

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 9, 2020

REGARDING: RESOLUTION (I) RECITING A PROPOSAL FOR A HOUSING FINANCE PROGRAM FOR A MULTIFAMILY RENTAL HOUSING DEVELOPMENT AND RECOMMENDING APPROVAL BY THE SAINT PAUL CITY COUNCIL, PURSUANT TO MINNESOTA STATUTES, CHAPTERS 462C AND 469, OF THE PROJECT, THE PROGRAM AND ISSUANCE OF CONDUIT MULTIFAMILY HOUSING REVENUE OBLIGATIONS BY THE RAMSEY COUNTY HOUSING & REDEVELOPMENT AUTHORITY AND (II) APPROVING AND AUTHORIZING A LOAN OF HOME FUNDS AND THE EXECUTION OF RELATED DOCUMENTS, 750 MILTON AVE NORTH (WILDER SQUARE PROJECT) DISTRICT 7, 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 \$1,270,000 HOME loan to the Wilder Square project; and
2. Giving approval for the issuance of tax-exempt housing revenue bonds in an amount up to \$17,000,000 by Ramsey County on behalf of CommonBond Communities for the Wilder Square Project and approving and authorizing the execution of related documents.

Background

Constructed in 1974, Wilder Square is an 11-story elevator building with 136 units comprised of 125 one-bedroom and 11 two-bedroom units. The building also contains a community room with a kitchenette, common laundry facilities and a manager office. The exterior is comprised of brick and cement. The site contains 100 surface parking stalls. The large site contains a play structure, a maintenance shed, and significant green space.

Located in the Frogtown Neighborhood of Saint Paul, the immediate surrounding uses include cooperatively owned townhomes, single family homes, businesses to the north and

west, and Frogtown Park to the south. It is a valuable affordable housing resource in an excellent location, less than a mile away from the Maxfield Elementary school and the light rail stop at the corner of University Avenue and Victoria Street. The property is located three blocks from Lexington Avenue, providing even more access to public transit, healthcare, shopping, and employment opportunities, libraries and parks.

Rehabilitation work will address several physical needs. Seven units will be modified to be full ADA compliant accessible units. Several essential systems will be replaced including new mechanicals, plumbing stacks, and windows, all of which were original to the building. The fire sprinkler system will be extended to provide sprinklers in every unit, not just the hallways. The exterior of the façade is bulging in several places because the tenons are failing, and these will be replaced with the current rehabilitation. Site work will include a new parking lot and sidewalks.

Housing Rents

The 136 housing units will be 100% “tax credit” units. Using income averaging, 7 units will be affordable at 80% AMI, 39 units will be affordable to households earning 60% Area Median Income (AMI) or less, and 90 units are assisted with Project-Based Section 8 and will be affordable to households earning 30% to 50% AMI and less. The Section 8 HAP contract was recently renewed and is in place until July 2039.

Size and Income /Rent Limits of Units:

Unit Type	# of Bath-rooms	# of Units	Unit Sq Ft	Monthly Contract Rent	Rent Limit	Income Limit
1BR	1.00	7	520	990	50% MTSP	30% MTSP
1BR	1.00	35	520	990	50% MTSP	30% MTSP
1BR	1.00	9	520	990	50% MTSP	50% MTSP
2BR	1.00	3	650	1,365	50% MTSP	30% MTSP

1BR	1.00	33	520	936	50% MTSP	50% MTSP
2BR	1.00	3	650	1,297	50% MTSP	50% MTSP
1BR	1.00	34	520	933	60% MTSP	60% MTSP
2BR	1.00	5	650	1,162	60% MTSP	60% MTSP
1BR	1.00	7	520	933	80% MTSP	80% MTSP

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 largest 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

CommonBond Communities recently purchased the property. They are now requesting the Ramsey County HRA to issue tax exempt affordable housing revenue bonds through an application to the Minnesota Office of Management and Budget (MMB) in an amount not to exceed \$17,000,000. They plan to raise equity from the “automatic 4%” Low Income Housing Tax Credits (LIHTC). The project is also requesting a \$1,270,000 HOME loan

from the City and has received approval for a \$4,152,009 in a PARIF loan from Minnesota Housing.

Sources and Uses of Funding:

Sources of Funds

First Mortgage	\$ 12,530,000
LIHTC Tax Credit Equity	9,883,608
Deferred PARIF Loan	4,152,009
City HOME Loan	1,270,000
Sales Tax Rebate	313,727
Energy Rebate	24,501
Mardag Foundation	30,000
Seller Loan	2,300,000
Ramsey County ERF	54,738
Contributed NOI	653,330
Deferred Developer Fee	<u>1,703,275</u>
Total Sources of Funds	\$ 32,915,190

Uses of Funds

Acquisition	\$12,100,000
Construction Costs	14,389,711
Professional Services & 3 rd Party Reports	1,303,137
Bond, Tax Credit and Other Financing Costs	1,449,333
Reserves	495,980
Developer Fee	<u>2,700,000</u>
Total Uses of Funds	\$ 32,915,190

Tax Credits

The Project 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. These credits are not limited as are the “9%” credits. In addition, the Developer is in a “Qualified Census Tract” as defined by the Department of Housing and Urban Development (HUD). This will allow the project to receive an additional 30% “boost” in tax credit equity. The tax credit equity will come in over time for a total contribution of approximately \$9,883,608.

PARIF Loan

Minnesota Housing will be providing a PARIF Loan that will have a 0% interest rate deferred for 30 years and will be in second (2nd) collateral position.

HOME Loan

The \$1,270,000 HOME loan will have a 1% interest rate, with both principal and interest deferred for 30 years and will in third (3rd) collateral position to the first mortgage.

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 \$2,300,000 as a portion of the purchase price. It is a 30-year deferred note with a 4.5% interest rate. The note will not be secured by a mortgage on the property.

PED Credit Committee Review

On November 24, 2020, the PED Credit Committee reviewed and approved the terms of the \$1,270,000 HOME Loan.

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 Wilder Square 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 Frogtown Planning District plan 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.

Statement of Chairman

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. Notice of time, place, and purpose of this hearing was published in the Saint Paul Legal Ledger on November 23, 2020. The Notice of Public Hearing will be made a part of these proceedings.

Is there anyone who wishes to be heard on this item? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

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

1. A \$1,270,000 HOME Loan to the Wilder Square Apartments project; and
2. Approval for Ramsey County to issue tax-exempt housing revenue bonds in an amount up to \$17,000,000 on behalf of CommonBond Communities for the Wilder Square Project and authorizing the execution of related documents

Sponsored by: Commissioner Dai Thao

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Map**
- **Sources and Uses Summary**
- **Project Summary**
- **Public Purpose**
- **District 7 Profile**