

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

REPORT TO THE COMMISSIONERS

DATE: MARCH 22, 2023

**REGARDING: RESOLUTION AUTHORIZING AND APPROVING THE CONVEYANCE OF TWO, HRA-OWNED PARCELS OF LAND LOCATED AT 1180 AND 1186 PROSPERITY AVENUE; AN AMENDMENT TO THE TAX INCREMENT FINANCING (TIF) PLAN FOR THE PHALEN VILLAGE REDEVELOPMENT TIF; AUTHORIZING AND APPROVING FINANCING OF A \$1,500,000 HOME LOAN; AUTHORIZING AND APPROVING FINANCING OF A \$2,070,000 ARPA LOAN; AND AUTHORIZING AND APPROVING THE EXECUTION OF A SUBRECIPIENT AND LOAN AGREEMENT FOR THE PHALEN VILLAGE SENIOR HOUSING PROJECT; DISTRICT 2, WARD 6.**

## **Requested Board Action**

The HRA Board will act upon a HRA Board resolution pertaining to the Phalen Village Senior Housing project. The resolution will be a Public Hearing to sell HRA-owned land located at 1180 and 1186 Prosperity in the amount of \$560,000, and to authorize and recommend approval of a HOME loan in the amount up to \$1,500,000, and an ARPA loan in an amount up to \$2,070,000 to Phalen Village Apartments, Limited Partnership.

The HRA Board is requested to approve the following:

1. The sale of two HRA-owned parcels, 1180 and 1186 Prosperity Avenue, to Phalen Village Apartments, Limited Partnership for the purchase price of \$560,000.
2. An amendment to the Phalen Village Tax Increment Financing (TIF) Plan
3. Recommend approval of a HOME loan in the amount up to \$1,500,000.
4. Recommend approval of a ARPA loan in the amount up to \$2,070,000.
5. Approval of a Subrecipient and Loan Agreement with Phalen Village Apartments, Limited Partnership.
6. Authorizing the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the Phalen Village Senior Housing project.

## **Background**

The HRA acquired the 1180 Prosperity (27-29-22-22-0006) from Bruce G. & Catherine A. Odlaug and David J. & Barbara Odlaug on June 29, 2010, for \$500,000 using TIF Capital Project Fund. 1186 Prosperity (27-29-22-22-0167) was acquired from Keven Xao Yang on May 28, 2015, for

\$650,000 using Metropolitan Council Livable Communities Demonstration Account (LCDA) grant.

Staff is not aware of pollution on the site. A Phase 1 will be completed by the developer. Any cleanup of the property will take place prior to construction of the building. However, the property will be sold “as is”.

In January 2020, HRA staff received an application from MWF Properties, LLC to purchase and develop 1180-1186 Prosperity (Phalen Village North). During the 45-day early notification system, HRA staff received an additional application from Prosperity Rose Development, LLC, a partnership between Lupe Development Partners and Paster Properties, to purchase and develop the site.

The HRA Board on June 10, 2020, by Resolution #20-839 approved the tentative developer status for MWF Properties, LLC for the Property. The HRA Board on June 22, 2022, by Resolution #22-951 approved the extension of the tentative developer status for MWF Properties, LLC (“Developer”) for the property.

The Developer is experienced in the construction and management of multifamily housing projects within St. Paul. The Developer proposes to construct a four-story building with 76 housing units and 65 total parking spaces with 46 parking spaces underground. The proposed housing will consist of 56 one-bedroom and 20 two-bedroom units. The projected rents and income restrictions are proposed to be affordable of 25 units at 30%AMI and 51 units at 50% AMI.

The action today will include the amendment of the Phalen Village TIF Plan to remove 1180 Prosperity Avenue from the current Phalen Village TIF District so it can be combined with 1186 Prosperity, which is not in the Phalen Village TIF District. Ramsey County does not allow two parcels to be combined into one parcel if one of the parcels is in a TIF district and the other one is not. Removing this parcel allows the two properties to be combined so the 76 Unit Phalen Village Senior Apartments project can be developed.

The property is currently zoned T2 – Traditional Neighborhood and the proposed project is permitted in this district. See attached **Map** of the Property, and attached **demographic profile**

of District 2, the Saint Paul Planning District in which the Project is located. No businesses will be displaced, and no land acquisition took place as a result of eminent domain.

**Budget Action**

The current action will require a concurrent City Council budget action for the \$1,500,000 in HOME funds and \$2,070,000 in ARPA funds.

