

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 10, 2021

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS FOR THE HOLLOWES APARTMENTS PROJECT TO BE LOCATED AT 520 PAYNE AVENUE; APPROVING THE EXECUTION OF RELATED DOCUMENTS; AND ADOPTING A HOUSING PROGRAM, DISTRICT 5, WARD 7

Requested Board Action

The HRA Board will take action on two separate HRA Board resolutions pertaining to the 520 Payne Avenue project. The first will be a Public Hearing to sell the HRA owned land to the Hollows Apartments LLLP (the “Developer”) and approval of Tax Increment Financing and the second resolution will authorize the issuance of Multifamily Housing Revenue Bonds by the HRA to finance the project

HRA Board approval is requested for the following:

1. The Issuance and Sale of Conduit Multi-Family Housing Revenue Bonds.
2. Approval of Related Documents.
3. Adoption of a Housing Program for the 520 Payne Avenue Apartments Project.

Background

The HRA acquired 520 Payne Avenue (Parcel ID 32.29.22.24.0179) from Standard Truck on November 25, 2003, for a purchase price of \$655,000.00 (purchased with CDBG Funds). The property was not acquired via eminent domain.

In September 2018, staff received a proposal from JO Companies (Hollows Apartments LLLP) and a proposal from Dayton’s Buff Neighborhood Housing Services (DBNHS). Both developers requested to purchase the property and construct a multi-family affordable housing building on the site.

On June 10, 2020, the HRA Board approved tentative developer status for the Developer for this property.

The Developer proposes to construct a four-story building with 62 housing units. The development will have 29 underground and 16 surface parking spaces. The proposed housing will consist of 32 efficiencies and 30 one-bedroom units. The projected rents and income restrictions are proposed to be affordable at or below 60% AMI with 8 units set aside for rents not to exceed Fair Market Rents (FMR) and five (5) units set aside for income at 30% AMI.

The sixty-two (62) housing units will be affordable to households as follows:

Size and Income /Rent Limits of Units:

Size	# of units	Gross Rent	Rent Limit	Income Limit
Studio	32	\$1,102	60%	60%
1 BR	8	\$1,054	FMR	60%
1BR	5	\$560	30%	30%
1 BR	11	\$1,181	60%	60%
2BR	6	\$1,417	60%	60%
Total	62			

* FMR = Fair Market Rents

The Project has a financing gap and the Developer has requested the establishment of a new housing Tax Increment Financing district to provide assistance. The City Council will hold a public hearing on November 10, 2021 and consider adoption of RES PH #21-314 approving the 7th Amendment to the Saint Paul Neighborhood Redevelopment Project Area and establishment of a Tax Increment Financing District for the 520 Payne Avenue Housing Project and approving the Amended Redevelopment Plan and Tax Increment Financing Plan.

The property is currently zoned T2 – Traditional Neighborhood and the proposed project is permitted in this district. See **Attachment** for a Map/Address of the Property, and **Attachment** for a demographic profile of District 5, 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:

This is a conduit bond issue. The bonds shall not constitute an indebtedness, liability, general or moral obligation, or pledge of the faith or credit or taxing power of the HRA, City of Saint Paul, or any agency or political subdivision thereof, and shall not constitute indebtedness of any of the foregoing within the meaning of any constitutional, statutory, or charter provision, nor be a charge against their respective general assets, credit or taxing powers, and do not grant the owners or holders of the bonds any right to have the HRA, City of Saint Paul or any agency or political subdivision thereof to levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon. Principal and interest on the bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action:

None

Financing Structure

The Developer has proposed the following permanent sources and uses to complete the construction project. They are seeking HRA issued Multifamily Housing Revenue Bonds with automatic 4% Low Income Housing Tax Credits (LIHTC), Tax Increment Financing (TIF) and the City's Pooled TIF.

<u>SOURCE</u>		<u>USES</u>	
1 st Mortgage (4.2%, 40 yrs)	\$ 6,837,000	HRA Owned Land	\$ 364,900
Syndication Proceeds (\$.92)	\$ 7,383,495	New Construction	\$12,213,504
TIF Mortgage & Pooled TIF	\$ 3,200,000	Contingency	\$ 589,480
Deferred Developer Fee	\$ 1,015,862	Developer Fee	\$ 2,106,145
Ramsey County	\$ 208,883	Enviro Abatement	\$ 289,652
DEED Grant	\$ 81,117	Professional Fees	\$ 1,367,655
GP Equity	\$ <u>100</u>	Financing Costs	\$ 1,309,817
		Reserves	\$ <u>485,204</u>
TOTAL	\$18,726,457		\$18,726,457

HRA Property Sale

PED Staff is recommending that the HRA owned property be sold to the Developer for \$364,900. The current value is estimated at \$364,900. PED staff will file a Declaration of Restricted Uses on the property prior to selling the property.

