

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 14, 2024

**REGARDING:** Resolution recommending approval of funding a loan of \$7,108,636 from American Rescue Plan Act (SLFRF) funds, authorizing tax increment financing spending plan authority and approving a tax increment financing loan from unobligated increment in the amount of \$684,569, and amending the HRA budget to develop the multi-family housing project at 892 East 7th Street (“Project”); District 4, Ward 6

## **Requested Board Action**

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners:

1. Approve a Spending Plan Tax Increment Financing loan in an amount up to \$684,569 (the “TIF Loan”).
2. Recommend approval an American Rescue Plan Act (SLFRF) loan in an amount up to \$7,108,636 (the “ARPA Loan”).
3. Authorize the entrance into a Subrecipient Agreement, Loan Agreement and related documents with PPL East 7<sup>th</sup> Community Limited Partnership.
4. Authorize the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the PPL East 7<sup>th</sup> Community Limited Partnership housing project.
5. Approve the budget amendment pertaining to the TIF Loan

## **Background**

The HRA has received a proposal from PPL East 7<sup>th</sup> Community Limited Partnership (the “Developer”), a subsidiary of Project for Pride in Living, Inc. (PPL), a private non-profit developer of multifamily projects in Minnesota, to finance a 5-story multifamily mixed-use development located at 892 East 7<sup>th</sup> Street. The project includes the acquisition and construction of 60 units of multifamily rental housing, 40,000 square feet of commercial space and functionally related facilities, including underground and surface parking stalls, an outdoor play area, and tenant support space.

Project for Pride in Living, Inc. (“PPL”) has extensive experience in rehabilitation and construction of affordable multifamily housing, and has extensive experience in developing units using Low Income Housing Tax Credits (LIHTC) and other federal and local funds. Since the

early 1990s PPL has been a key development partner, working to increase the supply of affordable housing in the metropolitan area. As of today, PPL has a portfolio of approximately 1,600 affordable housing units. Many of these units come with supportive housing services for residents to support them in achieving sustainable housing and increase their skills and outcome for economic mobility. Earlier this year (2024), PPL opened doors to two new developments in Highland Bridge. Nellie Francis Court is affordable (75 units) workforce housing and Restoring Waters (60 units) is 100% permanent supportive housing. Additionally, within the next 18 months PPL has an additional 332 units coming into our communities.

The project will have the following affordability: Eight (8) one-bedroom units, five (5) two-bedroom units and four (4) three-bedroom units will be at 30% AMI. Five (5) two-bedroom units, twenty-four (24) three-bedroom units, twelve (12) four-bedroom units, and two (2) five-bedroom units will be at 50% AMI. There are seventeen (17) ARPA units in the project, seven (7) of which are assisted by Project Based Vouchers.

#### Unit Mix and Affordability Levels

Unit Type	Number of Units	Monthly Gross Rent	Rent Limits	Income Limits
1 Bedroom	8	\$699	30% AMI	30% AMI
2 Bedroom	5	\$838	30% AMI	30% AMI
2 Bedroom	5	\$1,397	50% AMI	50% AMI
3 Bedroom	4	\$969	30% AMI	30% AMI
3 Bedroom	19	\$1,615	50% AMI	50% AMI
3 Bedroom	5	\$1,615	50% AMI	60% AMI
4 Bedroom	5	\$1,801	50% AMI	50% AMI
4 Bedroom	7	\$1,801	50% AMI	60% AMI
5 Bedroom	2	\$1,988	50% AMI	60% AMI
Total	60			

The commercial space will be owned by Soul CDC and will be self-financed with a private loan.

The property is currently zoned T3 – Traditional Neighborhood and the proposed project is permitted in this district. See attached Map of the Property, and attached demographic profile of

District 2, 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**

The current action will require a concurrent City Council budget action for the \$7,108,636 in American Rescue Plan Act (SLFRF) funds. The TIF Loan is funded with tax increments budgeted in the Spending Plan. A HRA budget amendment is needed to allocate the \$684,569 to this project and is shown on the attached Financial Analysis.

**Future Action:**

None

**Financing Structure**

The Developer has proposed the following permanent sources and uses to complete the construction project:

Permanent Housing Sources and Uses:

<u>Source</u>		<u>Uses</u>	
Private 1 <sup>st</sup> Mortgage	\$ 2,606,000	Acquisition	\$ 577,605
Syndication Proceeds	\$19,418,807	Construction Cost	\$26,204,646
City of Saint Paul SLFRF	\$ 7,108,636	Environmental Cost	\$ 195,845
City of Saint Paul Tax Increment	\$ 684,569	Professional Fees	\$ 1,928,626
Ramsey County SLFRF	\$ 1,288,063	Financing Fees	\$ 1,302,778
Ramsey County ERF	\$ 34,670	Developer Fee	\$ 2,720,000
Met Council Pre-Dev TOD	\$ 75,000	Investor Fees	\$ 75,000
Met Council TBRA	\$ 24,900	Replacement Reserves	\$ <u>449,089</u>
Met Council TOD	\$ 975,000		
DEED Clean-up	\$ 138,944		
Sale Tax & Energy Rebates	\$ 614,000		
Deferred Developer Fee	\$ <u>485,000</u>		
TOTAL	\$33,453,589		\$33,453,589