**Future Action:**

None

**Financing Structure**

The Developer has proposed the following permanent sources and uses to complete the construction project:

Permanent Sources and Uses:

<u>Source</u>		<u>Uses</u>	
MHFA 1 <sup>st</sup> Mortgage	\$ 4,047,000	HRA Owned Land	\$ 560,000
MHFA HIB Loan	\$10,412,512	HARD Construction	\$16,839,569
MHFA Deferred Loan	\$ 6,600,000	Contactor Fees	\$ 2,356,856
HOME Cash Flow Loan	\$ 1,500,000	Contingency	\$ 959,577
ARPA Deferred Loan	\$ 2,070,000	Professional Fees	\$ 1,214,670
Deferred Developer Fee	\$ 387,776	Developer Fee	\$ 1,500,000
Energy Rebates	\$ 19,916	Syndication Fees	\$ 75,000
General Partner Equity	<u>\$ 134,000</u>	Financing Fees	\$ 1,231,876
		Replacement Res	<u>\$ 433,656</u>
<b>Total</b>	<b>\$25,171,204</b>		<b>\$25,171,204</b>

HRA Property Sale

PED Staff is recommending that the HRA-owned properties be sold to the Developer for \$560,000. The current value is estimated at \$560,000. PED staff will file a Declaration of Restricted Uses on the property prior to selling the property.

### \$1,500,000 HOME Loan

The \$1,500,000 HOME funds will be a 50% cash flow above \$50,000 loan with a term of up to 40 years, at 1% simple interest. All principal and interest payments will be deferred until the Deferred Developer Fee and MHFA's LMIR & Bond loans is paid in full. This loan will be subordinate to the MHFA's LMIR, Bond & Deferred loans. The loan would be secured by a Loan Agreement, Declaration of Covenants, Conditions & Restrictions, Promissory Note, a 4<sup>th</sup> position Real Estate Mortgages, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement and a UCC.

### \$2,070,000 ARPA Loan

The \$2,070,000 ARPA loan will be a 50-year deferred loan with an interest rate of 0%. All principal and interest payments will be deferred until maturity. This loan will be subordinate to the MHFA's LIMIR, Bond & Deferred loans and the City's HOME loan. The loan would be secured by a Loan Agreement, Promissory Note, a 5<sup>th</sup> position Real Estate Mortgages, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement and a UCC.

### Deferred Developer Fee

Developers are requesting a developer fee of \$1,500,000. This fee is within the City's Developer Fee Guidelines. A portion of the Developer Fee of \$387,776 will be deferred and paid over a period of up to 10 years through excess cash flow.

### **PED Credit Committee Review**

On February 14, 2023, the Credit Committee reviewed and recommended the proposed land sale, the removal 1180 Prosperity Avenue from the Phalen Village TIF District, the \$1,500,000 HOME loan, and the \$2,070,000 ARPA loan. The HOME and ARPA loans are both being risk rated as "Originated as a Loss".

### **Compliance**

The Applicant has signed the compliance letters regarding the Project. The Project will comply with the following programs and/or requirements: Vendor Outreach Program, Affirmative Action, Federal Labor Standards, Project Labor Agreement, Sustainable Green Policy and Two Bid Policy.

The Project is exempt from the following: Business Subsidy based on development of housing; Living Wage based on the number of employees.

### **Green/Sustainable Development**

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

### **Environmental Impact Disclosure**

An Environmental Review was completed. The Environmental Review was published on February 10, 2023, in the Pioneer Press paper.

### **Historic Preservation**

A HUD 106 historic review was completed. The project has been reviewed and signed-off by the State Historic Preservation Office with a finding of “No Significant Impact”.

### **Public Purpose/Comprehensive Plan Conformance**

The following public purposes will be met:

1. Multifamily housing with structured parking at 1180 and 1186 Prosperity is supported by policies in the 2030 Comprehensive Plan and relevant small area plans. Future land use designations in the 2030 Comprehensive Plan are split between Mixed Use in the north and Residential Corridor in the south. The site is also part of the Phalen Village Neighborhood Center. All designations support multi-family residential as appropriate uses. In terms of development intensity, Neighborhood Centers are intended to have a residential density of approximately 30-150 units per acre, and this project is around 66 units per acre. The site is served well by transit, with routes 54 and 64 running along Maryland. Multi-family residential is supported by the following policies:

LU 1.2 Permit high density residential development in Neighborhood Centers, Mixed-Use Corridors, the Central Corridor, and Downtown.

LU 1.12 Balance the following objectives for Neighborhood Centers through the density and scale of development: accommodating growth, supporting transit use and walking, providing a range of housing types, providing housing at densities that support transit, and providing open space and recreational opportunities.

LU 1.25 Promote the development of more intensive housing on Mixed-Use Corridors

where supported by zoning that permits mixed-use and multifamily residential development.

Other plans that address the site are the Greater East Side (D2) District Plan, the Phalen Corridor Development Strategy, and the Phalen Village Plan. The Greater East Side Plan promotes higher density, mixed-use development in targeted business areas, including Phalen Village (LU1b). The Northeast Corridor Development Plan anticipates new housing to support retail uses in the area. Finally, the Phalen Village Plan contains a strategy of “creating a compact commercial district that is pedestrian oriented. Strategy 1 in the “Neighborhood-Oriented Phalen Village Commercial Area” section calls for a pedestrian-oriented commercial district. There are numerous commercial uses surrounding the site and adding residential in close proximity to them increases the ability for residents to walk to nearby services.

