

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

REPORT TO THE COMMISSIONERS

DATE: June 12, 2013

**REGARDING: Resolution (i) Authorizing a HOME loan; (ii) Approving an HRA Budget Amendment; (iii) Approving Establishment of the Hamline Station West Tax Increment Financing District; and (iv) Adopting a Hamline Station West Tax Increment Financing Plan; District 11, Ward 4**

## **Requested Board Action**

The specific actions being requested of the HRA Board are as follows:

1. Authorize and approve an HRA budget amendment to provide a HOME Loan in the amount of \$550,000 to Hamline Station Limited Partnership; and
2. Approve the establishment of the Hamline Station West Tax Increment Financing District; and
3. Adopt a tax increment financing plan for Hamline Station Housing Project.

## **Background**

Project for Pride in Living Inc. (Developer) is proposing to re-develop 13 parcels at the northeast corner of the Hamline and University Avenue intersection (1319-1333 University Avenue) into a mixed-use development called the Hamline Station Project (the 'HS Project'). In March of 2013, the City of Saint Paul provided a \$2,246,000 loan to the Developer to acquire all parcels pursuant to grant funds awarded to the City of Saint Paul by the Metropolitan Council under their TOD Livable Cities Development Account for the HS Project.

The HS Project is comprised of two separate projects: West Project and East Project. **While this board report pertains to the West Project, for clarity, noted below is a summary of the entire HS Project.**

### **1. West Building:**

- a. Physical Plant: four stories; 14,249 sq. ft. of street level (first floor) commercial/retail space; 57 housing units.
- b. Ownership: Hamline Station LP

- i. Commercial: Excelsior Bay will own, finance and lease the commercial space.
- ii. Housing: Hamline Station LP (Developer is general partner) will own the housing units; unit mix is detailed later in this report.
- c. Proposed Financing Summary: tax exempt bonds with automatic 4% low income housing tax credits, HOME funds, and tax increment financing.

## 2. East Building:

- a. Physical Plan: four stories, 51 housing units.
- b. Ownership: Hamline Station Family Housing LP (Developer is general partner)
- c. Proposed Financing Summary: 9% low income housing tax credits, HOME funds, and tax increment financing.

## 3. Joint East/West:

- a. Physical Plant: public plaza between the buildings; structured underground parking.
- b. Ownership: joint, with cross easements.

The HS Project will be located at the door-step of the LRT Hamline Station stop, and within a short walking distance of several of amenities such as the Midway shopping center, Super-Target, Walmart, and other major retailers/employers. Several educational and recreational facilities such as Horton Park and Jimmy Lee Recreational Center are also within close proximity.

The proposed unit mix in the West Project is as follows:

RFP Unit Type	# of DU	Rent Limit (% of AMI)	Income Limit (% of AMI)
0BR/SRO	9	50%	50%
1BR	3	50%	50%
1BR	26	60%	60%
1BR	1	60%	80%
2BR	18	60%	60%
	57		

The maximum annual income of a two-person household at 60% of the area median income is \$39,720; the maximum annual income for a two-person household at or below 50% of the area median income is \$33,100.

### **Budget Action**

- Approve Hamline Station West TIF District Financing Plan
- Approve HOME Loan in the amount of \$550,000

### **Future Action**

1. Approve and authorize the issuance of tax exempt bonds, which come with automatic 4% low income housing tax credits (LIHTC), for Hamline Station LP project (West Project); and
2. Award 9% LIHTC for the Hamline Station Family Housing LP project (East Project) should the East Project's LIHTC application score sufficiently to warrant such an award under the HRA's Qualified Action Plan; and
3. Approve an additional \$200,000 of 2013HOME funds to both the West and East Projects (for a total of \$400,000) to fully fund the remaining gap financing for each of the projects; and
4. Approve and authorize the execution of a Development Agreement with final terms and conditions of all financing for the HS Project.

### **Financing Structure**

The chart below details the proposed financing uses and sources for the West Project.

