

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 24, 2022

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS FOR THE SOUL PROJECT LOCATED AT 176 SOUTH ROBERT STREET; APPROVING THE EXECUTION OF RELATED DOCUMENTS; ADOPTING A HOUSING PROGRAM; AND RELATED DOCUMENTS, DISTRICT 3, WARD 2

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

Staff is requesting approval of a maximum of \$33,000,000 in volume cap conduit multifamily housing revenue bonds for the Soul project located at 176 South Robert Street; adoption of a Housing Program; and approval of the execution of related documents.

Background

The proposed Soul Apartments project (The Project) at 176 S Robert Street is currently an office building located in a formerly industrial area. The Project is a new construction mixed-used affordable housing development with one level of underground parking and 9,285 SF of ground floor commercial space. The residential portion of the project will include 178 units with 62 one-bedroom units, 62 two-bedroom units, 42 three-bedroom units, and 12 four-bedroom units. 23 three-bedroom units and 12 four-bedroom units will be affordable to extremely low-income families at 30% area median income (AMI) for 30 years. All units will be restricted to households at 60% AMI or lower for 40 years. Residents will have access to a variety of amenities such as on-site management, indoor and outdoor recreation areas, clubroom sized for large gatherings, patio with grilling stations and lounge seating, outdoor playground, a 24-7 fitness center, secure bicycle storage room, pet run, and flexible work and gather space designed to provide opportunities for small group gatherings or private workspace.

The commercial space will be designed for a wide array of users inclusive of restaurants, artists, community-based entrepreneurs, neighborhood groups, office users and local or national

retailers. The space provides a unique opportunity to provide multi-faceted value to the West Side neighborhood and Schaefer Richardson, the developer, has partnered with the West Side Community Organization (WSCO) in locating and securing commercial tenants for this space.

The Soul Apartments project was determined to be eligible for funding from the City’s first 30% AMI ARPA solicitation round, in the amount of \$7,850,000.00.

Schafer Richardson, the developer of the Project has a 25-year track record developing commercial, residential, and mixed-use projects in the upper Midwest, including projects in Saint Paul and Minneapolis.

The Soul Apartments project is located at the intersection of Robert Street and Plato Boulevard in the West Side area and will be connected to high frequency transit, is within ¼ mile of the Greenline transit corridor, and is adjacent to the upcoming G-Line Line Arterial Bus Rapid Transit service to Rice and Robert Street.

The project is located within the ITM transitional industrial zoning and complies with the 2015 West Side Flats Master Plan and Development Guidelines. No businesses or residents will be directly displaced because of this project. Eminent domain will not be required for this acquisition.

Below is a description of the unit sizes, rents and income restrictions.

Unit Type	# of Bathrooms	# of Units	Monthly Gross Rent	Area Median Income Limits
1 Bed	1	62	\$1,320	60%
2 Bed	1	62	\$1,584	60%
3 Bed	2	23	\$915	30%
3 Bed	2	19	\$1,830	60%
4 Bed	2	12	\$1,020	30%
Total		178		

Budget Action

There is no budget action required

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

N/A

Financing Structure

The housing revenue bonds are expected to be privately purchased by Merchants Bank of Indiana (MBI). Based on the tax-exempt loan structure, the bonds will be sold to Merchants Capital Corporation (MCC) at conversion (36 months after closing), then delivered to Freddie Mac for servicing. The bonds will be providing the construction financing with a construction loan from Merchants Capital in the amount of \$27,244,253, and a Freddie Mac forward Commitment for permanent financing. The balance of the bonds (\$5,755,747) will be used as a tax-exempt Equity Bridge Loan. MBI will execute the initial investor letter at closing, while MCC will sign the investor letter at conversion. The bonds will generate the “Automatic 4%” low-income housing tax credit (LIHTC) funds. These LIHTC funds will require a longer restriction term of 40 years for all units.

The ARPA loan to be authorized by the City Council in a separate resolution will provide gap financing for the 35 units affordable at 30% AMI. The loan will be deferred and have a 30-year term at 0% interest.

