

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 21, 2024

**REGARDING: RESERVATION OF 2025 LOW INCOME HOUSING TAX CREDITS FOR
THE EAST 7TH DEVELOPMENT AT 892 EAST 7TH STREET, WARD 6,
DISTRICT 4.**

Requested Board Action

Approval of the accompanying resolution to reserve:

- \$984,219.00 of the 2025 Low-Income Housing Tax Credits ("2025 HTC") for the East 7th development located at 892 West 7th Street, owned and operated by Project for Pride in Living, Inc., a Minnesota non-profit corporation, or one of its affiliated entities, including PPL East 7th Community Limited Partnership ("East 7th").

Background

The Federal Tax Reform Act of 1986 created the Low-Income Housing Tax Credit Program (the "Credit Program"), which provides a reduction in federal tax liability to owners and investors of qualified low-income housing developments that comply with federally imposed rent and tenant income restrictions for a minimum period of 30 years ("Credits").

On May 24, 2023, by Resolution 23-764, the Board of Commissioners of the Housing and Redevelopment Authority of Saint Paul ("HRA Board") endorsed changes to the Minneapolis/Saint Paul Housing Finance Board's ("Finance Board") 2024-2025 Low Income Housing Tax Credit Procedural Manual ("2024-2025 Procedural Manual") and the 2024-2025 Qualified Allocation Plan ("2024-2025 QAP") to reflect the HRA Board's housing selection priorities for the 2024 and 2025 Credit Program. The 2024-2025 QAP contains several changes aimed at better serving the lowest income residents in our community by expanding the eligibility of the housing tax credits to Naturally Occurring Affordable Housing projects and to projects that demonstrate the use of strategic and integrated approach to addressing equity and cultural integration. These changes also include adding a criterion for preservation projects and providing more points (up to 25 points) to projects serving homeless tenants.

On May 30, 2023, the Finance Board approved the 2024-2025 Procedural Manual and the 2024-2025 QAP. The Finance Board also authorized the HRA Board to administer the 2025 Credit Program and reserved the 2025 Credits to qualified Saint Paul developments. The projected HRA Board's sub-allocation of Credits for 2025 is \$984,219.00.

To be considered for 2025 Credits, eligible projects must be financially feasible and viable as qualified low-income projects for the credit period. (See: attached 2024-2025 QAP, Article VII, Procedure for Selecting Projects; Project Threshold Requirements.) Once the proposals are determined to be qualified, the proposals are scored by a staff committee based upon the selection and preference priorities established as the 2024-2025 QAP scoring criteria.

The HRA received two applications for the 2025 HTC request for proposals (9% LIHTC RFP) as follows:

Project Name:	East 7 th
Address:	892 East 7 th Street
Developer:	PPL
Owner:	PPL
Project Type:	New Construction
Total Units	60
Zoning District	T3 Traditional Neighborhood District
Eminent Domain	none
Project Cost	\$31,541,769
City Financing to be requested:	\$2,393,205
2025 Housing Tax Credit requested:	\$984,219
2025 Housing Tax Credit recommended:	\$984,219

Project Name:	The Aragon
Address:	510 White Bear Avenue
Developer:	Beacon Interfaith Housing Collaborative
Owner:	Beacon Interfaith Housing Collaborative
Project Type:	New Construction
Total Units	56
Zoning District	H2 Residential Zoning District
Eminent Domain	none
Project Cost	\$25,490,268
City Financing to be requested:	\$0
2025 Housing Tax Credit requested:	\$2,261,584
2025 Housing Tax Credit recommended:	\$0

According to Article VII (K) of the 2024-2025 QAP, projects will be prioritized with the project receiving the most points being rated first, the project receiving the second most points being rated second and so on. If two or more projects have overall point totals which are within 2 points of one another, the projects shall be deemed to be substantially equivalent, and the HRA Board will select the project which best meets the applicable city's housing priorities.

Following the 2024-2025 QAP selection and preference priorities, the applications scored as follows:

1. East 7th (91points)

East 7th is a new construction family project not restricted to persons who are 55 years of age or older and in which, for the term of the extended use period, at least 75% of the total housing tax credit units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. The East 7th project application scoring is summarized in the below chart. See the attached Credit Scoring Worksheets for more information about the scoring criteria.

2. The Aragon (63 points)

The Aragon a new construction family project not restricted to persons who are 55 years of age or older and in which, for the term of the extended use period, at least 75% of the total housing tax credit units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. The Aragon project application scoring is summarized in the below chart. See the attached Credit Scoring Worksheets for more information about the scoring criteria.