Permanent Combined Sources and Uses:

<u>Source</u>		<u>Uses</u>	
Private 1 <sup>st</sup> Mortgage	\$15,125,785	Acquisition	\$ 770,140
Syndication Proceeds	\$19,418,807	Construction Cost	\$36,679,646
City of Saint Paul SLFRF	\$ 7,108,636	Environmental Cost	\$ 195,845
City of Saint Paul Tax Increment	\$ 684,569	Professional Fees	\$ 5,678,626
Ramsey County SLFRF	\$ 1,288,063	Financing Fees	\$ 1,302,778
Ramsey County ERF	\$ 34,670	Developer Fee	\$ 2,720,000
Met Council Pre-Dev TOD	\$ 75,000	Investor Fees	\$ 75,000
Met Council TBRA	\$ 24,900	Replacement Reserves	<u>\$ 449,089</u>
Met Council TOD	\$ 975,000		
DEED Clean-up	\$ 138,944		
Sale Tax & Energy Rebates	\$ 614,000		
Soul Equity	\$ 1,897,750		
Deferred Developer Fee	<u>\$ 485,000</u>		
TOTAL	\$47,871,124		\$47,871,124

\$684,569 Spending Plan Tax Increment Financing Loan (TIF Loan)

The \$684,569 TIF Loan will be up to a 42-year term at 0% simple interest. All principal and interest payments will be deferred until maturity. This loan will be subordinate to the first mortgage lender. The loan would be secured by a Loan Agreement, Promissory Note, a 2<sup>nd</sup> position Real Estate Mortgages, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement and a UCC. The TIF Loan will be risk rated Originated as a Loss.

\$7,108,636 American Rescue Plan Act (SLFRF) Loan

The \$7,108,636 American Rescue Plan Act (SLFRF) funds will be a 50-year term with no (0%) interest. All principal payments will be deferred until maturity. This loan will be subordinate to the first mortgage lender, the TIF Loan and Ramsey County American Rescue Plan Act (SLFRF) loan. The loan would be secured by a Loan Agreement, Promissory Note, a 4<sup>th</sup> position Real Estate Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement and a UCC. The ARPA loan will be risk rated Originated as a Loss.

### Deferred Developer Fee

The Developer is requesting a developer fee of \$2,720,000. This fee is within the City’s Developer Fee Guidelines. A portion of the Developer Fee, \$485,000, will be deferred and paid over a period of up to 10 years through excess cash flow.

### **PED Credit Committee Review**

On August 6, 2024, the Credit Committee reviewed and recommended approval of the proposed \$684,569 TIF Loan, and the \$7,108,636 ARPA loan. Both loans are being risk rated as “Originated as a Loss” due to the deferral period being longer than 10 years.

### **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 Building Ordinance and Two Bid Policy. The Project is exempt from Business Subsidy based on development of housing, and Living Wage based on the number of employees.

### **Green/Sustainable Development**

The project will comply with the Saint Paul Sustainable Building Ordinance.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

N/A

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

The following public purposes will be met:

1. The Developer plans to develop a mixed-use building that will include at least 60 units of affordable housing – some of which will be much needed larger three- and four- bedroom apartments. The site is currently a vacant lot within the East 7<sup>th</sup> Street – Arcade Neighborhood Node along the 74-bus route and within walking distance of many other bus routes that connect

to the Green Line and Downtown Saint Paul. The site is also within walking distance of a proposed station for the future Purple BRT Line.

2. For the TIF Loan, the HRA finds that the Project meets all conditions of Minnesota Statutes, Section 469.176, subdivision 4n because it will consist of private development on privately owned land for the development of housing of all types; consists of substantial construction or rehabilitation of buildings; will create and retain approximately 127 construction jobs in Minnesota; will commence construction prior to December 31, 2025; would not have commenced prior to December 31, 2025 except for the use of Available TIF; and the Available TIF for this Project will be spent under the Spending Plan by December 31, 2025.

The following details how this project is consistent with the City's 2040 Comprehensive Plan:

Policy LU-1. Encourage transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.

Policy LU-6. Foster equitable and sustainable economic growth by:

- proactively directing new development to high-priority geographies, such as Neighborhood Nodes;
- building and expanding neighborhood economic and cultural assets through the development of the local micro-economies of our Neighborhood Nodes.

Policy H-31. Support the development of new affordable housing units throughout the city.

Policy H-37. Encourage the development of affordable housing in areas well-served by transit and/or in proximity to employment centers.

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

N/A

### **Recommendation:**

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

1. Approval of a TIF Loan in an amount up to \$684,569.
2. Approval of an American Rescue Plan Act (SLFRF) loan in an amount up to \$7,108,636.

3. Execution of loan agreements and related documents for the purpose of constructing the proposed project.
4. Authorization for the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the proposed project.

**Sponsored by:** Commissioner Yang

**Staff:** Report prepared by: Daniel K. Bayers, (266-6685)  
Hannah Chong, (266-6552)

**Attachments**

Financial Analysis

Map

D4 Dayton's Bluff Neighborhood Profile