

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

REPORT TO THE COMMISSIONERS

DATE: MAY 26, 2021

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT MULTIFAMILY HOUSING REVENUE OBLIGATIONS; APPROVING RELATED DOCUMENTS; AND ADOPTING A HOUSING PROGRAM FOR THE PHS HIGHLAND PARK PROJECT, LOCATED AT 822 WOODLAWN AVENUE, 820 MOUNT CURVE BOULEVARD AND 825 MOUNT CURVE BOULEVARD

DISTRICT 15, WARD 3

Requested Board Action

A public hearing and authorization for the HRA to issue up to \$135,000,000 in conduit multifamily housing revenue obligations for the benefit of PHS Highland, Inc. (the “Borrower”) to assist in the financing of two new senior rental facilities on the Highland Bridge site (the “Project”).

Background

PHS Highland Park, Inc., is a Minnesota 501(c)(3) nonprofit corporation, 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 7,000 employees serve 27,000 older adults through 50 PHS-affiliated senior living communities in Minnesota, 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.

PHS facilities located in Saint Paul include Carondelet Village a 50/50 partnership with the Sisters of St. Joseph with 194 employees; Central Towers, 100% owned by PHS with 50 employees; and Lexington Landing, owned by another entity, but managed by PHS with 37 employees. Of these Saint Paul PHS facilities, the HRA issued bonds for Presbyterian Home’s Carondelet Village senior facility with 259 units of assisted living, memory care and skilled nursing, located at 525 Fairview in 2010. Refunding bonds were issued in 2016 in the amount of \$39,100,000 and the

current outstanding balance is \$36,640,000 as of 3/31/2021. PHS has a total employment in Minnesota of 5,901.

The HRA has received an application from the Borrower to issue conduit revenue bonds in two or more series (the “Series 2021 Bonds”) to finance the Project, described as follows:

- Two buildings connected by a skyway with a total of 300 units will provide residents 55 and older the ability to age in place through a continuum of care model, with a mix of Independent Living (IL), Assisted Living (AL), and Memory Care (MC) apartments (renderings of each building are **attached**). Each building will comply with the sustainability standards set forth by the Highland Bridge Master Plan requirements, have controlled entrances, heated and secured underground parking, and outdoor and indoor amenity spaces. In addition, both buildings will be LEED Silver Certified.
 - Lot 1, Block 6 Building (825 Mount Curve Blvd and 822 Woodlawn Ave) will be four stories and consist of 182 units, with 102 units of IL, 40 units of AL, and 40 units of MC. The building features two primary building entries with a total of 151 structured parking spaces. The building also features a two-level Town Center which is the heart of the two-building campus offering a variety of amenities that promote health and well-being.
 - Lot 1, Block 7 Building (820 Mount Curve Blvd) will be five stories and consist of 118 units, all of which are intended to be Independent Living units. The building includes 4,000 square feet of retail space and a total of 99 structured parking spaces.

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**. The Project required variances pertaining to the height limits imposed by overlay districts and minimum setbacks in the zoning code. The variances were supported by the Highland District Council and approved in December 2020. Additionally, the proposed skyway across the public street (Mount Curve Blvd) required that the City vacate a portion of the City’s air rights over the right-of-way. The City Council adopted RES PH 21-9 on February 3, 2021 approving the vacation. Construction is expected to start in June 2021 and be completed by January 2023.

Budget Action

This is a conduit bond issue. The Series 2021 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 Series 2021 Bonds 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

No further action is required; the closing is expected to occur later in June.

Financing Structure

The Series 2021 Bonds will be directly purchased by private banks and Piper Sandler is serving as placement agent. There will be two series with a lead lender for each series; UMB Bank is the lead lender for the Series A and Sunrise Bank is the lead lender for the Series B. Additional lenders are expected to include: Associated Bank, Choice Bank and MN Bank & Trust for the Series A; and Highland Bank, First State Bank & Trust, Citizens Bank and MidCountry Bank for the Series B.

The projected debt service schedules for each series are summarized below:

- **Series A Bonds (\$104,897,074)** - estimated 3.40% interest rate, semi-annual payments required with interest only until 9/1/2024; final maturity is 9/1/2051.
- **Series B Bonds (\$26,903,520)** - estimated 2.87% interest rate, monthly interest only payments until Certificate of Occupancy, then quarterly payments to pay down principal, with set amounts due in 6 month intervals, with the outstanding balance due at final maturity, projected at 9/1/2026.

Each lender will execute an Investor Letter, the form of which will be provided by the HRA. The total estimated cost of the Project is \$143,800,594 as shown below.

Sources Summary	Amounts
Series A Bonds	\$ 104,897,074
Series B Bonds	26,903,520
PHS Equity	12,000,000
Total Sources	\$ 143,800,594

Uses Summary	Amounts
Land	\$ 9,125,000
A&E, Design, Consultants	4,740,510
Construction & Related	102,622,985
FF&E	3,981,618
Working Capital	4,265,000
Marketing, legal, etc	2,291,020
Project Contingency	4,764,074
Development Fee/Exp	4,886,977
Capitalized Interest	4,372,329
Costs of Issuance	2,751,081
Total Uses	\$ 143,800,594

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on May 11, 2021 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 generate 300 housing units for seniors providing a continuum of care to enable residents to age in place. The Project is expected to result in the creation of nearly 62 new FTE jobs with a projected average annual salary of \$43,830. Additionally, an estimated 265 construction jobs will be created over a two-year period.

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. The senior living project required multiple variances for height and setback. These variances were supported by the Highland Park District Council and all approvals were received in December 2020. The proposed senior living project is also 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.

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 approving the issuance of approximately \$135 million in conduit multifamily housing revenue obligations by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA) for the Presbyterian Homes Project. Notice of time, place, and purpose of this hearing was published in the Legal Ledger, the official newspaper of the Authority on the 10th of May, 2021. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings. Is there anyone who wishes to be heard on this matter? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The HRA Executive Director recommends approval of the resolution authorizing the issuance and sale of up to \$135,000,000 in conduit multifamily housing revenue bonds for the benefit of the PHS Highland Bridge Project and execution of related documents.

Sponsored by: Chair Tolbert

Staff: Jenny Wolfe, 266-6680

Attachments:

- **Building Renderings**
- **Map**
- **District 15 Profile**