

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 22, 2021

**REGARDING: RESOLUTION AUTHORIZING AND APPROVING \$500,000 IN HUD RENTAL REHABILITATION PROGRAM INCOME FUNDS FOR IMPROVEMENTS TO 902 HERSEY STREET; EXECUTION OF LOAN AGREEMENTS WITH THE MINNESOTA HOUSING FINANCE AGENCY AND RAMSEY COUNTY; SOLICITATION OF BIDS FOR A GENERAL CONTRACTOR AND EXECUTION OF A GENERAL CONTRACTOR AGREEMENT; EXECUTION OF A LEASE AGREEMENT WITH CATHOLIC CHARITIES; AND AMENDING THE BUDGET, DISTRICT 12, WARD 4**

## **Requested Board Action**

1. Authorization to budget \$500,000 of HUD Rental Rehabilitation Program Income funds for the Saint Paul Midway Residence renovation project (“Midway Residence Project”)
2. Authorization to solicit general contractor bids and execute a general contractor agreement
3. Authorization to execute deferred loan agreements with Minnesota Housing Finance Agency (MHFA) and Ramsey County
4. Authorization to execute a new, ten-year (10) lease agreement between the HRA and Catholic Charities of the Archdiocese of Saint Paul and Minneapolis (Catholic Charities)

## **Background**

The Midway Residence is a 120-unit housing facility located at 902 Hershey Street in the Saint Anthony Park neighborhood. The residence serves 120 persons: 60 single men with disabilities, and 60 men with chronic substance addiction. All men have experienced long-term homelessness.

Pursuant to a lease agreement with the HRA, Catholic Charities has operated and maintained the Midway Residence and has provided services to the residents since 2007. The lease expired but Catholic Charities continues to operate the residence.

In 2006, the Minnesota Housing Finance Agency (MHFA) provided the HRA with a Publicly Owned Permanent Supportive Housing Loan for construction of the residence. The

monies for the loan were State General Obligation Bonds. Due to state bond rules, the HRA is required to own the residence. See attachment B for project background detail.

The proposed renovation of the Midway Residence Project will be implemented by the HRA, and will include replacement of several building systems, and improvements needed to increase safety for the aging formerly homeless population.

### **Budget Action**

Staff is proposing the allocation of \$500,000 of HUD rental rehabilitation program income funds for this project. The HRA budget will be amended to reflect the MHFA loan of \$1,784,000 and the Ramsey County loan of \$1,750,000.

### **Future Action**

If the construction bids come in over-budget, due to volatility in the market, additional funding may be requested of the HRA. The MHFA and Ramsey County may be asked to increase their loans.

### **Financing Structure**

As part of the 2020 consolidated RFP process, MHFA and Ramsey County selected the Midway Residence Project for funding. On March 8, 2021, MHFA issued a selection letter recommending a deferred Preservation Affordable Rental Investment Fund program (PARIF) loan of \$1,784,000 with a 30-year term at 0% interest. MHFA will complete final underwriting and confirm the final loan amount after the general contractor construction number is determined.

On December 15, 2020 the Ramsey County Board approved Resolution B2020-254 that included the allocation of \$1,750,000 for the Midway Residence Project. The Ramsey County loan will be funded with general obligation bonds. The Ramsey County loan will be a deferred loan with a 30-year term and 0% interest.

PED staff is recommending an investment of \$500,000 of HUD rental rehab program income funds in the Midway Residence Project. The total project cost is approximately \$5,030,885. The loan agreements with MHFA and Ramsey County will be executed prior to construction. A sources and uses of funds is attached.

## **Lease and Operating Agreement**

On September 22, 2021, a public hearing will be held before the HRA board regarding the approval of a lease and operating agreement between the HRA and Catholic Charities. The current draft of the Lease and Operating Agreement (the "Lease") between the HRA and Catholic Charities contains the following terms:

1. Construction: the HRA will implement the capital improvements.
2. Lease and Operation: The HRA will lease the Midway Residence to Catholic Charities, and Catholic Charities will operate and maintain the Midway Residence and provide supportive services to the residents.
3. Term: The Lease will have a term of 10 years.
4. Rent: Catholic Charities will not be required to pay rent to the HRA for the use and occupancy of the Midway Residence, but will be responsible for operating and maintenance costs as described in the Lease.
5. Operating Costs: Because the residents will be very low income, rents are not expected to be sufficient to cover operating costs of the Midway Residence, resulting in operating deficits that must be covered from other sources. Catholic Charities will provide funds to cover operating deficits not able to be funded from operating reserves.
6. Termination: As required by the laws governing the use of proceeds of State General Obligation Bonds, the lease is terminable if the Midway Residence ceases to be used in the HRA's "governmental program" of providing housing for homeless and males with chronic substance abuse. In addition, the lease is terminable by Catholic Charities or the HRA with

180 days notice if either entity determines in good faith that Catholic Charities no longer can provide the necessary supportive services, or that Catholic Charities does not have funds sufficient to pay operating deficits.

The lease agreement will be executed with Catholic Charities simultaneously or prior to execution of the MHFA and Ramsey County loan agreements, and prior to the start of construction.

**PED Credit Committee Review**

At the August 24, 2021 Credit Committee meeting, the Committee reviewed and approved the proposed financing for the Project.

**Compliance**

State and federal funds will be utilized so the higher of Federal Davis Bacon or Little Davis Bacon rates will be required. Section 3 will be required.

**Green/Sustainable Development**

NA

**Environmental Impact Disclosure**

An environmental review is underway and will be complete prior to closing.

**Historic Preservation**

NA

**Public Purpose/Comprehensive Plan Conformance:**

2040 Comprehensive Plan

Policy H-15. Accommodate a wide variety of culturally appropriate housing types throughout the city to support residents at all stages of life and levels of ability.

Policy H-16. Increase housing choice across the city to support economically diverse neighborhoods by pursuing policies and practices that maximize housing and locational choices for residents of all income levels.

The need for permanent supportive housing with rents affordable at 30% of AMI is significant. This project will provide 120 individuals with housing affordable to persons with incomes at 30% or less of area median income.

**Statement of Chairman**

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of execution of a certain lease for a property located in St. Anthony Park by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Legal Ledger on August 23, 2021. A second notice was published on September 9<sup>th</sup> to indicate that due to COVID the hearing would be held remotely. The Affidavit of Publications of the Notice of Public Hearing will be made a part of these proceedings.

The HRA proposes to execute a lease of the following property in the Saint Anthony Park area:

<b>Property Description</b>	<b>Lessee</b>	<b>Terms</b>
902 Hersey	Catholic Charities of the Archdiocese of St. Paul and Minneapolis	10 years, \$1.00

**Recommendation:** Staff recommends approval of the attached resolution.

**Sponsored by:** Councilmember Jalali

**Staff:** Marie Franchett, Principal Project Manager, 651-266-6702

## **Attachments**

- **Background**
- **Financial Analysis**
- **Map**
- **Sources and Uses**
- **SAP Neighborhood Profile**