Housing Revenue Bonds

There is a total of not to exceed \$9,100,000 of bond authority being requested. In order to receive 4% automatic tax credits, the project must meet a “50%” test which means as least 50% of the Borrower’s basis must be initially financed with Bond proceeds (the City’s QAP limits this to 53% as an additional cushion in case costs change). The tax-exempt bond financing will be structured in one Note. The Note will be long term debt. The Note will be repaid by the installment of tax credit equity and then project cash flow. The revenue bonds issued by the HRA will be privately placed with a lender (Red Stone or an affiliated entity).

The Note will have a final maturity of 40 years, will require partial redemption from tax credit equity, resulting in a long-term principal amount of about \$7,904,000. The Note will have a fixed interest rates set prior to closing with a rate during construction with interest only due, and a different rate after construction, with an option for the Note to be tendered in 18 years from the closing.

Low Income Housing Tax Credits

The project will be financed with the 4% Low Income Housing Tax Credits (LIHTC). The 4% tax credits can be used for projects with tax exempt revenue bond financing, provided they meet the 50% test detailed above. The Tax Credit’s projected price is \$0.92. US Bank is the syndicator.

Proposed Tax Increment Financing Structure

Due to the high cost of developing affordable housing, the Project is feasible only through assistance from tax increment financing. With the establishment of the housing TIF district for the 520 Payne Avenue, TIF will be provided through a pay-as-you-go note to the Developer. Upon final analysis of the amount of tax increment financing needed, the TIF will be structured as a Pay-As-You-Go Note to the Developer, pledging 90% of the tax increments collected by the HRA from

the TIF district, for TIF-eligible expenses, including interest. The remaining tax increment is budgeted for administration costs. The principal amount of the note may change, but, in no event, will be less than their financing gap, and will not exceed the amount supported by the tax increment projections with a fixed interest rate that will be equal to the interest rate on their bonds estimated to be 4.2%. Pay-As-You-Go obligations are limited obligations without scheduled payments, and revenues are first used to pay interest and then to retire principal. The HRA makes no representation that the pledged increments will be sufficient to pay principal and interest.

City's Pooled TIF Loan

The City's Pooled TIF Loan will be based on a total financing of \$3,200,000 minus the TIF note. It is current estimated the TIF Note will be \$1,067,000. Therefore, the Pooled TIF is estimated at \$2,133,000. The loan will be a 50% cash flow loan with a term of 40 years, at 1% simple interest. All principal and interest payments will be deferred until the deferred developer fee, is paid in full.

Deferred Developer Fee

In order to maximize the amount of tax credit equity, the Developers are requesting the maximum fee (\$2,106,145) under the City's Developer Fee Guidelines and will include this fee as eligible tax credit basis. A portion of the Developer Fee of \$1,015,862 will be deferred and paid over a period of up to 15 years through excess cash flow.

PED Credit Committee Review

On October 19, 2021, the Credit Committee reviewed the proposed Multifamily Housing Revenue Bonds and Tax Increment Financing assistance. The Credit Committee approved the TIF assistance as consistent with PED policies. The Credit Committee also approved of the terms of the City's Pooled loan with a risk rating of Originated as a Loss.

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, Local Labor Standards, Project Labor Agreement, Sustainable Green Policy and Two Bid Policy.

The Project is exempt from the following: Business Subsidy based on development of housing; Living Wage based on the number of employees.

Green/Sustainable Development

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

Environmental Impact Disclosure

N/A

Historic Preservation

This project will not require HPC PED Staff review.

Public Purpose/Comprehensive Plan Conformance

Housing

The proposal is in conformance with the Comprehensive Plan. The 2030 Comprehensive Plan, currently in effect, designates the site for Industrial, but also as an Opportunity Site that allows for intensification through redevelopment to uses such as proposed. The 2040 Comprehensive Plan, currently under Metropolitan Council review, designates the site as Urban Neighborhood and within a Neighborhood Node, which together encourage multi-family residential uses with transit-supportive density. The Railroad Island Plan Summary (2007) calls for “working with the community to explore potential uses” in this area, “including the possibility of purchasing State Supply to allow for the creation of a more attractive gateway to the area.”

Recommendation:

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

1. The Issuance and Sale of Conduit Multi-Family Housing Revenue Bonds.
2. Approve Related Documents.
3. Adopting a Housing Program for the 520 Payne Avenue Apartments Project.

Sponsored by: Commissioner Jane Prince

Staff: Report prepared by: Daniel K. Bayers, (266-6685)
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Attachments

- Map
- District 5 Profile