Criteria	Description	East 7th	The Aragon
A1	Percentage 30% AMI (up to 10 points)	10	10
A2	Percentage 50% AMI (up to 6 points)	6	6
A3	Homelessness (up to 25 points)	12	
C1	Healthy Communities, Wealth and Community Building (up to 8 points)	7	2
C2	Neighborhood Support (1 point)	1	1
C4	Non-Profit Status (2 points)	2	2
C5	Non-Smoking policy (1 point)	1	1

D1	Larger-sized Family Housing Units (up to 15 points)	15	15
D2	Transit (up to 3 points)	3	3
D4	Equity and Cultural Integration (up to 10 points)	10	10
D5	Tenant Selection Plan (up to 4 points)	4	4
F2	Intermediary costs/Soft costs (up to 4 points)	3	2
F3	Prior 9% HTC Commitment (10 points)	10	
F4	Long term affordability (up to 7 points)	7	7
Total		91	63

Upon review, HRA staff recommends that the HRA Board approves the reservation of \$\$984,219.00 of the 2025 HTC for the East 7th development....

East 7th

a. Overview – East 7th

The East 7th project is a new development that will consist of the residential portion of one building and approximately 40,000 SF of commercial space, in the East Side neighborhood of Saint Paul. The residential position will have 60 units varying from 1 to 5 bedrooms in sizes of housing to be affordable at 60% AMI or below. On the currently vacant lot will be constructed a three-story building with commercial on the first floor and residential units on the second and third floors. The project will have a strong focus on providing affordable housing to multi-generational families in the community. The residents will have access to community spaces, such as resident lounge, property management offices, a play area for kids, as well as City Park adjoining the building. The project has a strong focus on providing health and housing connections and the commercial spaces plan to offer various services on site including a Health and Wellness clinic, Early Childhood Day Care center, and an Autism Center.

b. Unit Mix – East 7th

Unit Type	# of units	Income Limit
1BR	8	30% MTSP
2BR	4	30% MTSP
3BR	4	30% MTSP
2BR	6	50% MTSP
3BR	19	50% MTSP
4BR	5	50% MTSP
3BR	5	60% MTSP
4BR	7	60% MTSP
5BR	2	60% MTSP

The project will have 60 units of family housing, comprised mainly of two, three, four and five-bedroom units. There will be some 1-Bedroom units as well, which will include people with disability units providing supportive housing to single adults. All housing units will be affordable to families with incomes at or below 60% area median, and some units will be set aside for supportive housing and will target households with incomes at or below 30% of the area median.

c. Financing Structure – East 7th

In 2022, the HRA Board of Commissioners approved a reservation of 2023 HTC in the amount of \$444,089 for the East 7th project. In 2023, the HRA Board also approved a reservation of 2024 HTC in the amount of \$940,076.00. The approval of the current 2025 HTC recommendation will bring the total reservation of HTC to \$2,368,384 for a total equity estimated to be \$19,418,807.00. Other funding sources include a Minnesota Housing first mortgage, a Metropolitan Council LCDA-TOD predevelopment grant, a Department of Employment and Economic Development grant, a City of St. Paul ARPA loan, an HRA Temporary TIF loan, and a Ramsey County ARPA loan. A complete project budget will be provided to the HRA Board for approval of the development agreement when all sources are committed.

d. The Developer – East 7th

Founded in 1972, Project for Pride in Living, Inc. (PPL) has a mission to build the hope, assets, and self-reliance of individuals and families who have lower incomes by providing transformative affordable housing and career readiness services. Over the past 50 years, PPL has helped nearly 13,000 individuals and families in the Twin Cities move into affordable housing, earn higher

incomes, improve their academic skills, and gain economic independence each year. PPL has built and is managing safe, quality, affordable housing throughout the Twin Cities. Its affiliated entity is PPL East 7th Community Limited Partnership.

Budget Action

NA. Approval of the resolution to reserve Credits does not require budget action.

Future Action

If approved, the HRA Executive Director may execute a Memorandum of Understanding and a Development Agreement with final terms and conditions required for HRA financing and/or 2025 LIHTC.

PED Credit Committee Review

N/A. No loan risk rating is involved.

Compliance

Compliance requirements will be applicable to this project and will be determined once a final budget is in place.

Green/Sustainable Development

Projects awarded credits must comply with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

NA

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

The proposed East 7th development conforms to the 2040 Saint Paul Comprehensive Plan, which designates the site as Mixed Use, calling for a balance of jobs and housing within walking distance of each other such as promoted by this project. The Comp Plan also, in Policy H-7, calls for production of small and family-sized affordable housing options such as proposed. Additionally,

the Near East Side Roadmap designates the site as a redevelopment opportunity for housing, mixed use, or small commercial-industrial.

Statement of Chairman (for Public Hearing)

N/A

Recommendation:

The Executive Director recommends, per the attached resolution, the approval by the HRA Board of the following reservation for the 2025 Low-Income Housing Tax Credits for:

- The East 7th Development in the amount of \$984,219.

Sponsored by: Chair Rebecca Noecker

Staff: Jules Atangana, 651-266-6660

Attachments

- 2024-2025 QAP
- Self-Scoring Worksheet East 7th
- Self-Scoring Worksheet The Aragon
- Map (East 7th Development)
- Public Purpose (East 7th Development)
- D4 Dayton's Bluff Neighborhood Profile (East 7th Development)