2. Private investment in a St. Paul neighborhood
3. Increase in property tax based.

**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 Parcels of land located in District 2 (Greater East Side) 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 Pioneer Press on March 8, 2023. 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 District 3 (West Side):

<b>Property Description</b>	<b>Purchaser/Developer</b>	<b>Purchase Price</b>
1180 & 1186 Prosperity Avenue	Phalen Village Apartments, LP	\$560,000

**Parcel 1:** 1180 Prosperity Avenue (27-29-22-22-0006)

The North 151 feet of the South 217 feet of the following described tract:

That part of the Northwest Quarter of the Northwest Quarter of Section 27, Township 29, Range 22, Ramsey County, Minnesota described as follows: Commencing at a point on a line 33 feet

South of the North line of the Northwest Quarter of said Section 27, being the South line of Maryland Street and 257.47 feet West of the Northeast corner of the Northwest Quarter of the Northwest Quarter of Section 27; thence South 00°08' East, 390 feet; thence West parallel with the North line of said Northwest Quarter, 293.89 feet to the Easterly line of Prosperity Avenue; thence Northeasterly along the Easterly line of Prosperity Avenue 321.28 feet; being a line at an angle of 124°24' to the right from the last described line; thence at an angle to the left 37°06', 125 feet, said last point being the intersection of the Easterly line of Prosperity Avenue and the Southerly line of Maryland Street thence East along the South line of Maryland Street, 117.25 feet to the point of beginning.

Excepting from the above-described property the following:

That parcel of land in the North half of the Northwest Quarter, Section 27, Township 29, Range 22, described as follows: Beginning at the point of intersection of the Easterly line of Prosperity Avenue and the North line of Rose Avenue, as opened, by Council File No. 207351; thence Northeasterly a distance of 28.45 feet along the Easterly line of Prosperity Avenue; thence Southeasterly on a curve to the left having a central angle of 124 degrees, 24 minutes, and a radius of 15 feet a distance of 32.54 feet to the North line of Rose Avenue; thence Westerly on the North line of Rose Avenue a distance of 28.45 feet to the point of beginning. (Abstract)

**Parcel 2:**

1186 Prosperity Avenue (27-29-22-22-0167)

That part of the Northwest Quarter of the Northwest Quarter of Section 27, Township 29, Range 22, Ramsey County, Minnesota, described as follows: Commencing at a point on a line 33 feet South of the North line of the Northwest Quarter of said Section 27, being the South line of Maryland Street, and 257.47 feet West of the Northeast corner of the Northwest Quarter of the Northwest Quarter of said Section 27; thence South 0 degrees 08 minutes East a distance of 390 feet; thence West parallel to the North line of said Northwest Quarter a distance of 293.89 feet to the Easterly line of Prosperity Avenue; thence Northeasterly along the Easterly line of Prosperity Avenue 321.28 feet; being a line at an angle of 124 degrees 24 minutes to the right from the last described line; thence at an angle to the left of 37 degrees 06 minutes a distance of 125 feet to a

point being the intersection of the Easterly line of Prosperity Avenue and the South line of Maryland Street; thence East along the South line of Maryland Street 117.25 feet to the point of beginning, except the South 217 feet thereof, and excepting therefrom the following described parcel which has been conveyed to the City of St. Paul to open, widen and extend Prosperity Avenue, to-wit: Commencing at the point of intersection of the Easterly line of Prosperity Avenue and the Southerly line of Maryland Street; thence Southerly 20 feet along the said Easterly line of Prosperity Avenue to a point; thence Northeasterly on a straight line to a point on the said Southerly line of Maryland Street 20 feet East of the point of beginning; thence Westerly along said Southerly line of Maryland Street 20 feet to the point of beginning, all according to the United States Government Survey thereof, Ramsey County, Minnesota. (Abstract)

The properties will be conveyed for redevelopment of a 76-unit apartment building. 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 approval of the attached resolution which approves the following actions:

1. The sale of two HRA parcels to Phalen Village Apartments LP for the purchase price of \$560,000.
2. An amendment to the Phalen Village Tax Increment Financing (TIF) Plan
3. Recommending approval of a HOME loan in the amount up to \$1,500,000.
4. Recommending approval of a ARPA loan in the amount up to \$2,070,000.
5. Approval of a Subrecipient and Loan Agreement with Phalen Village Apartments LP.
6. Authorizing the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the Phalen Village Senior Housing project.

**Sponsored by:** Commissioner Yang

**Staff:** Report prepared by: Daniel K. Bayers, (266-6685)



## **Attachments**

- Map
- D2 Greater Eastside Neighborhood Profile
- Amendment to Removing a Parcel from the Phalen Village TIF District