

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 28, 2023

REGARDING: RESOLUTION AUTHORIZING AND RECOMMENDING APPROVAL OF FINANCING OF A \$550,000 HOME LOAN; AND AUTHORIZING AND RECOMMENDING APPROVAL OF FINANCING OF A \$1,950,000 ARPA LOAN AND EXECUTION OF THE LOAN AGREEMENTS FOR THE TREEHOUSE SENIOR HOUSING PROJECT; DISTRICT 15, WARD 3.

Requested Board Action

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners to approve the attached Resolution authorizing approval of a \$550,000 HOME loan and approval of a \$1,950,000 American Rescue Plan Act (ARPA) loan to the Treehouse Senior Housing Project.

Background

On January 26, 2022, by Resolution 22-124, the HRA Board approved the reservation of 9% Low Income Housing Tax Credits (LIHTC) from the City of Saint Paul to the Treehouse Senior Housing Project that consists of 36 units of affordable rental supportive housing for seniors aged 55 and older (the “Project”). The Project is located on a vacant parcel of land and is in the process of getting a new address for Parcel Identification Number (PIN) 222823220080. The parcel is just north and adjacent to 2319 West 7th Street, the location of an existing nursing care facility called Highland Chateau in the Highland Park Neighborhood.

Housing Rents and Incomes

The Project includes the new construction of a five-story building with tuck under parking and 36 total housing units. Of the 36 unit, twenty-seven (27) will be affordable at 30% AMI or less, and the remaining nine (9) units will be affordable at 50% AMI or less. Seven (7) units will be set aside for High Priority Homeless units. These units will also benefit from Housing Supports subsidy from Ramsey County. Catholic Charities will be the primary service provider.

Size and Income /Rent Limits of Units:

Unit Type	# of Bath-rooms	# of Units	Unit Sq Ft	Monthly Contract Rent	Rent Limit	Income Limit
0BR/Eff	1.00	16	462	891	30% MTSP	30% MTSP
1BR	1.00	2	570	891	30% MTSP	30% MTSP
1BR	1.00	9	570	693	30% MTSP	30% MTSP
1BR	1.00	5	570	1,046	50% MTSP	50% MTSP
1BR	1.00	4	735	1,155	50% MTSP	50% MTSP
Total		36				

Developer Experience

Trellis Co. formerly known as Community Housing Development Corporation (CHDC), was founded in 1991 and has provided stability to Minnesota residents and communities for more than 25 years as a nonprofit developer and owner. Trellis owns more than 3,500 affordable housing units including Hamline Townhomes, Ramsey Hill Apartments, Dale Street Place, and Selby Milton Victoria Apartments located in Saint Paul. More than half of Trellis Co. units are Section 8 and approximately 2,000 are LIHTC.

Budget Action

None

Future Action

1. A City Council resolution requesting approval of an Administrative Order (AO) for the HOME funds will be required after execution of the HOME Written Agreement.
2. A City Council resolution requesting authorization to transfer the ARPA funds from the 30% AMI Deeply Affordable Housing account to the Treehouse Senior Housing project will be required.

Financing Structure

Tax Credits

The Project will be financed with the City's 2022 allocation of 9% Low Income Housing Tax Credits (LIHTC). In addition, the Project is in a "Qualified Census Tract" as defined by the Department of Housing and Urban Development (HUD). This will allow the Project to receive an additional 30% "boost" in tax credit equity. The LIHTC will be purchased by NEF for \$0.875 per dollar for a total of \$10,908,007.

American Rescue Plan Act (ARPA) Loan

The Project was selected through a formal solicitation and review process for the Department of Planning and Economic Development's (PED) ARPA funds set aside for the 30% AMI Deeply Affordable Housing fund. The \$1,950,000 ARPA loan will have a 0% interest rate, with both principal and interest deferred for 50 years and will in first (1st) collateral position to the first mortgage.

HOME Loan

The \$550,000 HOME loan will have a 0% interest rate, with both principal and interest deferred for 50 years and will in second (2nd) collateral position to the first mortgage.

Ramsey County ARPA Loan

The \$865,000 ARPA loan will have a 0% interest rate, with both principal and interest deferred for 50 years and will in third (3rd) collateral position to the first mortgage.

Seller Note

To help fill the financing gap, Trellis Co. as the seller of the property will take back a Seller Note in the amount of \$385,000 as a portion of the purchase price. It is deferred note and will have an interest rate set at the Applicable Federal Rate (APR) at the time of closing.

Developer Fee

The Developer Fee is in the amount of \$1,350,000. This fee is within HRA policy. The Developer will defer a portion of the developer fee in the amount of \$241,193, which is estimated to be repaid in 10 years.

Permanent Sources and Uses of Funding:

Sources of Funds

LIHTC Tax Credit Equity	\$ 10,908,007
City HOME Loan	550,000
Energy Rebate/45L Credits	75,000
Sales Tax Rebate	205,900
Seller Loan	385,000
City of Saint Paul ARPA	1,950,000
Ramsey County ARPA	840,000
Deferred Developer Fee	<u>241,193</u>
Total Sources of Funds	\$ 15,175,100

Uses of Funds

Acquisition	\$ 744,490
Construction Costs	10,568,319
Contingency	14,532
Professional Services & 3 rd Party Reports	1,218,785
Bond, Tax Credit and Other Financing Costs	475,430
Reserves	275,000
Developer Fee	<u>1,350,000</u>
Total Uses of Funds	\$ 15,175,100

PED Credit Committee Review

On June 6, 2023, the PED Credit Committee reviewed and approved the terms of both the \$550,00 HOME Loan and the \$1,950,000 ARPA loan.

Compliance

The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, Federal Davis Bacon, Section 3, Project Labor Agreement, and the 2-Bid Policy.

Green/Sustainable Development

The Treehouse project will comply with Saint Paul Sustainable Development Ordinance.

Environmental Impact Disclosure

N/A

Historic Preservation

A Section 106 letter from the Minnesota State Historic Preservation Office (SHPO) was received confirming no historic properties will be affected by the federal undertaking,

Public Purpose/Comprehensive Plan Conformance

This Project meets several public purpose objectives as listed including providing deeply affordable rental housing and will further several planning strategies and goals such as the following:

1. The 2040 Comprehensive Plan major housing strategies is to ensure the availability of affordable housing across the city.
2. Comprehensive Plan policy H 1.1 calls for increasing housing choices across the city to support economically diverse neighborhoods.
3. Policy H-42. Pursue public and private funding sources, including local sources, for affordable housing preservation and production.
4. Policy H-55. Support housing for older people that is proximate to transit.

Highland District Council 15 has submitted a letter of support for the Treehouse Project.

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which approves the following:

1. A \$550,000 HOME Loan to the Treehouse Senior Housing Project; and
2. A \$1,950,000 ARPA Loan to the to the Treehouse Senior Housing Project.

Sponsored by: Commissioner Tolbert

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Map**
- **Public Purpose**
- **D15 Highland Park Neighborhood Profile**