

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 12, 2018

**REGARDING: RESOLUTION GIVING HOST APPROVAL TO THE ISSUANCE BY THE CITY OF FALCON HEIGHTS, MINNESOTA OF CONDUIT SENIOR HOUSING REVENUE NOTES ON BEHALF OF HERITAGE APARTMENTS, INC., 1440 MIDWAY PARKWAY, SAINT PAUL, MINNESOTA DISTRICT 10, WARD 4**

## **Requested Board Action**

Public hearing and authorization providing consent to the issuance of bank qualified debt by the City of Falcon Heights on behalf of Heritage Apartments, Inc. for their project located at 1440 Midway Parkway.

## **Background**

Heritage Apartments, Inc. is a non-profit corporation (the “Borrower”) that owns and operates a 60-unit senior rental facility located at 1440 Midway Parkway. In 2009, the HRA issued \$3,200,000 of conduit housing revenue bonds to refinance bonds issued in 1993 by the HRA, which proceeds were used to finance the construction of the Heritage Apartments Project (the “2009 Bonds”). The outstanding principal is approximately \$1,650,000.

The Borrower is proposing to refund the 2009 Bonds through tax-exempt obligations issued by the City of Falcon Heights (the “Issuer”) in the approximate amount of \$1,700,000 (the “Project”).

Bremer Bank (the “Bank”) has agreed to finance the Project through the purchase of a tax-exempt note (the “Note”), but their commitment to finance the Project is conditioned upon the Note being designated by the issuer as a “qualified tax-exempt obligation” (“Bank Qualified”) under Section 265(b) of the Internal Revenue Code. In order to be designated as Bank Qualified, an issuing city can issue no more than \$10,000,000 in qualifying obligations during the calendar year.

The HRA is not able to issue Bank Qualified obligations in any calendar year because we expect to issue more than \$10,000,000 in obligations for use by other nonprofit organizations or for our

own corporate use. With the Bank Qualified designation, the Bank is able to offer a lower interest rate on the obligations to the Borrower due to the federal taxation of certain carrying costs of the obligations. The Port Authority would generally be able to issue Bank Qualified obligations, however in this case they indicated they do not have capacity to finance the Project prior to the end of the year.

Since the Project is located within Saint Paul, Section 147(f) of the Internal Revenue Code requires that the HRA approve the issuance of the Note following a public hearing (i.e. Host Approval), and that the HRA consent to the refunding of the 2009 Bonds.

**Budget Action**

N/A

**Future Action**

N/A

**Financing Structure**

The Note will be payable solely from revenues of the Borrower, will not be a general or moral obligation of the HRA, the City, the Issuer, or any other political subdivision of the State of Minnesota, but will be payable solely from revenues of the Borrower. Minnesota law requires the execution of a Joint Powers Agreement between the Issuer and the host city (the HRA).

**PED Credit Committee Review**

The PED Credit Committee reviewed the request to provide consent on December 4, 2018, and found it to be consistent with PED's policies when requesting Host Approval for Bank Qualified Bonds.

**Compliance**

N/A

**Green/Sustainable Development**

N/A

**Environmental Impact Disclosure**

N/A

**Historic Preservation**

N/A

**Public Purpose/Comprehensive Plan Conformance**

The Borrower will be able to provide continuous rental housing to seniors.

**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 consenting to the issuance of a conduit revenue note by the City of Falcon Heights to refund the 2009 Bonds. Notice of time, place, and purpose of this hearing was published in the Pioneer Press, a newspaper of general circulation in the City on the 24<sup>th</sup> of November, 2018. 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 providing consent to the issuance of conduit revenue obligations by the City of Falcon Heights, for the Project and execution of a Joint Powers Agreement.

**Sponsored by:** Commissioner Jalali Nelson

**Staff:** Jenny Wolfe (266-6680)

**Attachments**

- **Attachment – Map**