

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 24, 2020

REGARDING: RESOLUTION APPROVING THE ISSUANCE BY THE FERGUS FALLS HOUSING AND REDEVELOPMENT AUTHORITY OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS ON BEHALF OF SCHUETT OTTER TAIL LP USING, IN PART, RECYCLED BONDING AUTHORITY FROM THE MILLBERRY APARTMENTS PROJECT, 778 BERRY STREET, DISTRICT 12, WARD 4

Requested Board Action

The purpose of this report is to request the HRA Board to approve a resolution authorizing and approving the issuance of conduit revenue bonds by the Fergus Falls Housing and Redevelopment Authority (the “Issuer”) using, in part, recycled bonding authority from the repayment of bonds from the Millberry Apartments project for the acquisition and renovation of a 100-unit affordable rental housing project located in Fergus Falls, Minnesota called River Bend Apartments and a 30-unit affordable rental housing project located in New York Mills, Minnesota called Kaleva Apartments through the execution of a Cooperation Agreement.

Background

The Millberry Apartments project (the “Project”) is located at 778 Berry Street. Dominion, an affordable housing developer, purchased the site and has started construction on the building consisting of 121 units of affordable rental housing. In December of 2017, the HRA authorized the issuance of \$19,000,000 in conduit tax exempt housing revenue bonds to help finance the Project. Federal law permits the reuse of bonding authority for affordable housing projects and treats the reuse as a refunding for tax purposes in certain limited circumstances related to timing of when the bonds were issued, when they can be refunded, and when the bonds mature. The refunded bonds do not generate new 4% Low Income Housing Tax Credits (LIHTC). The Millberry Apartments project is under construction and will be completed in early fall of 2020; Dominion has repaid the bonds issued by the HRA for the Project.

Schuett Otter Tail, LP would like to reuse bonding authority from the Project to finance the two above described rental facilities located in Fergus Falls and New York Mills. The ability to issue bonds utilizing the recycled bonding authority from the Project expires on or before August 27, 2020.

Federal law requires recycled bonds to be reused within 180 days of repayment. While a portion of the recycled tax-exempt authority will be used for Saint Paul projects, staff has determined that given the financing structures and timelines of current Saint Paul projects, the full amount of recycled tax-exempt authority cannot be used within Saint Paul. Therefore, staff recommends that this otherwise unused resource be made available to assist in financing two affordable housing projects outside of Saint Paul.

The proposed resolution will authorize up to \$12,606,000 in total bonds to be issued by the Fergus Falls Housing and Redevelopment Authority, however, the Cooperation Agreement will limit the amount of recycled bonds, currently estimated to total no more than \$2,606,000. The HRA will collect a closing fee equal to 0.25% of the amount of bonds issued with Saint Paul's recycled bonding authority.

Budget Action

N/A

Future Action

N/A

Financing Structure

The proposed conduit revenue bonds will be issued by the Fergus Falls Housing and Redevelopment Authority and will be payable solely from revenues of the project and shall not constitute an indebtedness, liability, general or moral obligation, or pledge of the faith or credit or taxing power of the HRA or the City.

PED Credit Committee Review

N/A

Compliance - N/A

Green/Sustainable Development - N/A

Environmental Impact Disclosure - N/A

Historic Preservation - N/A

Public Purpose/Comprehensive Plan Conformance - N/A

Statement of Chairman (for Public Hearing)

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of approving the Fergus Falls Housing and Redevelopment Authority to issue up to \$ 12,606,000 in conduit housing revenue bonds, using, in part, recycled bonding authority from the repayment of bonds from the Millberry Apartments. Notice of time, place, and purpose of this hearing was published in the Legal Ledger a newspaper of general circulation in the City on the 8th of June 2020. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings. Is there anyone who wishes to be heard on this matter? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The Executive Director recommends the HRA Board approve the resolution authorizing the issuance of the conduit revenue bonds and the execution of a Cooperation Agreement.

Sponsored by: Commissioner Chris Tolbert

Staff: Diane Nordquist -266-6640