

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

REPORT TO THE COMMISSIONERS

DATE: JULY 13, 2022

**REGARDING: RESOLUTION AUTHORIZING AND APPROVING A LOAN OF UP TO \$1,500,000 IN HOME FUNDS AND AUTHORIZING TO ENTER INTO A HOME LOAN AGREEMENT AND THE EXECUTION OF OTHER RELATED DOCUMENTS FOR THE STRYKER SENIOR HOUSING PROJECT; DISTRICT 3, WARD 2.**

## **Requested Board Action**

The HRA Board will act upon a HRA Board resolution pertaining to the Stryker Senior Housing project. The resolution will authorize approval of a HOME loan in the amount up to \$1,500,000 which includes the previous approved \$750,000 HOME funds and removal of a previously approved CDBG loan in an amount up to \$200,000 to Stryker Senior Housing LLC in which the Neighborhood Development Alliance (“NeDA”) is the Sole Member (the Developer).

The HRA Board is requested to approve the following:

1. Approval of a HOME loan in the amount up to \$1,500,000.
2. Removal of a CDBG loan in the amount up to \$200,000.
3. Approval of a HOME Loan Agreement with Stryker Senior Housing LLC.
4. Authorizing the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the Stryker Senior Housing project.

## **Background**

The HRA acquired 605 Stryker Avenue from A & M Market LLC (Ahmad Al-Hawwari) on March 12, 2019, for a purchase price of \$385,000 (CDBG Fund 100).

The HRA acquired 617 Stryker Avenue from Ramsey County in December 1998 for a purchase price of \$7,500 (HRA Fund 145).

HRA funding will allow for completion of pollution cleanup on the site. A Phase 1 has been completed and cleanup of the property will take place prior to construction of the building. However, the property will be sold “as is”.

The HRA issued a “Request for Offers for Purchase and Development” on June 15, 2018, with the initial review starting August 15, 2018, in compliance with the HRA’s disposition policy. The HRA did not own 605 Stryker Avenue at the time of the initial “Request for Offers for Purchase and Development”. The HRA acquired this property on March 12, 2019.

HRA staff received five offers regarding the purchase of the HRA-owned properties. PED Staff reviewed all five proposals. The proposals ranged from affordable senior housing to mixed use/mixed income developments. One of the five offers was later rescinded. HRA staff did an extensive review and is recommended NeDA’s current Stryker proposal for developer status for the two properties.

On October 27, 2021, the HRA Board approved developer status for the Developer for this property.

The Developer proposes to construct a three-story building with 57 units of senior housing and 21 surface parking spaces. The proposed housing will consist of 33 efficiencies and 24 one-bedroom units.

The fifty-seven (57) housing units will be affordable to senior households as follows:

Size and Income /Rent Limits of Units:

<u>Size</u>	<u># of units</u>	<u>Gross Rent</u>	<u>Rent Limit</u>	<u>Income Limit</u>
EFF	23	\$570	30%	30%
EFF	10	\$750	50%	60%
1 BR	20	\$984	30%	30% (PBV/VASH units)
1 BR	4	\$984	50%	60%
Total	57			

NeDA is a certified Community Housing Development Organization (CHDO). Currently, NeDA is one of only two CHDO’s in the City. A HOME requirement indicates that the City must “set aside” a minimum of 15 percent of their HOME allocations to CHDOs. NeDA and this project

will meet this requirement. The Developer is also experienced in the construction and management of multifamily housing projects within St. Paul.

The property is currently zoned T2 – Traditional Neighborhood and the proposed project is permitted in this district. See attached **Map** of the Property, and attached **demographic profile** of District 3, the Saint Paul Planning District in which the Project is located. No businesses will be displaced, and no land acquisition took place as a result of eminent domain.

### **Budget Action**

City Council previously authorized \$385,000 of CDBG for acquisition of the 605 Stryker parcel. On October 27, 2021, the HRA Board approved the following:

1. The sale of two HRA-owned parcels, 605 and 617 Stryker Avenue, to Stryker Senior Housing LLC for the purchase price of \$228,000.
2. Approval of a Land Sale loan in the amount of \$228,000.
3. Approval of a HOME loan in the amount up to \$750,000.
4. Approval of a CDBG loan in the amount up to \$200,000.
5. Approval of a Development Agreement with Stryker Senior Housing LLC.
6. Authorizing the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the Stryker Senior Housing project.

The current action will require a concurrent City Council budget action for the additional \$750,000 in HOME funds be combined with the already approved \$750,000 in HOME funds in a total amount not to exceed \$1,500,000 and the reduction of the \$200,000 in CDBG funds.

