

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 13, 2012

**REGARDING: APPROVING AND AUTHORIZING THE EXECUTION OF AN AMENDED HOME
LOAN AGREEMENT FOR THE WEST SIDE FLATS APARTMENTS PROJECT,
DISTRICT 3**

Requested Board Action

The specific actions being requested of the HRA Board are as follows: authorization to execute an amended loan agreement with West Side Flats Apartments, LLC (“Developer”) regarding the allocation of an additional \$1,500,000 of United States Department of Housing and Urban Development (“HUD) HOME funds for the West Side Flats Apartments project for a total HOME loan of \$2,500,000

Background

On March 22, 2006, the HRA approved a Second Amended and Restated Master Development Agreement with the West Side Flats Urban Development LLC, the development entity at that time, for a four-phased, five to six story, high-end, 116-unit condominium project. The project was not implemented due to the deterioration of the condominium market.

The Developer (West Side Flats Apartments LLC) subsequently proposed to build a two-phase project with the first phase consisting of a mixed-income, 178-unit apartment building with 6,027 square feet of commercial space. The project will have 142 market rate apartment units. Twenty percent of the units will be affordable with 36 units affordable to households at 50% or less of median income. The building will have a height of five stories along Fillmore dropping to four stories closer to the river. The second phase will include development over the surface parking lot parcel to be constructed just north of the apartment building.

On June 9, 2010, the HRA authorized \$1,000,000 of HOME funds for the West Side Flats project. On June 18, 2011 the HRA authorized execution of a \$1,000,000 HOME loan agreement for the project and authorized staff to move forward with the creation of a housing tax increment finance district for the project. HUD requires that a project funding commitment

agreement be executed within two years of execution of a grant agreement between HUD and the HRA. The HRA must execute an amended HOME loan agreement with the Developer by June 29, 2012 for the additional \$1,500,000 in HOME funds or lose \$1,500,000 of HOME funds.

Budget Action

The budget action will add \$1,500,000 of additional HOME funds for the project. The total HOME loan funds allocated for the West Side Flats Project will be \$2,500,000.

Future Action

Future requested actions will include the following:

1. HRA authorization of a housing tax increment finance district
2. HRA and City approval of a Development Agreement

Financing Structure

The HOME loan will be a deferred loan, with a 0% interest rate and a term of 40 years or longer as required by HUD. The attached Sources and Uses of Funds will be adjusted as the Developer finalizes the interest rate and construction costs.

PED Credit Committee Review

The Credit Committee has reviewed the HOME loan amendment that increases the loan to \$2,500,000. The loan will have an interest rate of 0% with a 40 year term, or longer term per HUD requirements.

HRA policy requires notification of the HRA Board if a developer is on the adverse lending list and is seeking additional funding from the HRA. Printers Row LLC/Sherman Associates LLC is on the adverse lending list regarding a land acquisition note for the Printers Row project. In 2004, Sherman developed Phase I of the Printers Row project and built 38 condominiums. In 2005, Sherman made a \$70,000 payment to the HRA per the terms of the land acquisition note, but did not make payments of \$160,000 due in 2006 and \$160,000 due in 2007. Sherman had difficulties selling all of the Phase I units and did not move forward to develop Phase II (36 condominium units) due to the collapse of the condominium market. Sherman could possibly

develop rental housing on the Phase II site, but the community has expressed a strong desire for owner-occupied housing on the site. Sherman has continued to pay the property taxes for the vacant Phase II property. If the goal of owner-occupied units on the site is to be realized, Phase II will not be developed until the condominium market improves. PED will ultimately need to negotiate an amended development agreement and acquisition note with Sherman Associates LLC.

Compliance

The Developer will comply with Vendor Outreach, Section 3, Affirmative Action, Federal Davis Bacon, and Living Wage. The Developer Compliance Acknowledgement Letter has been executed and received. The project will create approximately 70 construction jobs.

Green/Sustainable Development

The project will achieve the Green Communities program requirements and meet the requirements of the Saint Paul overlay portion of the Saint Paul Sustainable Development policy.

Environmental Impact Disclosure

PED has completed the environmental review required by HUD.

Historic Preservation

NA

Public Purpose

The project will result in the redevelopment of previously blighted and contaminated property with the construction of 178 housing units with adjacent commercial development on the Mississippi River, across from the core downtown area. Affordable units will be provided per HOME and Housing tax increment finance district requirements and a minimum of 20% of the units will be affordable to households at 50% of median income (36 units).

On October 12, 2009, the West Side Citizens Organization (WSCO) board adopted a resolution that strongly recommends support of the site plan. WSCO found that the site plan “fulfills the

intent and scope of the West Side Flats Master Plan.” Since that time, the heights of the project have decreased from a maximum of six stories to a maximum of five stories. These heights are consistent with the West Side Flats Master Plan and TN3 zoning. West Side Citizens Organization Riverfront and Development Committee continue to support this project. This past spring the Developer revised the road design for Harriet Island Boulevard Road. This site plan revision was approved by the WSCO Riverfront and Development Committee.

Land Use Plan

This project is consistent with the Land Use and Housing Chapters of Saint Paul’s Comprehensive Plan.

Land Use: Policy 1.2 Permit high-density residential development in Neighborhood Centers, Mixed-Use Corridors, the Central Corridor and Downtown. The West Side Flats is a proposed Neighborhood Center. Policy 1.12 Balance the following objectives for Neighborhood Centers through the density and scale of development: accommodating growth, supporting transit use and walking, providing a range of housing types, providing housing at densities that support transit, and providing open space and recreational opportunities.

Housing: Policy 1.3 Revitalize the city by developing land-efficient housing. Land-efficient housing is residential development that makes the most of redevelopment sites, including higher-density multi-family buildings along busy streets.

The project is also consistent with the *West Side Flats Master Plan*, which was adopted as part of the TN3 zoning for the site to implement the Saint Paul Comprehensive Plan on this important riverfront site.

Recommendation:

The Executive Director recommends approval of the attached resolution.

Sponsored by: Commissioner Thune

Staff: Marie Franchett, 651-266-6702

Attachments

- **Attachment A -- Resolution**
- **Attachment B -- Background**
- **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**