

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 9, 2022

REGARDING: RESERVATION OF 2023 LOW INCOME HOUSING TAX CREDITS FOR THE SELBY WILKINS DEVELOPMENT AT VARIOUS SITES, WARD 1, DISTRICT 8, AND FOR THE EAST 7TH DEVELOPMENT AT 892 EAST 7TH STREET, WARD 6, DISTRICT 4.

Requested Board Action

Approval of the accompanying resolution to reserve:

- \$426,200 of 2023 Low Income Housing Tax Credits for the Selby Wilkins developments located at various sites described below and owned by Twin Cities Housing Development Corporation (“Selby Wilkins”); and
- \$436,854 for the East 7th development located at 892 West 7th Street and owned and operated by a PPL entity (“East 7th”).

Background

The Federal Tax Reform Act of 1986 created the Low-Income Housing Tax Credit Program (the “Credit Program”), which provides a reduction in federal tax liability to owners and investors of qualified low-income housing developments that comply with federally imposed rent and tenant income restrictions for a period of 30 years (“Credits”).

On April 28, 2021, by Resolution 21-672, the Board of Commissioners of the Housing and Redevelopment Authority of Saint Paul (“HRA Board”) endorsed changes to the Minneapolis/Saint Paul Housing Finance Board’s (“Finance Board”) 2022-2023 Low Income Housing Tax Credit Procedural Manual (“2022-2023 Procedural Manual”) and the 2022-2023 Qualified Allocation Plan (“2022-2023 QAP”) to reflect the HRA Board’s housing selection priorities for the 2022 and 2023 Credit Program. The 2022-2023 QAP contains several changes aimed at better serving the lowest income residents in our community. These changes include awarding additional points to deeper affordability projects at or below the 30% Area Median Income (AMI) and 50% AMI levels.

On June 15, 2021, the Finance Board approved the 2022-2023 Procedural Manual and the 2022-2023 QAP. The Finance Board also authorized the HRA Board to administer the 2023 Credit Program and reserved 2023 Credits to qualified Saint Paul developments. The projected HRA Board’s sub-allocation of Credits for 2023 is \$870,289.00.

To be considered for 2023 Credits, eligible projects must be financially feasible and viable as qualified low-income projects for the credit period. (See: attached 2022-2023 QAP, Article VII, Procedure for Selecting Projects; Project Threshold Requirements.) Once the proposals are determined to be qualified, the proposals are scored by a staff committee based upon the selection and preference priorities established as the 2022-2023 QAP scoring criteria.

The HRA received three (3) applications for the 2023 low income housing tax credit request for proposals (9% LIHTC RFP) as follows:

Project Name:	Selby Wilkins
Address:	Scattered sites
Developer:	Twin Cities Housing Development Corporation (TCHDC)
Owner:	TCHDC
Project Type:	Rehabilitation
Total Units:	53
Zoning District:	RM2 and B3
Eminent Domain:	none
Project Cost:	\$22,930,513
City Financing to be requested:	\$1,300,000 CDBG
2023 Housing Tax Credit requested:	\$426,200
2023 Housing Tax Credit recommended:	\$426,200

Project Name:	East 7 th
Address:	892 East 7 th Street
Developer:	PPL
Owner:	PPL
Project Type:	New Construction
Total Units	60
Zoning District	B3 General Business District
Eminent Domain	none
Project Cost	\$31,541,769
City Financing to be requested:	\$1,500,000
2022 Housing Tax Credit requested:	\$2,689,158
2022 Housing Tax Credit recommended:	\$436,854.00

Project Name:	BB Housing
Address:	Scattered Sites
Developer:	BB Housing Associates
Owner:	BB Housing Associates
Project Type:	Rehabilitation
Total Units	41
Zoning District	RT2
Eminent Domain	none
Project Cost	\$9,340,500
City Financing to be requested:	\$2,400,000
2022 Housing Tax Credit requested:	\$431,811
2022 Housing Tax Credit recommended:	0

According to Article VII (K) of the 2022-2023 QAP, projects will be prioritized with the project receiving the most points being rated first, the project receiving the second most points being rated second and so on. If two or more projects have overall point totals which are within 2 points of one another, the projects shall be deemed to be substantially equivalent, and the HRA Board will select the project which best meets the applicable city’s housing priorities.