Sources and Uses Hamline Station (Hamline Station West) 1333	
	<b>4% side</b>
<b>Acquisition</b>	\$1,170,000
<b>New Construction</b>	\$7,704,153
<b>Contingency (5%)</b>	\$365,000
<b>Environmental</b>	\$250,306

<b>C. Soft Costs</b>	<b>\$717,500</b>
<b>Developer's Fee (8%)</b>	<b>\$1,443,000</b>
<b>Financing Costs</b>	<b>\$756,885</b>
<b>Reserves</b>	<b>\$243,000</b>
<b>Total</b>	<b>\$12,649,844</b>
<b>Sources</b>	<b>4% side</b>
1st Mtg (5%)	\$2,425,000
Syndication Proceeds (\$0.88-\$0.90)	\$2,759,193
Annual Credits Requested (7.45% + boost)	\$306,577
TIF	\$1,577,258
2012 St. Paul (HOME)	\$550,000
2013 St. Paul (HOME or CDBG)	\$200,000
Met Council LCDA	\$375,000
Met Council LCDA-TOD	\$1,045,000
Met Council TBRA-TOD	\$250,306
CoO LIC	\$100,000
MHFA	\$2,730,000
GP Loan or Def Dev Fee	\$497,087
Retail purchase (shell)	\$141,000
<b>Total Sources</b>	<b>\$12,649,844</b>

#### Tax Increment Financing (TIF) Districts

Due to the high cost of developing affordable housing, the HS Project (West and East) is feasible only through assistance, in part, from tax increment financing. With the establishment of the Hamline Station West TIF District, TIF will be provided through a pay-as-you-go note to the Developer in an amount not to exceed \$3,690,000.00 over the 25- year life of the district. Final sizing and terms will be included in a Development Agreement to be approved by the HRA after the Developer secures all other necessary financing.

The TIF plan institutes a delay in the first receipt of increment to 2017 to address the City's informal policy to capture less than 10% of the tax capacity in TIF districts.

### HOME Loan

Staff is recommending a \$550,000 HOME loan for the West Project as gap financing. Due to limited cashflow, the loan will be structured as a 32- year, deferred loan with 1% interest.

Principal and interest payments will be deferred until maturity of the loan. The loan will be secured by a Note, Mortgage and Assignment of Rents and Leases. The project will be required to remain affordable for a period of 30 years to coincide with the tax credit affordability period.

### Bonds and 4% LIHTC

The West Project will be financed with 4% non-competitive Low Income Housing Tax Credits allowed with the issuance of tax exempt multifamily rental housing bonds. The Lender US Bank has issue a Letter of Intent to the developer for the bonds. The bonds are Bank Direct Purchased Bonds (US Bank) with a tax exempt note in two series A and B Series A for \$2,425,00.000 (first mortgage) and Series B \$1,577.258.00 (for TIF) totaling 4,002,258.00 with a fix interest rate of 5.4%.

### Grants

The West Project has been awarded the following grants from the Metropolitan Council:

- \$219,000 LCDA Development Demonstration Award
- \$949,000.00 LCDA Transit Oriented Development
- \$250,306 Tax Based Revitalization Account (for soil remediation)

The Developer will also be applying to Minnesota Housing for gap financing in the amount of \$2,730,000.

### **PED Credit Committee Review**

PED Credit Committee recommended approval of \$550,000 HOME loan with the terms noted above. The loan will be risk rated “Originated as Loss” (O).

### **Compliance**

The compliance requirements that apply to this project include Vendor Outreach, Affirmative Action, Federal Davis Bacon, Section 3, and the 2-Bid Policy. A pre-construction meeting will be scheduled after final HRA Board approval and before a final closing on financing. The Developer will execute a Project Labor Agreement for the HS Project (East & West).

### **Green/Sustainable Development**

The HS Project (East & West) will comply with Saint Paul Sustainable Development Policy. The Developer will include sustainable building elements for all site and common space lighting, significantly reducing electrical use. A heat pump system will be employed - the most efficient HVAC system available short of geothermal. Energy star appliances will be installed in each units. Plumbing fixtures will be low flow.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

N/A

### **Public Purpose**

The Hamline Station Housing (East & West) project will fulfill important housing strategies of the Saint Paul Comprehensive Plan-Housing Chapter such as:

- Strategy 1 “Build upon Saint Paul’s Strengths in the Evolving Metropolitan Housing Market”
- Strategy 2 “Preserve and Promote Established Neighborhoods”
- Strategy 3 “Ensure the Availability of Affordable Housing Across the City”

The project also aligns with the housing goals of the Hamline Station Area Plan, adopted by Saint Paul City Council in October 2011, “This would solidify the residential market for the station area and establish it as a mixed-use center”.

### **Recommendation**

The Executive Director recommends approval of the attached resolution for the Hamline Station project located at 1319 - 1333 University Avenue.

**Sponsored by:** Commissioner Stark

**Staff:** Eduardo Barrera, 266-6585

#### **Attachments**

- **Attachment A -- Resolution**
- **Attachment B -- Map/Address of Project, should include libraries, parks, schools**
- **Attachment C -- *Project Summary Form***
- **Attachment D -- *Sources and Uses Summary Form***
- **Attachment E -- *Public Purpose Form***
- **Attachment F -- Census Facts**