The total development cost is \$69,316,101.00. The budget includes the following sources and uses:

Source	Amount	Activity	Amount
First Mortgage	\$27,244,253.00	Acquisition	\$2,176,000.00
Syndication Proceeds	\$27,697,498.00	Bldg & Site Cost	\$50,115,054.00
Solar ITC	\$111,589.00	Enviro Abatement	\$1,444,621.00
DEED Cleanup Grant	\$695,023.00	Working Capital	\$926,725.00
TBRA Cleanup Loan	\$551,399.00	Professional Fees	\$3,331,364.00
ERF Cleanup Grant	\$198,199.00	Financing Fees	\$4,207,916.00
DEED Development Grant	\$158,196.00	Developer's Fee	\$6,142,499.00
ARPA (St. Paul)	\$7,850,000.00	Syndication Costs	\$971,922.00
GMHF Interest Bridge Loan	\$1,370,145.00	Total	\$69,316,101.00
Deferred Developer Fee	\$3,439,799.00		
Total	\$69,316,101.00		

PED Credit Committee Review

The Credit Committee reviewed the proposed financing on August 9, 2022 and confirmed the bond structure is in conformance with PED policy. The Credit Committee determined the deferred ARPA loan and the deferred TBRA loan should have “Loss” risk ratings per PED policy for long term deferred loans.

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Compliance

The project will comply with Vendor Outreach, Affirmative Action, Davis Bacon, Living Wage, Project Labor Agreement, Sustainable Building Policy, Two Bid Policy, and Compliance Agreement for Bonds. The second *Developer/Applicant Compliance Acknowledgement Letter* has been executed and received. The developer estimates 400 construction and 20 permanent jobs will be created by the project.

Green/Sustainable Development

The City Green Sustainable Policy is applicable to this project. Additionally, a rooftop solar photovoltaic array will be incorporated with costs offset by the Federal Investment Tax Credit, lower electricity rates, and ongoing operational rebates.

Environmental Impact Disclosure

N/A

Historic Preservation

The project is not a designated historic site and is not contributing to a designated historic building.

Public Purpose/Comprehensive Plan Conformance

This project's purpose aligns with the Comprehensive Plan, promoting housing and community development along a significant Mixed Used corridor. With the coming G-Line Arterial Bus Rapid Transit service to Rice and Robert Street, high-density, mixed-use development at the intersection of Robert Street and Plato Boulevard directly supports land use and housing goals in the Saint Paul 2040 Comprehensive Plan. This project conforms to the following policies established in the Land Use and Housing chapters of the Comprehensive Plan:

- LU-1. Encourage transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.
- H-16. Increase housing choice across the city to support economically diverse neighborhoods by pursuing policies and practices that maximize housing and locational choices for residents of all income levels.
- H-37. Encourage the development of affordable housing in areas well-served by transit and/or in proximity to employment centers.
- H-46. Support the development of new housing, particularly in areas identified as Mixed Use, Urban Neighborhoods, and/or in areas with the highest existing or planned transit service, to meet market demand for living in walkable, transit-accessible, urban neighborhoods.

Additionally, this site is guided by the West Side Flats Master Plan and Development Guidelines (2015). The Master Plan describes Robert Street as “an important central spine connecting land use districts, and a focal point for private development and transit investment.” The intersection of Plato Boulevard and Robert Street is designated as a Gateway for public art and a Multi-Modal Node for transit accessibility. The addition of a publicly viewable sculptural element, designed by a local artist, on the corner of Plato and Robert meets the City's definition of

“holding corner”, contributing to a sense of place at a vital gateway between the West Side and Downtown.

Recommendation:

Staff recommends the Board of Commissioners adopt the attached resolution regarding issuance of conduit revenue bonds in the maximum amount of \$33,000,000.00 for the Soul Apartments project.

Sponsored by: Commissioner Rebecca Noecker

Staff: Jules Atangana, 266-6660 and Hannah Chong, 266-6552.

Attachments:

- **Map**
- **Project Summary**
- **Sources Uses**
- **D3 West Side Neighborhood Profile**