

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

REPORT TO THE COMMISSIONERS

DATE: February 25, 2015

REGARDING: **Resolution Authorizing (i) the Issuance of Conduit Multifamily Housing Revenue Bonds (The Cambric Apartments Project), Series 2015 in an Amount not to Exceed \$14,850,000.00; Approving Related Documents; Adopting a Housing Program (ii) Authorizing the Execution of a TIF Development Agreement; Approving the Sale of Land; (iii) Authorizing the Issuance of a HOME Loan of \$975,000; and Waiver of Developer's Fee Policy; and (iv) Authorizing an Amendment of the HRA Budget**

Requested Board Action:

1. Final approval of up to \$14,850,000 in Tax Exempt Bonds for the Cambric Apartments
2. Adoption of a Housing Program
3. Authorization to execute a TIF Development Agreement with St. Paul Leased Housing Associates VI, LLLP, an affiliate of Dominion
4. Approval of a Pay-As-You-Go TIF note in the amount of \$2,291,000
5. Approval of the sale of approx. one acre of HRA land for \$1,430,000
6. Approval of a \$975,000 HOME loan
7. Waiver of developers' fee policy

Background

Beginning in 2004 through 2006, the HRA acquired the entire block between Bates Avenue and Maple Street, which had been partially occupied by Hospital Linens and residential buildings. In 2005, staff worked with 7th Street Partners on a vision to develop 60 single-family homes. Due to economic conditions 7th Street Partners was unable to develop the property. In June of 2012, the HRA staff published a Request for Interest for the property and three developers responded. A review committee comprised of PED staff, community members and Council President Lantry's office, selected Mississippi Market and Dominion as developers for the property. Dominion proposed the development of a senior rental apartment building and the Mississippi Market proposed the development of a grocery cooperative. The grocery cooperative is now under construction.

On December 11, 2013, the HRA Board awarded tentative developer status to Dominion or an affiliate for the housing portion of the site with the condition that HRA staff returns to the Board for additional approvals.

On September 10, 2014 the HRA approved an Amendment to the Redevelopment Project Area and established the East Seventh and Bates Senior Housing Tax Increment Financing District for the senior housing project and approved the Tax Increment Financing Plan.

On December 17, 2014, the City Council held a public hearing and granted preliminary approval for the issuance of tax-exempt housing conduit revenue bonds for the Cambric Apartments.

Proposal

St. Paul Leased Housing Associates VI, LLLP plans to build 113 units of affordable senior rental housing. The project is a four story apartment building with an underground parking garage. All of the units will be affordable to residents 55 years of age or older whose income does not exceed 60% of the AMI. At least ten percent of the units will be affordable at or below 50% of AMI. The common amenities will include underground parking, a library, community kitchen, card room, salon, fitness room, craft room, covered outdoor seating, vending machines, and full-time staff with reception desk.

Size	# of units	Gross Rent
1 BR	83	\$933
2 BR	7	\$1,120
2 BR	23	\$946

Budget Action

The HRA is authorizing a budget amendment included in Attachment A to the resolution that provides \$975,000 in HOME funds to the Project. A budget for the TIF funding, in the amount of \$2,291,000, was adopted with the TIF Plan in September, 2014.

Financing Structure

GAP financing

- A \$975,000 deferred HOME loan with a 42 year term and 1% interest.
- The HRA will collect \$400,000 of land sales proceeds upon closing and receive a seller's note in the amount of \$1,030,000.00 due on sale or refinancing.

The total project development cost is **\$28,242,240.00** which includes the following:

Bonds

Tax Exempt Bonds in the amount of up to \$14,850,000.00 will be used to acquire and construct the project and pay permitted costs of issuance. The bonds will be short term maturing on 3/1/2017.

The bonds are rating AA+ and will be publicly offered to retail and institutional investors.

Tax Increment Financing

Issuance of Pay-As-You-Go Tax Increment Financing Note up to \$2,291,000. The rate will be set at the closing to match the permanent financing rate which is projected at 4.5% including MIP of 0.25%, but not to exceed 5.00%.

Low income Housing tax Credits

St. Paul Leased Housing Associates VI, LLLP will receive 4% low-income housing tax credits.

Syndication tax credit proceeds are estimated to be \$10,403,848 at 1.04 per credit dollar.

HUD Insured Mortgage Permanent financing

HUD has reviewed the mortgage insurance application and directed the lender to submit a final application. The lender is Wells Fargo. The projected interest rate for this permanent financing is 4.5% with a 42 year term.

