

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 22, 2012

**REGARDING ESTABLISHMENT OF A TAX INCREMENT FINANCING DISTRICT,  
APPROVING AN AMENDED AND RESTATED TAX INCREMENT PLAN AND  
HRA BUDGET AMENDMENT (PENFIELD REDEVELOPMENT PROJECT)  
DISTRICT 17**

## **Requested Board Actions**

Approve the establishment of a tax increment financing district, an amended and restated tax increment plan and related HRA budget amendment.

## **Background**

The \$62,040,210 Penfield project, located on the block bounded by 10<sup>th</sup> Street, Minnesota, 11<sup>th</sup> Street and Robert, will include 254 market rate apartment units, a 27,549 square foot Lunds store and 329 structured parking spaces on the interior of the site. The Lunds will be located on 10<sup>th</sup> Street on the first floor of the building with an outdoor seating area near the east entry. There will be five levels of housing above the Lunds, and on the 11<sup>th</sup> Street side there will be six floors of housing. Per the HUD underwriting, rents will range from an average rent of \$1,076 for a studio/alcove, \$1,172 for a one-bedroom, \$1,499 for a two-bedroom and \$1,799 for a three-bedroom unit. Upon lease up, it is estimated that the market rate rents will be substantially higher. Located just a block from the 10<sup>th</sup> and Cedar light rail transit station, this LEED Silver-certified, high density mixed-use project will be a model of transit-oriented and sustainable development.

On December 21, 2011, the Saint Paul Housing and Redevelopment Authority board approved the financing and implementation of the Penfield project including conditional approval of the tax increment financing required for the project. (See Attachment B for additional Background and a copy of the December 21, 2011 HRA report.)

## **Budget Action**

Per the attached resolution the HRA will adopt a tax increment finance spending budget for the Penfield tax increment finance district.

## **Future Action**

Staff will provide written quarterly reports to the Board of the Penfield Apartments LLC and provide an annual report to the Penfield Apartments LLC.

## **Financing Structure**

### Dougherty HUD-Insured Loan and TIF Pay-Go-Note.

The HUD-insured Dougherty \$40,942,800 mortgage will be repaid with project revenues and tax increment. The HRA will provide the Penfield Apartments LLC with a TIF pay-go note with a present value of \$8,295,500 based on the Ramsey County tax rate for 2012. Per the terms of the TIF Pay-Go Note the HRA will make fixed annual payments to the Penfield Apartments LLC of \$583,000 or pay 100% of the tax increment received by the HRA, whichever is less. The \$583,000 payment assumes HUD underwriting at 1 to 1 and an interest rate of 4.375% The final fixed annual payment amount will depend upon the interest rate at the time of closing and the HUD underwriting. The TIF note will finance \$8,295,500 of the \$40,942,800 mortgage.

Dougherty finalized their underwriting in January and the application to HUD reflected a 4.375% interest rate. The HUD insured, GNMA interest rate as of February 13, 2012 was 4% so the 4.375% rate has a .375% cushion. Dougherty typically recommends a cushion of .25%. Dougherty will place the loan with a private investor. Funds will be drawn over time for construction with interest accruing as funds are drawn.

### Other Committed Project Financing

Project funds committed to the project include: tax increments from Scattered Site, Snelling University and Spruce Tree of \$11,752,081, DEED and Metropolitan Council grants of \$1,733,881, a Ramsey County grant of \$168,500, \$1,505,424 of HRA fund 117 monies, \$2,377,524 of HRA fund 119 monies and HRA land valued at \$3,560,000.

## **PED Credit Committee**

The PED Credit Committee reviewed this project for the December 21<sup>st</sup> HRA Board Action, and concluded that the financing has been underwritten in a conservative manner. The HUD insured loan will have an AAA credit rating.

### **Compliance**

Please see the December 21, 2011 HRA Report.

### **Green/Sustainable Development**

Please see the December 21, 2011 HRA Report.

### **Environmental Impact Disclosure**

Please see the December 21, 2011 HRA Report.

### **Historic Preservation**

Please see the December 21, 2011 HRA Report..

### **Public Purpose**

Please see the December 21, 2011 HRA Report.

**Recommendation:** Staff recommends approval of the attached resolution and budget amendment.

**Sponsored by:** Councilmember Dave Thune

**Staff:** Principal Project Manager Marie Franchett

### **Attachments**

- **Attachment A -- Resolution**
- **Attachment B -- Background Attachment**
- **Attachment C -- Map/Address of Project, should include libraries, parks, schools.**
- **Attachment D -- *Project Summary Form***
- **Attachment E -- *Sources and Uses Summary Form***
- **Attachment F -- *Public Purpose Form***
- **Attachment G -- Census Facts**