

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

REPORT TO THE COMMISSIONERS

DATE: MARCH 8, 2023

REGARDING: RESOLUTION RECOMMENDING APPROVAL OF THE FINANCING OF A \$2,307,342 AMERICAN RESCUE PLAN ACT (ARPA) LOAN AND AUTHORIZATION TO ENTER INTO A SUBRECIPIENT AND LOAN AGREEMENT FOR THE ASHLAND APARTMENTS PROJECT LOCATED AT 532 ASHLAND AVENUE, DISTRICT 8, WARD 1

Requested Board Action

1. Recommend approval of the financing of an American Rescue Plan Act (ARPA) loan.
2. Recommend authorization to enter into a Subrecipient and Loan Agreement for the financing.

Background

The Ashland Apartments project involves the rehabilitation and adaptive reuse of an existing, vacant building located at 532 Ashland Avenue in the Summit-University Neighborhood in Saint Paul into 17 new single room occupancy (SRO) units for permanent supportive housing.

Ashland Apartments LLC, an entity wholly owned by RS EDEN, will be the owner of the development project. RS EDEN will serve as property manager, and service provider. Founded in 1971, RS EDEN delivers housing and services across the Twin Cities metro area. RS EDEN has experience in the development of affordable and low-barrier housing, the delivery of services to residents in permanent supportive housing, as well as operating residential programs. Two projects they own and operate in Saint Paul include Jackson Street Village (1497 Jackson Street), which offers supportive, permanent, family housing and Seventh Landing (1360 7th Street West), a housing facility that offers recovery-focused supportive, permanent housing for youth.

RS Eden previously operated 532 Ashland as a congregate living group residential home which housed multiple individuals per room (with total maximum occupancy of 34). With the

Ashland Apartments redevelopment, the total occupancy is reduced to 17. Each resident will have their own private bedroom/living space with shared kitchen and bath. RS EDEN received the required Conditional Use Permit to operate the property as supportive housing on May 19, 2022.

For Ashland Apartments, the building rehabilitation work involves exterior renovations including roofing, siding, windows, and building access and security improvements. In the interior, the renovation will include plumbing repairs, new boiler, flooring, bathroom updates, wall demolition and construction, an expanded commercial kitchen with new appliances, as well as environmental and clean-up work.

The property will contain 17 units and will house single individuals with incomes restricted to 30% Area Median Income (AMI) or below. 10 units will be reserved for High Priority Homeless designated households and all 17 units will be reserved for Persons with a Disability. All 17 units were awarded Housing Supports subsidy from Ramsey County Community Human Services in March 2022, which will provide rent and services funding. RS Eden intends to receive referrals through Coordinated Entry as well as providers that work with reentry focused congregate services.

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

| Unit Type | # of Units | Monthly Gross Rent | Income Limit | Rental Subsidy |
|--------------------|-------------------|---------------------------|---------------------|-----------------------|
| SRO | 17 | 990 | 30% AMI | Housing Supports |
| Total Units | 17 | | | |

Budget Action

A requested budget amendment to designate \$2,307,342 of ARPA funds from the 30% AMI Deeply Affordable Housing ARPA program to the Ashland Apartments project will go to the City Council for approval on March 15, 2023.

Future Action

None

Financing Structure

RS EDEN applied to the City of Saint Paul’s first 30% AMI ARPA solicitation round in the spring of 2022 for the Ashland Apartments project and was determined to be eligible for funding. The developer is requesting \$2,307,342 of ARPA funds from the City for gap financing. The ARPA loan will need to be authorized by the City Council in a separate resolution. The loan would have the following terms:

- 40-year, deferred loan at 0% interest rate, repayable at the end of the 40 year term.
- All 17 units to be affordable and restricted at 30% AMI income level for 40 years.

PED Credit Committee reviewed the proposed \$2,307,342 loan request and terms on February 7, 2023. The risk rating for the loan is “Originated as a Loss”.

In addition, the project has also secured a deferred loan from Ramsey County in the amount of \$1,920,858. Ramsey County has agreed to be in the subordinate position to City of Saint Paul financing. The total development costs for the project are \$4,833,600. The proposed developer fee is \$506,000 and conforms to the HRA developer fee policy. The overall budget includes the following permanent sources and uses:

| Sources | Amount |
|-------------------------|--------------------|
| Sales Tax Rebate | \$55,400 |
| Owner Equity | \$550,000 |
| City of Saint Paul ARPA | \$2,307,342 |
| Ramsey County ARPA | \$1,920,858 |
| TOTAL | \$4,833,600 |

| Uses | Amount |
|-------------------------------|--------------------|
| Acquisition or Refinance | \$550,000 |
| Rehabilitation | \$3,029,838 |
| Contingency | \$302,984 |
| Environmental Abatement | \$67,600 |
| Professional Fees | \$340,740 |
| Developer Fees | \$506,000 |
| Financing Costs | \$22,000 |
| Reserves and Non-Mortgageable | \$14,438 |
| TOTAL | \$4,833,600 |

Compliance

The following compliance requirements apply to the project:

1. Affirmative Action
2. Vendor Outreach Program
3. City and State labor standards
4. Living Wage Ordinance
5. Project Labor Agreement
6. Sustainable Building Policy
7. Two Bid Policy
8. Early Notification System (ENS)
9. Affirmative Fair Housing Marketing Plan

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

The proposed project would rehab the building at 532 Ashland, creating new, affordable permanent supportive housing units for extremely low-income individuals. This project meets the following goals established in the City's 2040 Comprehensive Plan:

- Housing Policy H-18. Foster the preservation and production of deeply affordable rental housing (housing affordable to those at 30% or less of AMI), supportive housing and housing for people experiencing homelessness
- Housing Policy H-42. Pursue public and private funding sources, including local sources, for affordable housing preservation and production.
- Housing Policy H-31. Support the development of new affordable housing units throughout the city.

This project also aligns with the recommendation from the Summit-University District Plan to “preserve the existing housing stock with special commitment to the preservation of affordable housing”

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution recommending approval of an American Rescue Plan Act loan in the amount of \$2,307,342.00 for the Ashland Apartments project and the authorization to enter into a Subrecipient and Loan Agreement for the financing.

Sponsored by: Commissioner Russel Balenger

Staff: Erika Byrd, 651-266-6555

Attachments

- **Map**
- **D8 Summit University Neighborhood Profile**