Environmental Response Fund Program

The project secured an \$82,720 grant from the Ramsey County Environmental Response Fund for environmental soil remediation.

STAR Loan

The project was awarded a STAR Loan in the amount of \$100,000.00 and STAR grant of \$100,000. The recipient has requested (for Low Income Housing Tax Credit purposes) the \$100,000 STAR grant be converted into a loan resulting in one \$200,000 STAR loan at 2% interest amortizing for 42 years. The term is consistent with the HUD insured loan.

PED Credit Committee Review

Staff will present the financing package to PED Credit Committee for review and recommendations on February 23th 2015.

Waiver of Developer Fee Policy

The Developer is requesting a waiver of the PED developer fee Policy. The developer is requesting a fee of \$3,420,728 which is \$1,084,986 more than the \$2,335,743 that would be allowed under the PED policy. Staff is recommending the waiver for the following reasons:: (1) The larger fee will help raise the eligible tax credit basis leveraging more tax credit equity to fill the financing gap; (2) and allow an upfront contractor fee that, if necessary, could be used to cover any unforeseen cost overruns should the entire contingency get used; and (3) The Developer is taking on a high level of risk including personal guarantees of the construction loan and guarantees on the tax credit equity.

Compliance

The compliance requirements that apply to this project include Affirmative Action, Vendor Outreach, Federal Residential Davis Bacon, Section 3, and 2-Bid Policy. There will be a Project Labor Agreement.

Green/Sustainable Development

The new construction will comply with the Saint Paul Sustainable Development Policy. Some features include an efficient heat-pump system (the most efficient HVAC system available short of geothermal), energy star appliances and low flow plumbing fixtures.

Environmental Impact Disclosure

Extensive soil remediation work was performed by the city; however the developer will address residual minor soil remediation on the site and obtain necessary approvals from the MPCA.

Historic Preservation

The Cambria (East Seventh and Bates Senior Housing) project is within the Dayton's Bluff Historic Preservation District. The project was approved by the Historic preservation Commission with certain conditions that will be confirmed at final site plan approval.

Public Purpose/Comprehensive Plan Conformance

This project meets several public purpose objectives including providing high density affordable rental housing along a major transit corridor. The project conforms to the following plans:

“NORTHEAST CORRIDOR DEVELOPMENT PLAN (NCDP)”

The Cambria (East Seventh and Bates Senior Housing) project in conjunction with the Mississippi Market grocery store will result in a mix of commercial and residential uses (vertical and/or horizontal) along East Seventh Street consistent with recommendations in the NCDP.

“HOUSING CHAPTER OF COMPREHENSIVE PLAN”

1. Strategic housing growth, by increasing housing choices across the city to support economically diverse neighborhoods.
2. Meeting market demand for transit oriented housing, by prioritizing sites within a quarter of mile of a transit route.
3. Support the expansion of senior housing, encourage the market to provide housing choices to seniors.

“NEAR EAST SIDE ROAD MAP (2012)”

The Near East Side Road Map says: “where multiple vacant buildings or properties exist in a cluster, assemble multiple properties and create opportunities for high/medium density housing, live-work options, or small-scale commercial-industrial uses”.

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 conveyance of a certain Parcel of land located on the East Side of Saint Paul by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, February 14, 2015. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

The HRA proposes to convey the following property in the East Side area:

Property Description	Purchaser/Developer	Purchase Price
Lots 1,2,3,4,5,12,13,14,and 10 and 11 of the former site known as Hospital Linen	Dominium DBA St. Paul Leased Housing Associates, LLLP	Appraised value \$1,430,000 with a seller’s note for \$1,030,000 and \$400,000 cash

The property will be conveyed for development for a 113 affordable senior housing units. Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The Executive Director recommends approving the following actions:

authorizing (i) the issuance of conduit Multifamily Housing Revenue Bonds (The Cambric Apartments Project), Series 2015 in an amount not to exceed \$14,850,000.00; approving related documents; adopting a Housing Program (ii) authorizing the execution of a TIF Development Agreement and \$2,; approving the Sale of Land; (iii) Authorizing the Issuance of a HOME Loan of \$975,000; and Waiver of Developer’s Fee Policy; and (iv) Authorizing an Amendment of the HRA Budget

Sponsored by: Commissioner Lantry

Staff: Eduardo Barrera

Attachments

- **Attachment A -- Resolution**
- **Attachment B -- Map/Address of Project, should include libraries, parks, schools.**
- **Attachment C -- Project Summary Form**
- **Attachment D -- Sources and Uses Summary Form**
- **Attachment E -- Public Purpose Form**
- **Attachment F -- Census Facts**