

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

REPORT TO THE COMMISSIONERS

DATE: JANUARY 26, 2022

**REGARDING: RESERVATION OF 2022 LOW INCOME HOUSING TAX CREDITS FOR
TREEHOUSE, WARD 3, DISTRICT 15.**

Requested Board Action

Approval of the attached resolution to reserve \$831,754 of 2022 Low Income Housing Tax Credits for the Treehouse housing development.

Background

The Federal Tax Reform Act of 1986 created the Low Income Housing Tax Credit Program (the “Credit Program”), which provides a reduction in federal tax liability to owners and investors of qualified low-income housing developments that comply with federally imposed rent and tenant income restrictions for a period of 30 years (“Credits”).

On April 28, 2021, by Resolution 21-672, the Board of Commissioners of the Housing and Redevelopment Authority of Saint Paul (“HRA Board”) endorsed changes to the Minneapolis/Saint Paul Housing Finance Board’s (“Finance Board”) 2022-2023 Low Income Housing Tax Credit Procedural Manual (“2022-2023 Procedural Manual”) and the 2022-2023 Qualified Allocation Plan (“2022-2023 QAP”) to reflect the HRA Board’s housing selection priorities for the 2022 and 2023 Credit Program. The 2022-2023 QAP contains several changes aimed at better serving the lowest income residents in our community. These changes include awarding additional points to deeper affordability projects at or below the 30% Area Median Income (AMI) and 50% AMI levels.

On June 15, 2021, the Finance Board approved the 2022-2023 Procedural Manual and the 2022-2023 QAP. The Finance Board also authorized the HRA Board to administer the 2022 Credit Program and reserve 2022 Credits to qualified Saint Paul developments. The HRA Board’s sub-allocation of Credits for 2022 is \$831,754.

To be considered for 2022 Credits, eligible projects must be financially feasible and viable as qualified low-income projects for the credit period. (See: attached 2022-2023 QAP, Article VIII, Procedure for Selecting Projects; Project Threshold Requirements.) Once the proposals are determined to be qualified, the proposals are scored by a staff committee based upon the selection and preference priorities established as the 2022-2023 QAP scoring criteria.

The HRA received two (2) applications for the 2022 LIHTC RFP as follows:

Project Name:	Treehouse
Address:	0 Oak Ave, PID 22282322008 (adjacent to 2319 West 7 th)
Developer:	Trellis Co.
Owner:	Trellis Co. or a related entity
Project Type:	New Construction
Total Units:	36
Zoning District:	RM2 and R1
Eminent Domain:	none
Project Cost:	\$12,794,143
City Financing to be requested:	\$550,000 HOME
2022 Housing Tax Credit requested:	\$1,254,519
2022 Housing Tax Credit recommended:	\$831,754

Project Name:	Mary Hall
Address:	438 Dorothy Day Place
Developer:	AEON
Owner:	TBD Limited Partnership
Project Type:	Conversion/Adaptive Re-use
Total Units	88
Zoning District	B5 Central Business Service
Eminent Domain	none
Project Cost	\$21,021,570
City Financing to be requested:	0
2022 Housing Tax Credit requested:	\$1,337,762
2022 Housing Tax Credit recommended:	0

According to Article VIII (K) of the 2022-2023 QAP, projects will be prioritized with the project receiving the most points being rated first, the project receiving the second most points being rated second and so on. If two or more projects have overall point totals which are within 2 points of

one another, the projects shall be deemed to be substantially equivalent, and the HRA Board will select the project which best meets the applicable city’s housing priorities.

Pursuant to the 2022-2023 QAP selection and preference priorities, the applications scored as follows:

- **Treehouse 49 points**
- **Mary Hall 43 points**

Application scoring is summarized in the below chart. See the attached Credit Scoring Worksheets for more information about the scoring criteria.

