

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

REPORT TO THE COMMISSIONERS

DATE: June 25, 2014

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT
SENIOR HOUSING REVENUE OBLIGATIONS (THE WATERS OF HIGHLAND
PARK PROJECT) DISTRICT 15, WARD 3**

Requested Board Action

The purpose of this report is to request approval by the Housing and Redevelopment Authority of the City of Saint Paul (HRA) Board of Commissioners of the attached resolution authorizing:

- The issuance and sale of up to \$25,000,000 in Conduit Senior Housing Revenue Obligations for The Waters of Highland Park, a Minnesota non-profit corporation in order to finance a new housing project located at 678 Snelling Avenue South.

Background

The Waters of Highland Park creates an 84-unit senior housing community consisting of senior assisted living and memory/enhanced care units. The building will feature lifestyle amenities for residents, including a wellness/fitness facility, activity room for games and family gatherings, restaurant style dining room, club room, salon/spa, screen porches/patio, and professionally landscaped outdoor living areas. The Project includes 41 underground parking spaces and an estimated 26 surface parking spaces on an adjacent site.

The Borrower is The Waters of Highland Park, LLC, a Minnesota limited liability company whose sole member is Senior Care Communities, a District of Columbia non-profit organization. Senior Care Communities has served the greater Twin Cities metropolitan area since 1995. They own senior housing communities in the following cities:

- Minneapolis - 210 bed nursing home
- Woodbury – 207 bed nursing home and 139 assisted living units
- Forest Lake – 135 bed nursing home and 46 assisted living units
- Eden Prairie – 25 bed TCU nursing home and 143 assisted living units (jointly with the Ebenezer Society)

Senior Care Communities currently employs 950 persons in Minnesota and expects to create 45 new FTE jobs at the Project location with expected annual wages of \$1.8 million.

The Waters Senior Living is the developer/manager of the new Project. They plan to redevelop the former Bradshaw Funeral Home (built in 1962) site at 678 Snelling Avenue South into a 4-story senior living facility. They have already received zoning approvals to enable the development to proceed as planned. These included:

- 1) A property rezoning from B3 (general business) to T3 (traditional neighborhood)
- 2) A Conditional Use Permit for one (1) foot and two (2) inches of additional building height (46 feet 2 inches, total) above the maximum of forty five (45) feet for a residential building in a T3 zoning district
- 3) Variances for a driveway setback from adjacent single-family residential to allow construction of a drive lane from Eleanor to the underground parking garage, and for a reduction to the minimum required green space per unit for an assisted living project in a traditional neighborhood district.

See **Attachment B** for a Map/Address of the Property, and **Attachment C** for a demographic profile of District 15, the Saint Paul Planning District in which the Project is located.

District 15 has been involved in community meetings and supports the project. No businesses will be displaced, and no land acquisition took place as a result of eminent domain.

Construction will commence later this summer and be completed in 12 months. They expect to fully occupy the Project within two years.

The City Council held a public hearing on April 16, 2014, and adopted a resolution providing preliminary approval of the Project and issuance of the bonds subject to final approval by the HRA.

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 Structure

The Borrower has requested that the HRA issue three series of obligations as follows:

- Senior Housing Revenue Note, Series 2014A for an estimated \$15 million to be directly purchased by TCF Investments Management, Inc.;
- Subordinate Senior Housing Revenue Bonds, Series 2014B for an estimated \$5.5 million will be sold through a limited offering by Dougherty & Company, LLC, as non-rated bonds in minimum denominations of \$100,000; and
- Subordinate Senior Housing Revenue Notes, Series 2014C for an estimated \$1 million will be directly placed with the principals of the Developer (The Waters Senior Living), as the deferred portion of their developer fee.

The total estimated cost of the Project is \$23,450,000 as shown below:

Sources of Funds

Senior Note (Series A)	\$15,000,000
Subordinate Bonds (Series B)	5,500,000
Developer Fee Subordinate Note (Series C)	1,000,000
Borrower Equity	<u>1,950,000</u>
Total Sources	\$23,450,000

Uses of Funds

Construction Costs	\$13,889,250
Furniture and Equipment Costs	1,000,000
Site Acquisition Costs	1,850,000
Architectural, Engineering & Design	376,000
Financing, Legal and Organizational	838,750
Capitalized Interest on Senior Note	700,000
Capitalized Interest on Subordinate Bonds	860,000
Rent Up Operating Reserve	1,000,000
Series A Debt Service Reserve	450,000
Series B Debt Service Reserve	450,000
Pre-Opening Costs	450,000
Developer Fee	1,500,000
Miscellaneous	<u>86,000</u>
Total Uses	\$23,450,000

Each of the obligations will have a final maturity of 30 years, with a mandatory tender/redemption estimated to be December 1, 2021. Interest on the Series A note will be variable and tied to the LIBOR, with current projections indicating an approximate rate of 3.50%; interest on the Series B and Series C obligations will be fixed with current estimates at 7.50% and 8.50% respectively. The Series A and B obligations will also include a limited guaranty from the Borrower. The Borrower plans on refinancing the Project at the mandatory redemption date with taxable debt likely through HUD or FNMA insurance.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on June 2, 2014, and found it to be consistent with PED's conduit bond policy.

Compliance

The following compliance requirements are applicable to this Project: Vendor Outreach Program, Affirmative Action, and Labor Standards. The Borrower will be required to execute a Bond Compliance Agreement that will attach the HRA's specific compliance requirements for this Project and the HRA Board will approve this Bond Compliance Agreement in its Resolution. The owner estimates that 100 construction jobs will be created.

Green/Sustainable Development

The Project includes on-site storm water management and incorporates energy saving features such as energy star appliances, energy efficient lighting and energy efficient heating. The building will not be seeking LEED certification.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

Providing assisted senior housing with supportive services is the primary public purpose of this Project.

Saint Paul Comprehensive Plan

- The Waters of Highland Park senior housing project is consistent with the Saint Paul Comprehensive Plan because it adds senior assisted living housing units to the City's inventory and increases housing density along the Snelling Avenue south corridor.
- The Highland District Council is supportive of the project.
- Land Use
 - Generalized Land Use map (Figure LU-K, page LU42) identifies this section of Snelling Avenue as a "Mixed-Use Corridor" appropriate for a range of uses at densities of 30-150 units per acre. The density of this project is 91 units / acre.
 - Strategy 1: Target growth in unique neighborhoods.

- Policy 1.2: Permit high density residential development in Neighborhood Centers, Mixed-Use Corridors, the Central Corridor and Downtown.
- Housing
 - Strategy 2: Preserve and Promote Established Neighborhoods.
 - Policy 2.18: Support the expansion of housing choices for seniors, particularly in neighborhoods that are underserved.
 - Housing Activities Area map (Figure H-K, page H6) identifies this part of Snelling Avenue as an “Opportunity area for potential new housing”.
 - Housing Chapter (page HU2) states, “...greater housing density will be the hallmark of the next 20-30 years. In recognition of the importance of the stability of existing neighborhoods to Saint Paul’s future, this density should primarily be geographically focused on transit and commercial corridors...”

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners approve the attached Resolution which authorizes the issuance and sale of up to \$25,000,000 in Conduit Senior Housing Conduit Revenue Obligations for The Waters of Highland Park Project.

Sponsored by: Commissioner Tolbert

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment A -- Resolution**
- **Attachment B – Map of Project**
- **Attachment C – District 15 Profile**