

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

**REPORT TO THE COMMISSIONERS**

**DATE: MAY 23, 2018**

**REGARDING: RESOLUTION AUTHORIZING AN AMENDMENT TO THE FINAL APPROVAL OF THE ISSUANCE AND SALE OF CONDUIT MULTI-FAMILY HOUSING REVENUE BONDS FOR THE MILLBERRY WORKFORCE APARTMENT PROJECT LOCATED AT 778 BERRY STREET, AND EXECUTION OF RELATED DOCUMENTS, DISTRICT 12, WARD 4.**

**Requested Board Action**

The purpose of this report is to request that the Housing and Redevelopment Authority (HRA) Board of Commissioners approve an amendment to the final approval of the authorization to issue and sell conduit multi-family revenue notes for the Millberry Apartments project, and authorization to execute related documents;

**Background**

Amendment to Bond Approval

Dominium dba St. Paul Leased Housing Associates X, LLLP (the “Developer”) is planning to construct a 121-unit affordable workforce apartment project and a 241-unit senior affordable apartment project, on the former Weyerhaeuser Lumber site, beginning in the summer of this year. On December 13, 2017, via Resolution 17-2037, the HRA approved the preliminary and final issuance of \$19,000,000 in multi-family conduit revenue bonds for the Millberry Apartments workforce project. Over the course of the last several months, as the Developer and contractor have continued to refine project costs, and a final mortgage approval has been received from HUD, the structure of the bonds has changed.

The December 13, 2017 resolution included language that suggested there may be one or more bond series; it has now been confirmed that there will be two series, a Series A and a Series B.

Additionally, the coupon rate in the initial approval was limited to 4%; that rate is now 4.5% as reflected in the amended resolution.

The Developer plans to close on the bonds on June 5, 2018. The project is located in a Qualified Census Tract (QCT), which allows the Developer to receive a 30% boost in their tax credit equity, significantly increasing the amount of funding available for the project. The QCTs were changed in 2016; however, projects that had applied for tax credits prior to that change were given a period of time within which they could still take advantage of the QCT status. That period ends on June 13, 2018.

### **Budget Action**

**This is a conduit bond issue.** The bonds shall not constitute an indebtedness, liability, general or moral obligation, or pledge of the faith or credit or taxing power of the HRA, City of Saint Paul, or any agency or political subdivision thereof, and shall not constitute indebtedness of any of the foregoing within the meaning of any constitutional, statutory, or charter provision, nor be a charge against their respective general assets, credit or taxing powers, and do not grant the owners or holders of the bonds any right to have the HRA, City of Saint Paul or any agency or political subdivision thereof to levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon. Principal and interest on the bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

### **Future Action**

No future action is anticipated.

### **Financing Structure**

Dominium is requesting the HRA issue housing revenue bonds in an amount not to exceed \$21,000,000; the tax-exempt portion of the issuance may not exceed \$19,000,000. Tax exempt housing revenue bonds come with automatic 4% low income housing tax credits (LIHTC) that generate equity for the project.

The bonds will be sold to Dougherty & Company, LLC, who will manage the bond sales; the cash will then be ready to draw for project costs, and replaced with a HUD 221(d)(4) that will be part of the project's permanent financing.

### **FHA First Mortgage**

The Project will be receiving a Federal Housing Administration (FHA) insured first mortgage loan in an amount of approximately \$18,160,000 under the Section 221(d)(4) program.

Dougherty Mortgage LLC will be the lender.

### **Housing Revenue Bonds**

There is a not-to-exceed total of \$19,000,000 in volume limit tax exempt bond authority being requested. In order to receive 4% automatic tax credits, the project must meet the "50%" test which means at least 50% of the eligible total development costs must be initially financed with bond proceeds. The tax exempt bond financing will be structured in multiple bond series. The bonds will be short term and repaid by first mortgage proceeds and installments of LIHTC equity.

The bonds will be in an amount of up to \$19,000,000 with a 22-month term. The interest rate will be fixed subject to market rate currently estimated to be at 2%. They expect a rating from Standard & Poor's of AA+ for the Series A Bonds. The Bonds will be secured by eligible investments and available moneys, i.e. cash that will be placed in a project account with a trustee. The bonds will be publicly offered. The Series A bonds will be sold in denominations of \$5,000 or more to both retail and institutional investors. All other series of Bonds will be sold in denominations of \$100,000 to qualified institutional investors or accredited investors if such bonds are not rated in the A category or higher.

### **Tax Credits**

The Project will be financed with 4% Low Income Housing Tax Credits. The site is in a Qualified Census Tract which allows the project to receive an additional 30% "boost" in tax credit equity.

### **PED Credit Committee Review**

On December 11, 2017, the PED Credit Committee reviewed the proposal and determined that the issuance of the housing revenue bonds is consistent with HRA policy.

### **Compliance**

The following compliance requirements will apply: Vendor Outreach, Affirmative Action, Federal and/or City Labor Standards, and the Sustainable Building Policy.

### **Green/Sustainable Development**

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

### **Environmental Impact Disclosure**

The Developer has completed the required environmental analyses.

### **Historic Preservation**

The historic review process has been completed and approved.

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

The Project is consistent with the strategies outlined in the Westgate Station Area Plan and the Public Realm Plan that was developed in cooperation with the Saint Paul Design Center, and residents of the St. Anthony Park and Prospect Park neighborhoods. The project will reintroduce the street grid, provide a range of affordable housing options in mid-rise buildings with access to transit and daily needs, establishes an approximately 3-acre public open space and bike/ped paths, adding to the city's overall network.

### **Recommendation:**

The Executive Director recommends adoption of the attached Resolution, authorizing the amended issuance of up to \$19,000,000 in tax exempt and up to \$2,000,000 in taxable multifamily housing revenue bonds, and approving the execution of related documents.

**Sponsored by:** Commissioner Henningson

**Staff:** Sarah Zorn, 651-266-6570

**Attachments**

- **Map**
- **District 12 Profile**