

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

REPORT TO THE COMMISSIONERS

DATE: May 13, 2015

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
CONDUIT HOUSING REVENUE OBLIGATIONS (2700
UNIVERSITY AT WESTGATE STATION HOUSING PROJECT),
DISTRICT 12, WARD 4**

Requested Board Action

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

1. Final approval for the issuance of conduit housing revenue bonds in a maximum amount of \$9,000,000.

Background

On October 15, 2014 the City Council of the City of Saint Paul held a public hearing and granted preliminary approval for the issuance of housing revenue bonds in an amount not to exceed \$9,000,000. On October 22, 2014, the HRA authorized the establishment of the 2700 University Avenue at Westgate Station TIF District, and approved the TIF financing plan, the Development Agreement, a Pay-As-You-Go TIF note in the maximum amount of \$8.3 million and a maximum \$1,000,000 HOME loan. Flaherty and Collins is the developer.

The site includes 1.8 acres of vacant land adjacent to the Westgate Green Line station. The project will have 198 market rate units and 50 units (including 11 HOME units) affordable at 50% of median income, for a total of 248 units and 3,000 SF of commercial. The market rate units will have average rents of \$1,475 per month. The affordable rent for a one bedroom unit will range from \$778 to \$812. The project anchors the southeast corner of University and Emerald with first floor commercial space and a continuous activated façade along University with pedestrian entrances for the residential and commercial uses. The total development cost is \$54,000,320.

The 2700 University Avenue site is located in a T4 Traditional Neighborhood zoning district and the development is consistent with the Westgate Station Area Plan. No existing businesses will be displaced or relocated as a result of this project, and there was no land acquisition that took

place as a result of eminent domain. The project is located within Planning District 12. See **Attachment F** for a demographic profile of District 12.

Future City Actions

The site plan is under review by the Department of Safety and Inspections.

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 HRA Action

NA

Financing Structure

Affordable Portion of the Project/2700 University FC, LP

The affordable portion of the deal has a total development cost of approximately \$15,468,734.

The sources for the affordable portion of the project will include:

- A maximum \$1,000,000 HOME loan, with an interest rate of 1% deferred for 30 years.
- A TIF pay-go note of \$8,300,000 sized at an estimated interest rate of 5.0%. TIF will be used to reimburse the Affordable Developer for TIF eligible expenditures including construction of the affordable housing project.
- A maximum of \$9,000,000 Housing Revenue Bonds issued as a Series A and Series B bonds which will leverage 4% low income housing tax credit equity of \$4,750,002.

- The A Series will be a private placement of up to \$1,900,000 placed with BMO Harris Bank.
- The B Series bonds in the approximate amount of \$6,740,000 will be unrated and publicly sold in minimum denominations of \$100,000.
- A general partner loan of \$1,063,582 and a deferred fee of \$306,594.

Market Rate Portion of the Project/2700 University FC LLC

The market rate portion of the deal has a total development cost of approximately \$38,531,586.

The sources for the market rate portion of the project will include:

- A \$1,944,744 Livable Communities Demonstration Account Transit Oriented Development grant will fund acquisition, geotechnical, storm water, utility connections, public improvements and related expenses.
- A \$28,000,000 five year construction/mini-perm loan from BMO Harris Bank.
- A mezzanine loan of \$5,000,000 with a blended interest rate of 9%. The Local Initiative Support Corporation will finance 60% of this loan and BMO Harris Bank 40%. This loan will be repaid from project cash flow after debt service and operating expenses.
- \$2,086,812 of deferred developer fee and \$1,500,000 of developer cash equity.

Please see the attached Sources and Uses of Funds in Attachment D.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on April 27, 2015, and found it to be consistent with PED's conduit bond policy.

Compliance

Compliance requirements include Vendor Outreach, Section 3, Affirmative Action, Davis Bacon, Living Wages and the Saint Paul Sustainable Building Policy. The second Developer/Applicant Compliance Acknowledgement Letter has been executed and received. The project will create 190 construction jobs and 6 permanent full time jobs. The Developer will enter into a project labor agreement (PLA).

Green/Sustainable Development

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

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The project will increase density of housing and commercial development near the Westgate Green Line transit station. It will create a pedestrian and multi-modal transportation friendly environment that is compatible with surrounding residential and commercial uses. Access to transit is very important for low income residents. The project will create 50 units of affordable housing for 30 years located in a mixed-income building. The project will provide 5 type A handicap accessible units. This unique private, non-profit, public partnership and financing structure serves as a model for achieving a mixed-income project in a TOD area.

The project is consistent with the recommendations in Section 4.2.1 of the Central Corridor Westgate Station plan which call for strengthening the mixed use corridor land uses in this area while preserving the character of the existing neighborhood and creating transparency and activity at the street level. It is also consistent with the recommendation in 4.2.3 regarding locating private parking below grade.

Recommendation:

The Executive Director recommends approval of the attached Resolution.

Sponsored by: Commissioner Russ Stark

Staff: Marie Franchett, 266-6702

Attachments

- **Attachment B-- Map/Address**
- **Attachment C -- Project Summary**
- **Attachment D -- Sources and Uses Summary**

- **Attachment E -- Public Purpose**
- **Attachment F – District 12 Profile**