Following the 2022-2023 QAP selection and preference priorities, the applications scored as follows:

- **Selby Wilkins** **75 points**
- **East 7th** **61 points**
- **BB Housing** **38 points**

Application scoring is summarized in the below chart. See the attached Credit Scoring Worksheets for more information about the scoring criteria.

Criteria	Description	Selby Wilkins	East 7th	BB Housing
A1	Percentage 30% AMI (up to 8 points)	7	6	
A2	Percentage 50% AMI (up to 6 points)	0	6	6
A3	Homelessness (up to 5 points)	0	5	0
B1	Substantive Renovation (up to 20 points)	17	0	0
B2	Historic Building (1 point)	0	0	0
B3	Project-based Section 8 preservation (up to 5 points)	3	0	0
C1	Enhanced Services, Programming, Amenities (up to 8 points)	7	7	0
C2	Neighborhood Support (1 point)	1	1	0

C3	Future Tenant Ownership (5 points)	0	0	0
C4	Non-Profit Status (2 points)	2	2	0
C5	Non-Smoking building (1 point)	1	1	1
D1	Larger-sized Family Housing Units (up to 6 points)	3	6	6
D2	Transit (up to 5 points)	2	5	0
D3	Senior Housing (up to 5 points)	0	0	0
D4	New Affordable Family Housing (up to 12 points)	2	9	0
D5	Unacceptable Practices (HRA imposed penalty points)	0	0	0
D6	Tenant Selection Plan (up to 3 points)	3	3	3
E	HRA Land or HRA/City Debt Obligation (10 points)	10	10	10
F1	No Further Subsidy (5 points)	5	0	5
F2	Intermediary costs/Soft costs (up to 3 points)	2	3	0
F3	Prior 9% HTC Commitment (10 points)	10	0	0
F4	Long term affordability (up to 7 points)	0	7	7
Total		75	61	38

Upon review, HRA staff recommends that the HRA Board approves the reservation of \$426,200 of the 2023 Credits for the Selby Wilkins development. HRA staff also recommends that the HRA Board approves the reservation of \$436,854.00 of the 2023 Credits for the East 7th development.

Selby Wilkins

a. Overview – Selby Wilkins

Selby Wilkins is for the rehabilitation of 53 units of scattered-sites affordable rental housing made up of 30 units (which includes eight to-be-constructed units) from the project currently known as Selby Commons (at the addresses below) and 23 units from the project currently known as Wilkins Townhomes (at the addresses below).

The scattered sites development is comprised of:

- Selby Commons Apartments: Rehabilitation of 10 existing apartment units on the upper floor of 180 Milton Avenue
- Selby Commons new construction: the conversion of commercial space into 8 additional units and a community room at 909 Selby Avenue/180 Milton Avenue.
- Selby Commons Townhomes: the rehabilitation of 12 units in scattered sites along Selby Avenue between Chatsworth Street and Fisk Street.

- Wilkins Townhomes: the rehabilitation of 23 townhomes in three sites, including 795 Marshall Avenue, and 587 Ashland Avenue and 608 Holly Avenue, east of Dale Street.

b. Unit Mix – Selby Wilkins

The 23 Wilkins Townhomes units are covered by a Section 8 HAP contract where residents pay no more than 30% of their income for rent and utilities. The Wilkins Townhomes property was originally developed in 1982 and needs substantial renovation. Likewise, the 22 Selby Commons units also require substantial renovation since they were completed in 1990. The Selby Wilkins developer plans to convert the commercial space in Selby Commons into eight (8) units of affordable housing resulting in a project with a total of 53 units including 35 2-bedroom, 15 3-bedroom and 3 4-bedroom units.

