

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2017

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF A CONDUIT MULTIFAMILY HOUSING REVENUE NOTE (THOMAS AVENUE FLATS PROJECT); APPROVING RELATED DOCUMENTS; AND ADOPTING A HOUSING PROGRAM, 1500 THOMAS AVENUE, AND RESOLUTION APPROVING AND AUTHORIZING A LOAN OF UP TO \$1,300,000 IN HOME FUNDS TO MWF PROPERTIES FOR THE CONSTRUCTION OF THOMAS AVENUE FLATS, SUMMIT-UNIVERSITY, DISTRICT 11, WARD 4

Requested Board Action

1. Authorize the issuance of up to \$7,200,000 in tax-exempt housing conduit revenue bonds for the Thomas Flats Avenue Project
2. Approve a loan of up to \$1,300,000 of HOME funds for the construction of a new residential project located at 1500 Thomas Avenue in Saint Paul
3. Authorize the HRA Executive Director to execute all related documents.

Background

On August 2, 2017, the City Council held a public hearing and granted through RES PH 17-211 preliminary Bond approval to a multifamily rental housing development located at 1500 Thomas Avenue. Since the early 2000's, MWF Properties has developed 11 affordable multifamily properties totaling 560 units throughout Minnesota, Iowa, and Illinois. Additionally, over the past 15 years MWF has acted as a consultant on the development of 519 affordable units in Rochester. MWF acquired the site at 1500 Thomas Avenue in July 2015. MWF principals include Jay Weis and Erik Weis, owners of Weis Builders, a general contractor established in 1939 and based in Minneapolis, MN.

Thomas Avenue Flats is a proposed 51-unit affordable housing project located in the Midway Neighborhood. The proposed unit/rent mix is:

Unit Type	# of Bath-rooms	# of Units	Unit Sq Ft	Monthly Contract Rent	Tenant Paid Utilities	Monthly Gross Rent	Income Limit	Source of Rental Assistance or Operating Subsidy
1BR	1.00	1	692	818	30	848	60% AMI	LOW HOME (\$848)
1BR	1.00	1	692	832	30	862	60% AMI	High HOME (\$862)
1BR	1.00	9	692	976	30	1,006	60% AMI	Max \$1,017
2BR	2.00	2	952	1,038	48	1,086	60% AMI	High Home (\$1,086)
2BR	2.00	1	952	969	48	1,017	60% AMI	LOW HOME (1,017)
2BR	2.00	20	952	1,123	48	1,171	60% AMI	Max \$1,221
3BR	2.00	2	1,217	1,296	60	1,356	60% AMI	High Home (\$1,538)
3BR	2.00	15	1,217	1,296	60	1,356	60% AMI	Max \$1,410

Amenities include underground parking, outdoor patio, fitness center, a community room, storage lockers, laundry on each floor, bike racks, and secure entry. The site is within ¼ mile of the Snelling Avenue light rail stop and within blocks of the Snelling Avenue BRT. Additionally, the project is within walking distance of a large commercial area with area job growth projected to expand with the redevelopment of the Snelling-Midway redevelopment. The total development cost is estimated to be \$13,645,235.

Budget Action

The budget action will allocate up to \$1,300,000 of HOME funds to the Thomas Flats Avenue Project in the form of a 40 year deferred loan with 2% interest. Both the loan principal and interest will be deferred and due after the HUD insured loan is paid off.

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

No future Board action is required.

Financing

MWF Properties (Thomas Avenue Flats LP) is requesting the HRA issue an amount not to exceed \$7,200,000 in tax-exempt housing conduit revenue bonds. Tax exempt housing revenue bonds come with automatic 4% low income housing tax credits (LIHTC) that generate equity for the project.

Due to the uncertain outcome of federal tax reform and the possibility that it will eliminate private activity bonds, MWF Properties has chosen to cash collateralize the bonds. The bonds will be sold to a bank who will manage the bond sales. The cash will then be ready to draw and be taken out with the HUD 221(d) that will be part of the project's permanent financing.

The developer is also requesting an up to \$1,300,000 loan of HOME funds as gap financing at 2% interest, principal and interest deferred for 40 years. The project will have 7 HOME units that will remain affordable for 40 years and the rest of the units will be affordable for 30 years at

60% or lower AMI, with 17 units reserved for larger families (3 bedroom units). The project is located in a non-impacted area. The HRA loan will be in a second lien position to the HUD insured first mortgage.

PED Credit Committee Review

On October 2, 2017 the PED Credit Committee reviewed the terms of the proposed bond structure and determined that the issuance of the Housing Revenue Bonds for the Thomas Ave Flats project meets the HRA bond policy. The PED credit committee as well reviewed the proposed terms of the HOME loan for the Thomas Avenue Flats and recommended approval. The Committee assigned a risk rating of “Originated as Loss.”

Compliance

MWF Properties, the developer, acknowledges that the following City/HRA compliance requirements may be applicable to the project:

1. Affirmative Action including Workforce Utilization Template
2. Vendor Outreach Program, including Business Opportunity Template (BOT)
3. Labor Standards – Federal Davis Bacon and City Davis Bacon
4. Two Bid Policy
5. HUD Section 3
6. Project Labor Agreement
7. Living Wage
8. Business Subsidy
9. Early Notification System (ENS)
10. Affirmative Fair Housing Marketing Plan

Green/Sustainable Development

The City Green Sustainable Policy is applicable to this project.

Environmental Impact Review

HOME funding requires an environmental review which has been completed.

Historic Preservation

A HUD 106 review has been completed with the conclusion that no historic properties eligible for, or listed on, the National Register of Historic Places will be affected by this project

Public Purpose/Comprehensive Plan Conformance

Policy H1.3 calls for the revitalization of Saint Paul “by developing land-efficient housing”. The project includes 17 3-bedroom rental units, and is located near transit on both University and Snelling Avenues, which is consistent with the intent of strategy H3 of the Hamline Midway Community Plan, which calls for infill housing development, new housing options proximal to transit, and the creation of larger rental units.

Recommendation

The Executive Director recommends adoption of the attached Resolutions, authorizing the issuance of up to \$7,200,000 in tax-exempt Housing Revenue Bonds, approving a loan in the amount of up to \$1,300,000 per the terms and conditions set forth herein and related documents to be executed.

Sponsored by: Commissioner Russ Stark

Staff: Jules Atangana, 266-6552

Attachments

- **Financing Structure**
- **Sources and Uses**
- **Public Purpose**
- **Map**
- **District 8 Profile**