

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 27, 2021

**REGARDING: RESOLUTION AUTHORIZING AND APPROVING THE CONVEYANCE OF TWO, HRA-OWNED PARCELS OF LAND LOCATED AT 605 AND 617 STRYKER AVENUE; AUTHORIZING AND APPROVING A HRA LAND SALE LOAN OF \$228,000 TO ASSIST WITH PURCHASE OF THE PARCELS; AUTHORIZING AND APPROVING FINANCING OF A \$750,000 HOME LOAN; AUTHORIZING AND APPROVING FINANCING OF A \$200,000 CDBG LOAN; AND AUTHORIZING AND APPROVING THE EXECUTION OF A DEVELOPMENT AGREEMENT 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 be a Public Hearing to sell HRA-owned land located at 605 and 617 Stryker Avenue, authorize approval of a Land Sale loan in the amount of \$228,000, authorize approval of a HOME loan in the amount up to \$750,000, and a 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. 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.

## **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 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 recommending NeDA’s current Stryker proposal for tentative developer status for the two properties.

On March 27, 2019, the HRA Board approved tentative developer status for the Developer for this property.

The Developer proposes to construct a three-story building with 57 housing units 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 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	\$551	30%	30%
EFF	10	\$750	50%	60%
1 BR	20	\$984	30%	30% (PBV/VASH units)
1 BR	<u>4</u>	\$984	50%	60%
Total	57			

The Developer is 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. The current action will require a concurrent City Council budget action for any additional \$750,000 in HOME funds and \$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>Source</u>		<u>Uses</u>	
MHFA HIB Loan	\$ 9,450,000	HRA Owned Land	\$ 228,000
First Mortgage (25 yr, 4.35%)	\$ 1,314,000	Construction	\$10,430,435
Deferred Developer Fee	\$ 197,199	Professional Fees	\$ 852,130
HOME Deferred Loan	\$ 750,000	Enviro Abatement	\$ 56,200
CDBG Deferred Loan	\$ 200,000	Developer Fee	\$ 1,095,000
HRA Land Sale Loan	\$ 228,000	Financing Fees	\$ 247,724
Sales Tax Refund	\$ 240,250	Replacement Reserves	<u>\$ 212,584</u>
Energy Rebates	\$ 12,825		
Met Council TBRA (grant)	\$ 179,800		
Met Council LCDA (grant)	\$ 500,000		
Ramsey County ERF (grant)	<u>\$ 50,000</u>		
TOTAL	\$13,122,074		\$13,122,074

### HRA Property Sale

PED Staff is recommending that the HRA-owned properties be sold to the Developer for \$228,000. The current value is estimated at \$228,000. PED staff will file a Declaration of Restricted Uses on the property prior to selling the property. The \$228,000 Land Sale loan 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 DDF is paid in full.

The Land Sale Loan has two funding sources: HRA & CDBG. The HRA will fund \$159,600. The CDBG will fund \$68,400. The repayment of this loan will be based on a pro-rata basis in which 70% will be reimburse the HRA funds and 30% will reimburse the CDBG fund. This loan will be subordinate to the Greater Minnesota Housing Fund's 1<sup>st</sup> mortgage and MHFA's HIB 2<sup>nd</sup> mortgage.

### \$750,000 HOME Loan

The \$750,000 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 Mortgages, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement and a UCC.

### \$200,000 CDBG Loan

The \$200,000 CDBG 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, the Land Sale loan and HOME loan funds are paid in full. This loan will be subordinate to the first mortgage, MHFA's Bond loan, HRA's Land Sale loan, and the HOME loan. The loan would be secured by a Loan Agreement, Promissory Note, a 5<sup>th</sup> position Real Estate Mortgages, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement and a UCC.

### Deferred Developer Fee

Developers are requesting a Developer fee of \$1,095,000. This fee is within the City's Developer Fee Guidelines. A portion of the Developer Fee of \$197,199 will be deferred and paid over a period of up to 10 years through excess cash flow.

### **PED Credit Committee Review**

On September 21, 2021, the Credit Committee reviewed the proposed land sale, the HOME loan, and the CDBG loan. The Credit Committee approved the terms of the \$228,000 HRA's Land Sale loan, the \$750,000 HOME loan, and the \$200,000 CDBG loan. All three loans are being 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 Environmental Review was completed. The Environmental Review was published on September 23, 2021 in the Legal Ledger paper.

### **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.

## **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 conveyance of a certain Parcels of land located in District 3 (West Side) by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Legal Ledger on October 7, 2021. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

The HRA proposes to convey the following property in the District 3 (West Side):

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
605 & 617 Stryker Avenue	Stryker Senior Housing LLC	\$228,000

Legal description

<u>Current Parcel ID</u>	<u>Current Address</u>	<u>Current Legal Description</u>
07-28-22-14-0139	605 Stryker Avenue	The East 100 feet of Lots 9 & 10, Block 117, West St Paul Proper, Ramsey County, Minnesota (Abstract)
07-28-22-14-0138	617 Stryker Avenue	Lots 8, Block 117. West St Paul Ramsey County, Minnesota (Abstract) Lots 6 & 7, Block 117, West St. Paul Ramsey County, Minnesota (Torrens)

The properties will be conveyed for redevelopment of a 57-unit apartment building. Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.”

**Recommendation:**

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

1. The sale of two HRA parcel to Stryker Senior Housing LLC for the purchase price of \$228,000.
2. Approval of a deferred 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.

**Sponsored by:** Commissioner Noecker

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

**Attachments**

- Map
- D3 West Side Neighborhood Profile