The 22 units acquired from Selby Commons (10 units on the upper floor of 180 Milton Avenue and 12 units on scattered sites along Selby Avenue) have current rent and income restrictions at 60% of AMI and these rent and income limits will continue in the Selby Wilkins project. In addition, the project has elected that 30% of units will serve households at or below 30% AMI and this requirement will be met by the Wilkins Section 8 HAP units. Currently, 85% of the 22 presently existing households at Selby Commons have tenant-based vouchers. Currently, the average income at Selby Commons is \$28,000 for an average household of 4 persons. This income is well below 30% of AMI for a household of 4 persons. The eight (8) new conversion units for Selby Commons will have rent and income restrictions at 60% of AMI.

c. Financing Structure – Selby Wilkins

Funding Source	Amount
First Mortgage	\$2,244,000
Syndication Proceeds	\$14,464,620
GP Cash	\$250,000
Sales Tax Rebate	\$155,450
Energy Rebate	\$22,500
Assumed Existing HRA Deferred Debt	\$3,818,000
Projected Selby Wilkins Cash - Estimate	\$673,383
Assumed City Debt	\$1,300,000
Total Housing (TDC)	\$22,930,513

In 2021, the HRA awarded 9% LIHTC in the amount of \$914,334.00 for the Selby Wilkins project. The same year, TCHDC also received an award of \$214,957.00 from Minnesota Housing Finance

Agency (MHFA), bringing the total allocation to \$1,129,291.00. Changing market conditions are the driving force behind the additional request in the amount of \$426,200.00 from TCHDC. The market conditions include the rising of interest rates, reducing the mortgage capacity for this project, and the inflation of construction costs.

d. The Developer – Selby Wilkins

Twin Cities Housing Development Corporation (TCHDC), a non-profit developer incorporated in 1984, has built or renovated over 2,900 units of housing in the Twin Cities area. TCHDC’s mission is to provide affordable rental housing throughout the Twin Cities metro area. Their commitment as an organization is to maintain the high quality and affordability of their housing for the long term.

East 7th

a. Overview – East 7th

The East 7th project is a new development that will consist of the residential portion of one building and approximately 40,000 SF of commercial space, in the East Side neighborhood of Saint Paul. The residential position will have 60 units varying from 1 to 5 bedrooms in sizes of housing to be affordable at 60% AMI or below. On the currently vacant lot will be constructed a three-story building with commercial on the first floor and residential units on the second and third floors. The project will have a strong focus on providing affordable housing to multi-generational families in the community. The residents will have access to community spaces, such as resident lounge, property management offices, a play area for kids, as well as City Park adjoining the building. The project has a strong focus on providing health and housing connections and the commercial spaces plan to offer various services on site including a Health and Wellness clinic, Early Childhood Day Care center, and an Autism Center.

b. Unit Mix – East 7th

Unit Type	# of units	Income Limit
1BR	8	30% MTSP
2BR	4	30% MTSP
3BR	4	30% MTSP
2BR	6	50% MTSP
3BR	19	50% MTSP

4BR	5	50% MTSP
3BR	5	60% MTSP
4BR	7	60% MTSP
5BR	2	60% MTSP

The project will have 60 units of family housing, comprised mainly of two, three, and four-bedroom units. There will be some 1 Bedroom units as well, which will include people with disability units providing supportive housing to single adults. All housing units will be affordable to families with incomes at or below 60% area median, and some units will be set aside for supportive housing and will target households with incomes at or below 30% of the area median.

c. Financing Structure – East 7th

Funding Source	Amount
MHFA First Mortgage	\$3,500,000
Syndication Proceeds	\$24,200,000
Deferred Loan Request	\$150,000
Sales Tax Rebate	\$500,000
Energy Rebate	\$27,000
Met Council LCDA-TOD	\$1,200,000
Met Council TBRA	\$70,000
DEED	\$70,000
Met Council Predevelopment	\$75,000
City of St. Paul	\$1,500,000
Total Housing (TDC)	\$31,541,769

d. The Developer – East 7th

Founded in 1972, Project for Pride in Living (PPL) mission is to build the hope, assets, and self-reliance of individuals and families who have lower incomes by providing transformative affordable housing and career readiness services. Over the past 50 years, PPL has helped nearly 13,000 individuals and families in the Twin Cities move into affordable housing, earn higher incomes, improve their academic skills, and gain economic independence each year. PPL has built and is managing safe, quality, affordable housing throughout the Twin Cities.