### **Future Action:**

None

### **Financing Structure**

The Developer has proposed the following permanent sources and uses to complete the construction project:

Permanent Sources and Uses:

<u>Sources</u>		<u>Uses</u>	
MHFA HIB Loan	\$ 9,450,000	HRA Owned Land	\$ 228,000
First Mortgage (25 yr, 5.25%)	\$ 1,273,000	Construction	\$11,785,226
Deferred Developer Fee	\$ 263,759	Professional Fees	\$ 877,130
HOME Deferred Loan	\$ 1,500,000	Enviro Abatement	\$ 56,200
HRA Land Sale Loan	\$ 228,000	Developer Fee	\$ 1,070,000
Sales Tax Refund	\$ 274,070	Financing Fees	\$ 254,887
Energy Rebates	\$ 16,398	Replacement Reserves	<u>\$ 213,584</u>
Met Council TBRA (grant)	\$ 179,800		
Met Council LCDA (grant)	\$ 500,000		
Ramsey County ARPA (grant)	\$ 750,000		
Ramsey County ERF (grant)	<u>\$ 50,000</u>		
TOTAL	\$14,485,027		\$14,485,027

\$1,500,000 HOME Loan

The \$1,500,000 HOME funds will be a 50% cash flow loan with a term of 30 years, at 1% simple interest. All principal and interest payments will be deferred until the deferred developer fee and the Seller Note is paid in full. This loan will be subordinate to the first mortgage, MHFA's Bond loan and HRA's Land Sale loan. The loan would be secured by a Loan Agreement, Declaration of Covenants, Conditions & Restrictions, Promissory Note, a 4<sup>th</sup> position Real Estate Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement and a Uniform Commercial Code (UCC).

Deferred Developer Fee

Developers are requesting a developer fee of \$1,070,000. This fee is within the City's Developer Fee Guidelines. A portion of the Developer Fee of \$263,759 will be deferred and paid over a period of up to 10 years through excess cash flow.

### **PED Credit Committee Review**

On April 12, 2022, the Credit Committee reviewed the proposed HOME loan. The Credit Committee approved the terms of the \$1,500,000 HOME loan and risk rated as “Originated as a Loss”.

### **Compliance**

The Applicant has signed the compliance letters regarding the Project. The Project will comply with the following programs and/or requirements: Vendor Outreach Program, Affirmative Action, Federal Labor Standards, Project Labor Agreement, Sustainable Green Policy and Two Bid Policy. The Project is exempt from the following: Business Subsidy based on development of housing; Living Wage based on the number of employees.

### **Green/Sustainable Development**

The project will comply with the Saint Paul Sustainable Development Policy.

### **Environmental Impact Disclosure**

An Updated Environmental Review was completed. The Updated Environmental Review was published in the Pioneer Press on June 2, 2022.

### **Historic Preservation**

This project will not require HPC PED Staff review. However, a HUD 106 review was completed.

### **Public Purpose/Comprehensive Plan Conformance**

The following public purposes will be met:

1. This project’s purpose aligns with the Comprehensive Plan, promoting housing, and community development along a significant neighborhood corridor. This project meets the following goals established in the City’s 2008 Comprehensive Plan:

Housing 2.18. – Supports the expansion of housing choices for seniors, particularly in neighborhoods that are underserved. *(This property is within an identified Area of Concentrated Poverty with over 50% people of color.)*

Land Use 1.2. – Permit high-density residential development in Neighborhood Centers, Mixed-Use Corridors, the Central Corridor, and Downtown. *(This property is within a Mixed-Use Corridor as well as the Stryker-George Neighborhood Center.)*

This project also meets the following goals of the West Side Community Plan:

H1.1 – Develop rental housing options appropriate to a commercial corridor, incorporating a variety of options accessible to all income levels.

H1.5 – Develop additional senior housing options so elders can stay in this community when they can no longer stay in their home.

2. Private investment in an Invest St. Paul neighborhood
3. Increase in property tax based.

**Recommendation:**

The Executive Director recommends approval of the attached resolution which approves the following actions:

1. Approval of a HOME loan in the amount up to \$1,500,000.
2. Removal of the CDBG loan in the amount up to \$200,000.
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4. Authorizing the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the Stryker Senior Housing project.

**Sponsored by:** Commissioner Noecker

**Staff:** Report prepared by: Daniel K. Bayers, (651-266-6685)

**Attachments**

- Map
- D3 West Side Neighborhood Profile