

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 12, 2019

REGARDING: RESOLUTION GIVING HOST APPROVAL TO THE ISSUANCE BY THE CITY OF COON RAPIDS OF CONDUIT MULTI-FAMILY HOUSING REVENUE BONDS ON BEHALF OF COMMONBOND COMMUNITIES, AUTHORIZING AND APPROVING A \$250,000 CDBG LOAN AND CDBG LOAN AGREEMENT, APPROVING A JOINT POWERS AGREEMENT, APPROVING A BOND COMPLIANCE AND FEE AGREEMENT AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO, ALL FOR THE COMMUNITY PLAZA PROJECT, 709 CENTRAL AVENUE, SAINT PAUL, MINNESOTA DISTRICT 8, 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 following:

1. Approval of a \$250,000 CDBG Loan to the Community Plaza project; and
2. Giving final host approval for the issuance of tax exempt housing revenue bonds in an amount up to \$11,500,000 by the City of Coon Rapids on behalf of CommonBond Communities for the Community Plaza Project and approving and authorizing the execution of related documents.

Background

Community Plaza and Galway Place Townhomes are two existing affordable family townhome communities located in Saint Paul and Coon Rapids, respectively. Both projects have 100% of the units assisted with Project Based Section 8. Community Plaza is a 40-unit townhome community located at 709 Central Avenue West. Galway Place Townhomes has 36 townhome units and is located at 11184 Hanson Boulevard NW. Both properties are currently being managed, with on-site management by CommonBond Housing. Both projects are attractive to families due their large townhome layouts and are in dire need of rehabilitation to maintain healthy, safe housing standards for their

residents. The rehab will include new roofs, windows, and siding as well as unit kitchens, bathrooms, and mechanicals

Housing Rents

The 40 housing units will be 100% “tax credit” units affordable to households earning 60% Area Median Income (AMI) or less with a mix of two and three bedrooms. All 40 units are assisted with Project-Based Section 8 and will be affordable to households earning 30% AMI and less. The Section 8 HAP contract was recently renewed and is in place for another 16 years.

Size and Income /Rent Limits of Units:

Size	# of units	Gross Rent	Rent Limit	Income Limit	Rent Assistance
2 BR	2	\$1,056	60%	60%	Section 8
2 BR	19	\$1,072	60%	60%	Section 8
3 BR	19	\$1,215	60%	60%	Section 8
Total	40				

Developer Experience

CommonBond Communities was formed in 1971 with the intent to create affordable housing options for all. They grew over the decades to become one of the most effective affordable housing providers in the upper Midwest, with over 7,000 rental apartments and townhomes in 56 cities located in Minnesota, Iowa, and Wisconsin. Their model of affordable housing integrates supportive services within the housing developments for those most in need. CommonBond owns and operates several properties in Saint Paul including Westminster Place, Vistas, Torre de San Miguel, The Commerce Building, and, one of Saint Paul’s largest affordable housing buildings, Skyline Towers.

Budget Action

None

Future Action

None

Financing Structure

The total development cost is \$18,699,257 for both the housing components. Of that, the Community Plaza portion will total \$9,950,022 and the Galway Townhomes will total \$8,749,235. For purposes of the Saint Paul CDBG Loan sources and uses for Community Plaza have been allocated as follows:

Sources and Uses of Funding:

Sources of Funds

1 st Mortgage	\$ 3,452,000
Low Income Housing Tax Credits	3,083,107
Sales Tax Rebate	75,375
Energy Rebates	9,500
Seller Note	192,000
MHFA PARIF Loan	1,847,000
NOI During Construction	231,273
City of Saint Paul CDBG	250,000
Deferred Developer Fee	653,497
Funding Source from Galway	<u>156,270</u>
Total Sources of Funds	\$ 9,950,022

Uses of Funds

Acquisition	\$ 4,426,000
Construction Rehab Costs	3,350,000
Contingency	234,500
Environmental Abatement	35,000
Professional Services & 3 rd Party Reports	376,570
Tax Credit Fees	20,800
Financing Rees	623,901

Reserves	188,485
Developer Fee	<u>694,766</u>
Total Uses of Funds	\$ 9,950,022

Housing Revenue Bonds

For the “1st Mortgage” there is a total of up to \$11,500,000 in volume limit tax-exempt bond authority approved for both projects to be issued by the City of Coon Rapids, MN.

The bonds to be issued by the City of Coon Rapids 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 document.

Tax Credits

The housing also 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. Because Coon Rapids is the bond Issuer, these credits will be allocated according to Minnesota Housing’s Qualified Allocation Plan as allocator. The Project is in a Qualified Census Tract (QCT) which will allow the project to receive an additional “30% boost” in tax credit equity. The tax credits are to be purchased by RBC Capital Markets (RBC) for \$.94 per dollar and RBC will become the Limited Partner. The tax credit equity will come in over time for a total contribution of \$3,083,107.

\$250,000.00 CDBG Funds

The CDBG loan will be structured with a 2% interest rate, deferred principal and interest for 30 years.

Minnesota Housing

There will be a Preservation Affordable Rental Investment Fund (PARIF) Loan from Minnesota Housing in the amount of \$1,847,000. The PARIF loan will be structured as a 30-year, 0% interest rate, deferred loan.

Deferred Developer Fee

To maximize the amount of tax credit equity, the Developers are requesting the maximum 15% Developer Fee on Community Plaza to include as eligible tax credit “basis”. The majority of this Developer Fee or \$653,497 will be deferred and paid over a period of 10 years through cash flow as approved in the Limited Partnership Agreement.

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 \$192,000 as a portion of the purchase price.

PED Credit Committee Review

On May 28, 2019, the PED Credit Committee reviewed and approved the terms of the \$250,000 CDBG Loan and determined that the bond issuance meets the HRA policy for host approval.

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 Community Plaza project will comply with 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 as listed in **Attachment D** and will further several planning strategies and goals such as the following:

1. One of the 2030 Comprehensive Plan major housing strategies is to ensure the availability of affordable housing across the city.
2. Comprehensive Plan policy H 3.1. calls for support the preservation of publicly-assisted and private affordable housing.
3. Comprehensive Plan policy H 1.1 calls for increasing housing choices across the city to support economically diverse neighborhoods;
4. The Summit University Neighborhood policy 24 calls for preserving the existing housing stock with special commitment to the preservation of affordable housing.
5. Comprehensive Plan policy LU 1.8 calls for encourage the development of townhouses and smaller multi-family developments, compatible with the character of Established Neighborhoods.
6. Comprehensive Plan policy LU 1.41 calls for promoting the development of a range of housing types and housing values in each of the 17 planning districts.

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which approves the following:

1. A \$250,000 CDBG Loan to the Community Plaza project; and
2. Host approval for the issuance of tax exempt housing revenue bonds in an amount up to \$11,500,000 by the City of Coon Rapids on behalf of CommonBond Communities for the Community Plaza Project and authorizing the execution of related documents

Sponsored by: Commissioner Dai Thao

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Map**
- **Sources and Uses**
- **Project Summary**
- **Public Purpose**
- **District 8 Profile**