annual interest payments. The State Historic Tax Credits are in the amount of \$885,047.

<u>SOURCE</u>		<u>USES</u>	
Housing Revenue Bonds/LIHTC	\$1,249,571	HRA Owned Land	\$ 1
First Mortgage	\$ 621,000	Rehabilitation Const.	\$2,670,000
Deferred Developer Fee	\$ 115,000	Contractor Fee	\$ 362,600
CDBG/TIF Deferred Loan	\$ 750,000	Const. Contingency	\$ 328,662
Managing Member Loan	\$ 255,010	Enviro Clean Up	\$ 25,000
HRA Land Sale Loan	\$ 1	Professional Fees	\$ 373,225
State Historic Tax Credits	\$ 885,047	Developer Fee	\$ 610,000
Federal Historic Tax credits	<u>\$ 884,959</u>	Syndication Fees	\$ 23,000
		Financing Costs	\$ 300,000
		Replacement Reserves	<u>\$ 68,100</u>
TOTAL	\$4,760,588		\$4,760,588

Summary of Estimated Permanent Sources and Uses for the Project is shown on **Attachment - Sources and Uses Summary Form.**

PED Credit Committee Review

On July 24, 2017, the Credit Committee recommended the sale of the Property to St. Paul Euclid, LLC and approval of the terms of the \$750,000 CDBG/Pooled TIF Loan with a risk rating of 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, Section 3, Limited English Proficiency, and Two Bid Policy. The Project is exempt from the following: Business Subsidy based on the small business exemption; Living Wage based on the number of employees; and Sustainable Green Policy based on the renovation.

Green/Sustainable Development

Saint Paul Sustainable Development Policy is not required for this project. However, the building renovation will go through Xcel Energy's Design Assistance and Energy Efficient Buildings Programs with The Weidt Group and will be in compliance with Minnesota Green Communities standards.

Environmental Impact Disclosure

N/A

Historic Preservation

The property is located in the Dayton's Bluff Heritage Preservation District and is categorized as pivotal to the character of the district. The Saint Paul Historic Preservation Commission will review and approve the proposed rehabilitation plan prior to the HRA closing on the sale of the property. On December 23, 2013, Sand Companies secured National Register designation of the

property in order to access Federal and State historic tax credits. A HUD 106 review will be required.

Public Purpose/Comprehensive Plan Conformance

Constructed in 1888, 234-238 Bates Avenue is a rare example of a historic multi-family property in the traditionally single-family neighborhood in Dayton's Bluff. Renovating the building will return a vacant, blighted property into an active, attractive use for the neighborhood.

Housing

Strategy 2: Preserve and Promote Established Neighborhoods.

2.13 Continue to assess vacant housing conditions with City/HRA partners such as community development corporations, nonprofit organizations, private developers, district councils, and block groups and prioritize City/HRA revitalization assistance to areas with less vibrant housing markets.

Strategy 3: Ensure the Availability of Affordable Housing Across the City.

3.1 Support the preservation of publicly-assisted and private affordable housing by supporting the application of historic tax credits and other appropriate funding sources to maintain existing low-income units.

Historic Preservation

Strategy 1: Be a Leader for Historic Preservation in Saint Paul

1.10 Give equal consideration to historic preservation factors when City action, involvement, or funding is requested or required.

1.12 Prioritize the retention of designated historic resources over demolition when evaluating planning and development projects that require or request City action, involvement or funding.

Strategy 3: Identify, Evaluate and Designate Historic Resources

3.10 Forward properties that appear to be potentially eligible for listing on the NRHP to the SHPO for an official determination of eligibility.

Strategy 4: Preserve and Protect Historic Resources

4.5 Acquire key threatened historic properties until a suitable owner can be found.

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 Parcel of land located in District 4 (Dayton’s Bluff) 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 August 8, 2017. 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 5 (Payne Phalen):

Property Description	Purchaser/Developer	Purchase Price
234-238 Bates Avenue	St. Paul Euclid, LLC	\$1

Legal description

Lots 11 and 12, Block 2, wilder and Dodge’s Subdivision of Block 48, Lyman Dayton’s Addition, Ramsey County, Minnesota,

The property will be conveyed for redevelopment of a 12 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:

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3. Approval of a Development Agreement with St. Paul Euclid, LLC.
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Sponsored by: Commissioner Prince

Staff: Report prepared by: Daniel K. Bayers, (266-6685)

Attachments

- **Attachment – Map and Address of Project**
- **Attachment – Project Summary**
- **Attachment – Sources and Uses Summary**
- **Attachment – Public Purpose**
- **Attachment – District 4 Profile**