

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

REPORT TO THE COMMISSIONERS

DATE: March 27, 2012

**REGARDING: RESOLUTION AUTHORIZING A HOME LOAN AND THE ISSUANCE AND SALE OF SENIOR HOUSING AND HEALTH CARE REVENUE BONDS (EPISCOPAL HOMES PROJECT) District 13, Ward 4**

## **Requested Board Action**

The purpose of this report is to request approval by the Housing and Redevelopment Authority of the City of Saint Paul (HRA) Board of Commissioners of the attached resolution authorizing the following:

1. The issuance and sale of up to \$30,000,000 in Senior Housing and Health Care revenue bonds for Episcopal Homes of Minnesota (“Episcopal Homes”) in order to finance two new projects located on Episcopal Homes senior housing campus; and
2. Approve and authorize a \$500,000 HOME loan to Episcopal Homes to help finance a new HUD 202 senior housing, which is part of the new project.

## **Background**

Episcopal Homes has been providing high quality housing and services for seniors in Saint Paul for over a century. They own and operate a senior housing campus located at the corner of University and Fairview Avenues. There are currently four separately-financed housing developments with various levels of care, services, and income qualifications at this site. These four developments include Episcopal Church Homes, a skilled nursing facility, Iris Park Commons, assisted living units, Cornelia House, a 47 unit independent living facility without income restrictions, and Seabury, a 50 unit affordable, independent living project financed with HUD 202 funding and restricted to households earning 50% area median income or less. Each of the four buildings is owned, managed, and operated by “sister” affiliates of Episcopal Homes of Minnesota.

In October 2012, the HRA Board approved a bond refinancing to refund existing debt from two existing senior housing projects. A portion of the bond proceeds from the refinancing will be

used as equity to help pay for costs associated with this new construction senior housing project (“New Construction Project”) proposed for an adjacent parcel of land recently purchased by Episcopal Homes. The New Construction Project consists of one seven-story building with three separate types of senior housing. These include: a 50-unit HUD 202 residence offering subsidized independent living for seniors 62 and older called “Midway Pointe”; 64 units of assisted living (also known as catered living) providing various levels of services called the “The Terrace at Iris Park”; and 60 units of long term care and memory care units called “Episcopal Homes on University Avenue (EHUA)” for a total of 174 new senior housing units.

The project will also include improvements to Iris Park, as well as improvements to the public street and sidewalk connections along Lynnhurst Avenue which will be funded in part by a Livable Communities Demonstration Account Transit Oriented Development (LCDA TOD) Grant awarded to the City.

On May 25, 2011, the HRA Board of Commissioners approved \$500,000 in CDBG funds to Episcopal Homes to help acquire the site located at 1890 University Avenue for a new HUD 202 project. This loan, although approved by the HRA Board, was never finalized nor funded due to the change in the overall scope of the development. In addition, as the project developed, PED staff determined that CDBG funds are not eligible for this project. Thus a HOME fund loan is now proposed.

Since the HRA’s approval in 2011, the project has expanded to include additional units as detailed above. The entire New Construction Project will also include new shared community space, including a therapy pool and fitness center, a café and market, and a hair salon. There will also be a small commercial retail space at the University and Lynnhurst corner of the building adjacent to the new light-rail stop. This space will be leased as a neighborhood coffee shop.

### **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.

The 2013 HRA Budget will be amended as shown in Attachment A of the Resolution. Funding for the \$500,000 loan will be provided through Federal HOME funds.

#### **Future Action**

None

#### **Financing Structure for The Terrace at Iris Park and EHUA**

The primary funding source will be the 501(c)(3) conduit revenue bonds. In addition to the bond issue, last November Episcopal Homes refinanced some of their existing bond debt on existing projects and will provide \$3,000,000 in capital improvement funding for the New Construction Project. The rest of the project funds will come from a bridge loan from Wells Fargo that will be repaid from fund raising through the Episcopal Homes Capital Campaign, and \$1 million in Capital Campaign funds already raised. The City applied to the Metropolitan Council for Livable Communities Demonstration Account (LCDA) Transit Oriented Development (TOD) Funds and received \$1,391,000 for all three components of the project.