Budget Action

NA. Approval of the resolution to reserve Credits does not require budget action.

Future Action

If approved, the HRA Executive Director may execute a Memorandum of Understanding and a Development Agreement with final terms and conditions required for HRA financing and/or 2023 LIHTC.

PED Credit Committee Review

N/A. No loan risk rating is involved.

Compliance

N/A. Approval of Credit Reservations does not activate the compliance requirements.

Green/Sustainable Development

Projects awarded credits must comply with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

NA

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:**Selby Wilkins –**

909 Selby Avenue/180 Milton Avenue: The land-use chapter of the 2040 Comprehensive plan designates the parcel as “mixed-use”, and the parcel is also located within the Selby-Milton neighborhood node. The proposed affordable housing units will increase the residential density on the subject parcel to roughly 39 units per acre. The additional housing units will bring the density at this location closer to the level of density called for at parcels within neighborhood nodes and with the mixed-use generalized land-use designation (50 – 200 units per acre). Developing additional affordable housing units is also consistent with policy H-31, which calls for supporting the development of new affordable housing units throughout the city and policy H-46, which calls for supporting the development of new housing, particularly in areas identified as Mixed Use, Urban Neighborhoods, and/or in areas with the highest existing or planned transit service, to meet market demand for living in walkable, transit-accessible, urban neighborhoods.

879, 881, and 883 Selby Avenue, 971 and 975 Selby Avenue, 972 and 974 Selby Avenue, 962, 964, and 966 Selby Avenue, 814 Selby Avenue, and 795-799 Marshall Avenue: The proposed rehabilitation of the subject affordable housing units is consistent with the comprehensive plan. The land-use chapter of the 2040 Comprehensive plan designates the subject parcel as urban neighborhood, and the parcel is also located within the Selby-Milton neighborhood node. The proposed rehabilitation is consistent with the underlying urban neighborhood and neighborhood node generalized land-use designations. Rehabilitating these existing units is also consistent with policy H-39 which calls for promoting the preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.

587 Ashland Avenue, 597 Ashland Avenue, 613 Ashland Avenue, and 608-618 Holly Avenue: The proposed rehabilitation of the subject affordable housing units is consistent with the comprehensive plan. The land-use chapter of the 2040 Comprehensive plan designates the subject parcel as urban neighborhood, and the parcel is also located within the Selby-Dale neighborhood node. The proposed rehabilitation is consistent with the underlying urban neighborhood and neighborhood node generalized land-use designations. Rehabilitating these existing units is also consistent with policy H-39 which calls for promoting the preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.

East 7th –

The proposed development conforms to the 2040 Saint Paul Comprehensive Plan, which designates the site as Mixed Use, calling for a balance of jobs and housing within walking distance of each other such as promoted by this project. The Comp Plan also, in Policy H-7, calls for production of small and family-sized affordable housing options such as proposed. Additionally, the Near East Side Roadmap designates the site as a redevelopment opportunity for housing, mixed use, or small commercial-industrial.

Statement of Chairman (for Public Hearing)

N/A

Recommendation:

The Executive Director recommends, per the attached resolution, that the HRA Board approve the following reservation for the 2023 Low-Income Housing Tax Credits for:

- The Selby Wilkins development in the amount of \$426,200; and
- The East 7th Development in the amount of \$436,854.

Sponsored by: Chair Chris Tolbert

Staff: Jules Atangana, 651-266-6660

Attachments

- 2022-2023 QAP
- Self-Scoring Worksheets
 - BB Housing
 - Selby Wilkins
 - East 7th
- Map – East 7th Development
- Map – Selby Wilkins Development
- Public Purpose - East 7th Development
- Public Purpose - Selby Wilkins Development
- District 4 Profile (East 7th Development)
- District 8 Profile (Selby Wilkins Development)