

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 13, 2017

REGARDING: RESOLUTION APPROVING THE ISSUANCE AND SALE OF CONDUIT MULTI-FAMILY HOUSING REVENUE NOTES (DOROTHY DAY RESIDENCES PROJECT); APPROVING RELATED DOCUMENTS; AND ADOPTING A HOUSING PROGRAM, 183 OLD SIXTH STREET WEST, DISTRICT 17, WARD 2

Requested Board Action

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners approve the attached Resolution authorizing the sale of up to \$7,000,000 in conduit tax exempt housing revenue bonds for the Dorothy Day Residences project.

Background

Catholic Charities is proposing to construct a new six-story, mixed-use building on the site of the Dorothy Day shelter building, along with several adjacent parcels. The first two floors will house the Opportunity Center, an integrated service-delivery center with a kitchen/dining room, health clinic, and other services. The top four floors (Dorothy Day Residences) will include 177 affordable, single-room occupancy and efficiency rental units. The site is currently zoned B-5 and does not require a rezoning to proceed.

Proposed Affordability

The efficiency units will be located in a separate wing, and will include 10 units for chemically dependent and/or mentally ill youth age 21-24, as well as 15 units for long-term homeless single adults with chemical dependency and/or mental illness. Each floor of the SRO housing space will have a common kitchen, lounge space, bathrooms, and offices for support/service providers. Catholic Charities expects that the 75 units of Project-Based Section 8 at Mary Hall will be transferred to this new building. The entire project will have a veteran's preference. The unit size, incomes, and rents are as follows:

Size and Income/Rent Limits of Units:

Size	# of units	Gross Rent	Rent Limit	Income Limit
Efficiency	25	\$703	30%	30%
Efficiency	20	\$100	30%	30%
Efficiency	21	\$455	30%	30%
Efficiency	10	\$455	50%	50%
Efficiency	1	\$455	30%	50%
SRO	75	\$560	50%	30%
SRO	25	\$400	30%	30%

Total **177 units**

Developer Experience

Catholic Charities is the developer of this project, and Dominion is serving as their development agent. Catholic Charities has extensive experience developing, owning, and operating homeless shelters and permanent affordable housing. Most recently in Saint Paul, they developed Higher Ground immediately adjacent to the existing Dorothy Day Facility. Catholic Charities developed a similar Higher Ground and Opportunity Center facility in Minneapolis in recent years.

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 Action

On the September 20, 2017 City Council agenda, staff anticipates bringing forward a recommendation to accept the General Obligation (GO) Bonds recently awarded by the Legislature to the Opportunity Center.

Financing Structure

The total development cost for the entire project is \$73,744,181. The primary funding sources for this project are Catholic Charities Capital Campaign funds, Low Income Housing Tax Credits, New Market Tax Credits, and State bonding dollars. There are two sources of State bond funds: GO Bonds, which will be used for the Opportunity Center, and Housing Infrastructure Bonds (HIB), which will be used for the Residences. Catholic Charities has also received \$1,000,000 from the HRA, which will be structured as a deferred loan and sourced with pooled TIF funds. The project has also received commitments from the Met Council, DEED, and Ramsey County. A detailed Source and Use is included in the Attachments.

The entire project will be constructed at one time, with different tax credit entities owning the Opportunity Center and the Residences. Catholic Charities will be the General Partner and management agent in each entity.

Housing Revenue Bonds

There is a not-to-exceed total of \$7,000,000 in volume limit tax exempt bond authority being requested. In order to receive 4% automatic tax credits, the project must meet the “50%” test which means at least 50% of the eligible total development costs must be initially financed with bond proceeds.

The Housing Infrastructure Bonds (HIB) to be issued by MN Housing will be in the amount of \$13,475,837. Combined with the HRA’s \$7,000,000 in conduit bonds, the project will meet the 50% test, based upon an estimated aggregate basis of \$39,246,908.

The tax exempt bond financing will be privately placed with a direct purchase by BMO Harris Bank, N.A., which will execute an Investor Letter in accordance with HRA bond policy requirements. The tax exempt bond proceeds will be utilized as construction financing, which will be re-paid by LIHTC equity, Capital Campaign funds, and sales tax rebate.

Tax Credits

Low Income Housing Tax Credits (LIHTC)

The 4% LIHTC are expected to be issued by MN Housing, in conjunction with the Housing Infrastructure Bonds. The project is in a HUD-defined Qualified Census Tract, and will receive an additional 30% boost in tax credit equity.

New Market Tax Credits (NMTC)

NMTC will be utilized by the Opportunity Center. Given the amount of NMTC needed, an allocation will be required from multiple Community Development Entities (CDEs). Catholic Charities has indicated they have two CDEs interested in the project.

TIF Loan

A \$1,000,000 TIF loan will be provided to the Project, sourced with pooled TIF funds. No new TIF district will be created. The loan will have a 30-year term and a 1% simple interest rate. The TIF loan is expected to be subordinate to the State's Housing Infrastructure Bonds, which are expected to be structured as a deferred loan. The HRA's TIF loan would be used for the Residences, not the Opportunity Center. This loan was approved by the HRA on May 24, 2017.

Grants

The Project has been awarded grants including \$549,945 from DEED for environmental remediation, and \$662,000 from the Met Council in LCDA funds to assist with site improvements. The LCDA funds will be structured as a loan to the project, and the DEED funds as a grant.

Ramsey County Funds

The Ramsey County funds are part of a preliminary commitment by the County Board to provide funds for the construction of the Opportunity Center, as well as 10-year lease by the County. County staff would provide services in a portion of the Opportunity Center.

Capital Campaign

Catholic Charities' Capital Campaign goal for both Higher Ground and the Opportunity Center/Residences is \$40 million, which they recently announced has been fully raised.

Developer Fee

There will be an 8% Developer Fee (on the Residences only) which is within HRA policy. It is anticipated that the entire fee will be deferred and used as a capital contribution in Year 10 of the tax credit period.

PED Credit Committee Review

On August 21, 2017 the PED Credit Committee reviewed the proposal, determined that the issuance of the Housing Revenue Bonds meets HRA policy.

Compliance

The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, City Labor Standards, Living Wage, Project Labor Agreement, and the 2-Bid Policy.

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development Policy, and will be certified through the State's B3 green building standard.

Historic Preservation

On January 26, 2017 the HPC reviewed a report on the historical significance of the Catholic Charities-owned building at 215 Old 6th Street. The HPC requested additional photo documentation of the building prior to demolition.

Public Purpose/Comprehensive Plan Conformance

This Project meets several public purpose objectives as listed in the **Attached Public Purpose**. It will provide new affordable housing, and reduce and prevent homelessness. The reconstruction of Dorothy Day was supported by the Mayor's 2013 Task Force convened to address the need for single adult overnight shelter in Saint Paul.

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which approves and adopts the sale of up to \$7,000,000 in tax exempt multifamily housing revenue bonds.

Sponsored by: Commissioner Rebecca Noecker

Staff: Amy Geisler, 651-266-6602

Attachments

- **Map**
- **Sources and Uses Summary**
- **Public Purpose**
- **District 17 Profile**