

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 8, 2017

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT HOUSING REVENUE BONDS (HANOVER TOWNHOMES PROJECT); APPROVING RELATED DOCUMENTS; AND ADOPTING A HOUSING PROGRAM, 408 NORTH FARRINGTON STREET, DISTRICT 8, WARD 1.

REQUESTED BOARD ACTION

1. Authorize the issuance of up to \$9,000,000 in tax-exempt housing conduit revenue bonds for the Hanover Townhomes Project
2. Authorize the HRA Executive Director to execute all related documents

BACKGROUND

Community Housing Development Corporation (CHDC) was formed in 1991 to provide decent and affordable housing to low- and moderate-income people in the Twin Cities. CHDC's primary source of revenue is from rental income and earned fees.

CHDC Hanover Limited Partnership (The Partnership) was formed to acquire and rehabilitate Hanover Townhomes in 2001. Hanover townhomes is a 13-building, 96-unit development located just west of the Sears building near the State Capitol, including 32 one-bedroom, 32 two-bedroom, and 32 three-bedroom units. The Partnership has entered into a Housing Assistance Payments (HAP) contract with the U.S. Department of Housing and Urban Development (HUD) under the Section 8 Certified Program Project Based Assistance. The HAP contract covers all 96 apartment units and expires on August 31, 2031.

The buildings were constructed in 1968 and required over \$1,000,000 in rehabilitation work at the time of purchase (2001), including roof repair, new boilers, balcony improvements, and interior upgrading. CHDC received Ramsey County Multifamily Housing Revenue Bonds and 4% low income housing tax credits. The HRA provided a CDBG loan in the amount of \$415,000 (30 year deferred with 3% interest) to assist with the rehabilitation.

In 2007, the HRA approved an additional CDBG loan in the amount of \$162,000 (30 years deferred with 1% interest) to address capital improvement needs, and extended the maturity date of the \$415,000 loan from 2031 to 2039.

To avoid recapture of the tax credits, the Partnership was required to remain in compliance with various regulations through December 31, 2015, the end of the tax credit compliance period. CHDC is now the sole owner of the development.

CHDC intends to refinance and sell the Hanover Townhomes to a related party in order to do approximately \$2.8 million in renovation activities and preserve the project-based Section 8 permanent rental housing assistance for the long term. CHDC will extend the HAP contract with HUD in order to meet the 20 year minimum requirement for HUD to subsidize the first mortgage.

Rehabilitation scope includes the following: plumbing, mechanical, electric systems, building envelope, dwelling units, structural integrity, site and accessory structures, common areas, elevator systems and fire protection.

The City Council held a public hearing on January 25, 2017 and adopted a resolution providing preliminary approval for the Project and the issuance of bonds.

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 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

N/A

FINANCING PROFILE

No gap financing is requested and all the original debt will be paid off, including the HRA CDBG loans including accrued interest estimated at \$777,000.

PED CREDIT COMMITTEE REVIEW

On January 30, 2017 the PED Credit Committee reviewed the terms of the proposed bond structure and determined that the issuance of the Housing Revenue Bonds for the Hanover Townhomes project meets the HRA 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
- Affirmative Action
- Little Davis-Bacon
- Affirmative Fair Housing Marketing

GREEN/SUSTAINABLE DEVELOPMENT

N/A

ENVIRONMENTAL IMPACT DISCLOSURE

N/A

HISTORIC PRESERVATION

The Hanover Townhomes complex was constructed in 1968 and is not deemed historic.

PUBLIC PURPOSE/COMPREHENSIVE PLAN CONFORMANCE

This project meets the public purpose objective of preserving high density, very affordable rental housing and conforms to the following plans:

Land Use Chapter of Comprehensive Plan (2010): The Hanover Townhomes project is in conformance with the City of Saint Paul's Comprehensive Plan policy to preserve existing affordable housing.

Strategy 3: Ensure the Availability of Affordable Housing across the City

3.1 Support the preservation of publicly-assisted and private affordable housing.

b. Support the application of LIHTC, historic tax credits and other appropriate funding sources to maintain existing low-income units. The City/HRA should work with Minnesota Housing, community development corporations, and property owners to continue the provision of low-income housing units in these developments and to use LIHTC on the rehabilitation of existing affordable units.

RECOMMENDATION:

The Executive Director recommends adoption of the attached Resolution, authorizing the issuance of up to \$9,000,000 in tax-exempt Housing Revenue Bonds and authorizing related documents to be executed.

Sponsored by: Commissioner Dai Thao

Staff: Jules Atangana, 266-6552

Attachments

- **Attachment -- Financing Structure**
- **Attachment -- Project Summary**
- **Attachment – Map**
- **Attachment – District 8 Profile**