The 2013 bonds will be underwritten by Dougherty and Company, will be a fixed rate, unrated and publically offered and sold in \$100,000 denominations. The term of the bonds is 35 years with the anticipated interest rate or approximately 5.375%.

#### **Financing Structure for Midway Pointe**

The primary funding source for Midway Pointe will be provided through the HUD 202 grant funds. In addition to the HUD 202 funds, there is a \$400,000 HUD pre-development grant.

Other funding includes a bridge loan through Wells Fargo that will be repaid through the Episcopal Homes Capital Campaign fund raising efforts for the entire project. Through the last Minnesota Housing (MHFA) super RFP process, the project received a \$100,000 deferred loan and \$150,000 in Met Council Local Housing Incentives Account (LHIA) funds. One third of the LCDA TOD funds will be provided to Midway Pointe. Lastly, because this is an affordable housing project, they will be receiving a tax rebate on construction materials which is also shown as a source of funds to the project.

### **Sources and Uses**

A full sources and uses of all three component of the New Construction Project is attached in **Attachment E**.

### **PED Credit Committee Review**

On March 4, 2013, the PED Credit Committee reviewed and agreed that the issuance of these bonds is consistent with the HRA bond policies. On March 11, 2013, the PED Credit Committee reviewed and approved terms and risk rating of the \$500,000 HOME loan to Midway Pointe.

### **Compliance**

The project compliance requirements include Vendor Outreach, Affirmative Action, Federal Davis Bacon, Section 3, and the two-bid policy. The developer estimates that 240 FTE construction jobs will be created.

### **Green/Sustainable Development**

This Project will comply with the Saint Paul Sustainable Development Policy and will incorporate several sustainable features.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

The Project is located on a site that has already received a Section 106 “no adverse effect” letter from the Minnesota State Historic Preservation Office dated May 30, 2012.

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

The public benefit is to provide affordable rental housing for seniors and provide more transit-oriented, high density housing immediately adjacent to transportation and retail activities.

Housing Chapter of the Saint Paul Comprehensive Plan –

- 1.2. Meet market demand for transit-oriented housing...City should (a) Prioritize sites within a quarter mile of a transit route, such as along Central Corridor...
  
- 2.18. Support the expansion of housing choices for seniors, particularly in neighborhoods that are underserved...(a) Encourage the market to provide senior housing at sites that are close to amenities attractive to seniors, including transit, paratransit, trails, parks and recreation...
  
- 3.2. Support new housing opportunities for low-income households throughout the city.
  
- 3.3 Provide affordable housing in new production projects.
  - a. For City/HRA-assisted new rental units, at least 30 percent will be affordable to households earning 60 percent of the AMI, of which at least one third will be affordable to households earning 50 percent of the AMI, and at least one third will be affordable to households earning 30 percent of the AMI.

### **Statement of Chairman (for Public Hearing)**

N/A

### **Recommendation:**

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption the following:

1. Approve the attached Resolution which authorizes the issuance and sale of up to \$30,000,000 in Senior Housing and Health Care revenue refunding bonds for Episcopal Homes of Minnesota.
2. Authorize the approval of a HOME loan in an amount of \$500,000 with a 0% interest rate and deferred for 40 years.

**Sponsored by:** Commissioner Stark

**Staff:** Diane Nordquist 266-6640

### **Attachments**

- **Attachment A -- Resolution**
- **Attachment B -- N/A**
- **Attachment C -- Map/Address of Project**
- **Attachment D -- *Project Summary Form***
- **Attachment E -- *Sources and Uses Summary Form***
- **Attachment F -- *Public Purpose Form***
- **Attachment G -- Census Facts**