Criteria	Description	Treehouse	Mary Hall
A1	Percentage 30% AMI (8 pts)	8	8
A2	Percentage 50% AMI (6 pts)	6	6
A3	Homelessness (5 pts)	5	5
B1	Substantive Renovation (20 pts)	0	0
B2	Historic Building (1 pt)	0	0
B3	Project-based Section 8 preservation (5 pts)	0	0
C1	Enhanced Services, Programming, Amenities (8 pts)	5	5
C2	Neighborhood Support (1 pt)	1	0
C3	Future Tenant Ownership (5 pts)	0	0
C4	Non-Profit Status (2 pts)	2	2
C5	Non-Smoking building (1 pt)	1	1
D1	Larger-sized Family Housing Units (6 pts)	0	0
D2	Transit (3 pts)	3	3
D3	Senior Housing (5 pts)	5	0
D4	New Affordable Family Housing (12 pts)	0	0
D5	Unacceptable Practices (HRA imposed penalty pts)	0	0
D6	Tenant Selection Plan (3 pts)	3	3
E1	HRA Land or HRA/City Debt Obligation (10 points)	0	0
F1	No Further Subsidy (5 pts)	0	0
F2	Intermediary costs/Soft costs (3 pts)	3	3
F3	Prior 9% HTC Commitment (10 pts)	0	0
F4	Long term affordability (7 points)	7	7
Total		49	43

Upon review, HRA staff recommends that the HRA Board approves the reservation of \$831,754 of 2022 Credits for the Treehouse housing development. Treehouse is a new construction multifamily rental project creating 36 units of affordable senior housing. Seven units will be reserved for formerly homeless seniors. The unit mix is as follows:

- 15 0-BR/Eff units affordable to households at 30% AMI
- 12 1-BR units affordable to households at 30% AMI
- 9 1-BR units affordable to households at 50% AMI

Budget Action

NA. Approval of the resolution to reserve Credits does not require budget action.

Future Action

If approved, the HRA Executive Director may execute a Memorandum of Understanding and a Development Agreement with final terms and conditions required for HRA financing and/or 2022 LIHTC.

Financing Structure

Treehouse Financing Structure		
Funding Source	Amount	Status
9% Syndication Proceeds	\$11,414,981	Recommended
St Paul HOME	\$550,000	Reserved
Property Seller Loan	\$350,000	Committed
Deferred Developer Fee	\$285,000	Committed
Sales Tax Rebate	\$150,395	Committed
Energy Rebate	\$12,000	Committed
Deferred Loan	\$31,767	Uncommitted
Total Housing (TDC)	\$12,794,143	

PED Credit Committee Review

No loan risk rating is involved.

Compliance

N/A. Approval of Credit Reservations does not activate the compliance requirements. However,

the developers/project owners of Treehouse must comply with the Saint Paul Compliance requirements, including Vendor Outreach, Section 3, Affirmative Action, Labor Standards (City, State and Federal Davis-Bacon), Living Wage, Project Labor Agreement, PED/HRA Sustainability Initiative, and Two-Bid Policy whenever applicable as conditions of receiving HRA financing.

Green/Sustainable Development

Treehouse must comply with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

NA

Historic Preservation

NA

Public Purpose/Comprehensive Plan Conformance:

Treehouse is a new construction multifamily rental project creating 36 units of affordable senior housing. Seven units will be reserved for formerly homeless seniors. The unit mix is as follows:

- 15 0-BR/Eff units affordable to households at 30% AMI
- 12 1-BR units affordable to households at 30% AMI
- 9 1-BR units affordable to households at 50% AMI

This project fulfills a public purpose consistent with the 2040 Comprehensive Plan. Policy H-18 in the Housing Chapter of the Comprehensive Plan encourages fostering “the preservation and production of deeply affordable housing (housing affordable to those at 30% or less of AMI), supportive housing and housing for people experiencing homelessness”, and Goal 6, Improved access to affordable housing, lists policies that are supportive of the preservation and maintenance of affordable housing.

Statement of Chairman (for Public Hearing)

NA

Recommendation:

The Executive Director recommends, per the attached resolution, that the HRA Board approve the following:

Reservation of \$831,754 of 2022 Credits for Treehouse

Sponsored by: Chair Chris Tolbert

Staff: Erika Byrd, 651-266-6555

Attachments

- 2022-2023 QAP
- Credit Scoring Worksheets
- Map
- Public Purpose
- D15 Highland Park Neighborhood Profile