

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 10, 2021

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE EXCHANGE OF HOME LOAN FUNDS TO COMMUNITY DEVELOPMENT BLOCK GRANT ("CDBG") LOAN FUNDS AND THE EXECUTION OF RELATED DOCUMENTS FOR A PROPERTY LOCATED AT 750 MILTON AVENUE NORTH IN THE CITY OF SAINT PAUL, MINNESOTA ("WILDER SQUARE PROJECT") DISTRICT 7, WARD 1.

Requested Board Action

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners to approve the attached Resolution authorizing the exchange of CDBG funds to replace HOME funds for a \$1,270,000 deferred loan to the Wilder Square project.

Background

On December 9, 2020, by RES PH 20-281 the HRA Board approved a deferred HOME loan in an amount up to \$1,270,000 for the Wilder Square project. Due to the need to expend existing CDBG funds according to a deadline provided by HUD rules and regulations, and the fact that closing on this loan will occur on or before this deadline, PED staff is recommending that HOME funds be replaced with CDBG funds for this project in order to expend funds in a timely manner. All other terms of the loan will remain the same.

Constructed in 1974, Wilder Square is an 11-story elevator building with 136 units comprised of 125 one-bedroom and 11 two-bedroom units. The building also contains a community room with a kitchenette, common laundry facilities and a manager office. The exterior is comprised of brick and cement. The site contains 100 surface parking stalls. The large site contains a play structure, a maintenance shed, and significant green space.

Located in the Frogtown Neighborhood of Saint Paul, the immediate surrounding uses include cooperatively owned townhomes, single family homes, businesses to the north and west, and Frogtown Park to the south. It is a valuable affordable housing resource in an

excellent location, less than a mile away from the Maxfield Elementary school and the light rail stop at the corner of University Avenue and Victoria Street. The property is located three blocks from Lexington Avenue, providing even more access to public transit, healthcare, shopping, and employment opportunities, libraries and parks.

Budget Action

None

Future Action

None

Financing Structure

CommonBond Communities recently purchased the property. They will be receiving an allocation of tax-exempt affordable housing revenue bonds from Ramsey County through Minnesota Office of Management and Budget (MMB) in an amount not to exceed \$17,000,000. They plan to raise equity from the “automatic 4%” Low Income Housing Tax Credits (LIHTC). In addition to the \$1,270,000 CDBG loan from the City, the project has received approval for up to \$4,152,009 in a PARIF loan from Minnesota Housing.

Sources and Uses of Funding:

Sources of Funds

First Mortgage	\$ 12,530,000
LIHTC Tax Credit Equity	9,883,608
Deferred PARIF Loan	4,152,009
City CDBG Loan	1,270,000
Sales Tax Rebate	313,727
Energy Rebate	24,501
Mardag Foundation	30,000
Seller Loan	2,300,000
Ramsey County ERF	54,738
Contributed NOI	653,330
Deferred Developer Fee	<u>1,703,275</u>

Total Sources of Funds	\$ 32,915,190
Uses of Funds	
Acquisition	\$12,100,000
Construction Costs	14,389,711
Professional Services & 3 rd Party Reports	1,303,137
Bond, Tax Credit and Other Financing Costs	1,449,333
Reserves	495,980
Developer Fee	<u>2,700,000</u>
Total Uses of Funds	\$ 32,915,190

Tax Credits

The Project will be financed with the “Automatic 4%” Low Income Housing Tax Credits (LIHTC). Automatic 4% tax credits can be used “automatically” for projects with tax exempt revenue bond financing. These credits are not limited as are the “9%” credits. In addition, the Development is in a “Qualified Census Tract” as defined by the Department of Housing and Urban Development (HUD). This will allow the project to receive an additional 30% “boost” in tax credit equity. The tax credit equity will come in over time for a total contribution of approximately \$9,883,608, or more depending on final credit pricing.

PARIF Loan

Minnesota Housing will be providing a PARIF Loan that will have a 0% interest rate deferred for 30 years and will be in second (2nd) collateral position.

CDBG Loan

The \$1,2700,000 CDBG loan will have a 1% interest rate, with both principal and interest deferred for 30 years subject to excess cash flow and will be in third (3rd) collateral position to the first mortgage.

Seller Note

To help fill the financing gap, CommonBond as the seller of the property will take back a Seller Note in the amount of \$2,300,000 as a portion of the purchase price. It is a 30-year

deferred note with a 4.5% interest rate. The note will not be secured by a mortgage on the property.

PED Credit Committee Review

On November 24, 2020, the PED Credit Committee reviewed and approved the terms of the \$1,270,000 HOME Loan. None of these terms have changed.

Compliance

The following compliance requirements will apply to this project including: Vendor Outreach, Affirmative Action, Federal Davis Bacon, Section 3, Project Labor Agreement, and the 2-Bid Policy.

Green/Sustainable Development

The Wilder Square project will comply with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This Project meets several public purpose objectives and will further several planning strategies and goals such as the following:

1. One of the 2040 Comprehensive Plan major housing strategies is to ensure the availability of affordable housing across the city.
2. Comprehensive Plan policy H-18 calls for support of the preservation of publicly assisted and private affordable housing, especially units that serve deeply affordable households earning 30% Area Median Income and less.
3. Comprehensive Plan policy H-27 and H-39 calls for collaboration with HUD and other funding partners to promote preservation of affordable units especially those assisted by federal Project Based Section 8 Vouchers.

4. The Frogtown Planning District plan calls for preserving the existing housing stock with special commitment to the preservation of affordable housing.

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which will allow CDBG funds to be used to replace HOME funds for the deferred loan for Wilder Square.

Sponsored by: Commissioner Dai Thao

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Map**
- **District 7 Profile**