

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

REPORT TO THE COMMISSIONERS

DATE: MAY 10, 2023

REGARDING: RESOLUTION GIVING PRELIMINARY APPROVAL TO THE PROPOSED ISSUANCE OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS FOR THE SIBLEY COURT APARTMENTS LOCATED AT 484 TEMPERANCE STREET AND SIBLEY PARK APARTMENTS LOCATED AT 211 7TH STREET EAST, UNDER MINNESOTA STATUTES, CHAPTER 462C; AND ADOPTING A HOUSING PROGRAM

DISTRICT 17, WARD 2

Requested Board Action

A public hearing and preliminary approval for the HRA to issue up to \$45,000,000 in conduit multifamily housing revenue obligations for the benefit of Affordable Housing Alliance II, Inc. d/b/a Integrity Housing to assist in the financing of the acquisition and rehabilitation of two existing rental facilities known as Sibley Court and Sibley Park (the “Project”); and adopt a housing program related to the Project.

Background

Sibley Court (122 units) located at 484 Temperance, is a five-story building that opened in 2003 and Sibley Park (114 units) located at 211 - 7th Street East, is a five-story building that opened in 2002. The buildings were constructed through HRA action primarily utilizing Low Income Housing Tax Credits (LIHTC) and tax increment financing.

Affordable Housing Alliance II, Inc. d/b/a Integrity Housing, a Colorado not-for-profit corporation and 501(c)(3) organization (the “Borrower” or “Integrity Housing”), has submitted an application requesting that the HRA issue conduit multifamily housing revenue bonds (the “Bonds”), the proceeds of which will be used to finance the acquisition and rehabilitation of the two rental housing buildings. Integrity Housing has a purchase agreement to acquire the two properties and will complete over \$2.5 million in capital improvements including upgrading unit interiors, amenities and lighting and refreshing the exterior of each building. The closing is anticipated for early June and the improvements will be completed over time.

Integrity Housing, a dba of Affordable Housing Alliance II, Inc. was launched in 2010 focusing on a mission driven approach toward the creation of mixed income affordable housing through new development and the acquisition of existing multifamily properties. Their offices are located in California and they are currently developing multiple projects in the states of California, Oregon and Arizona with over 400 units commencing construction last year. This would be their first project in Minnesota.

Currently, all 236 units in the Project are income restricted as follows: 20% restricted to households at or below 50% AMI (48 units) as required by the TIF financing (2027 final year), 43% restricted to households at or below 60% AMI (101 units) as required by the LIHTC (2031/2032 final years), and 37% restricted to households at or below 115% AMI as required by the TIF financing (2027 final year). Additionally, the project includes 49 - Section 8 Project Based Vouchers (PBV), with 25 in Sibley Court (Integrity Housing is working with the PHA to extend these contracts) and 24 in Sibley Park.

When Integrity Housing acquires the Project, they will proceed to restrict all units to 60% AMI or below with 20% at or below 50% AMI, such that the units qualify for the 4d tax classification. They will maintain income and rent restrictions for a 30-year period from the closing date.

The Project is in the B5 zoning district, and a map is **attached**. The demographic profile of District 17, the Saint Paul planning district in which the Project is located, is **attached**.

Budget Action

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 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.

Future Action

Final approval by the HRA Board and consent of the City Council for the HRA to issue the bonds is anticipated for meetings on May 24, 2023.

Financing Structure

The bonds will be unrated and sold through a limited offering by Piper Sandler (the “Underwriter”) in minimum bond denominations of \$100,000, consistent with PED’s conduit bond policy for unrated bonds. The HRA will require the initial purchasers to execute an Investor Letter confirming the purchaser is either a Qualified Institutional Buyer (“QIB”) or Accredited Investor (“AI”). The financing anticipates three series of bonds, with a senior/subordinate structure with estimated sizing shown below. All the bonds issued will mature around 5/1/2032. The total estimated cost of the Project is \$41,761,136 as shown below.

Sources of Funds

Tax-Exempt Series 2023A-1	\$28,000,000
Taxable Series 2023A-2	\$4,405,000
Tax-Exempt Series 2023B - Subordinate	\$9,356,136
Total Sources	\$41,761,136

Uses of Funds

Acquisition	\$31,080,000
Deposit to Capital Fund	\$2,537,113
Soft Costs	\$220,000
Contingency	\$2,000,000
Developer Fee	\$1,000,000
Home Office Fee	\$700,000
Reserve Funds	\$1,775,412
CAP	\$500,000
DSRF	\$883,413
Costs of Issuance	\$1,065,198
Total Uses	\$41,761,136

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on May 2, 2023 and found it to be consistent with the HRA/PED’s conduit bond policy.

Compliance

The Borrower has acknowledged receiving City/HRA compliance documents specifying that the following compliance requirements are applicable to this project:

- Vendor Outreach Program, Chapter 84.01.
- Affirmative Action, Chapter 183.04 applies to both the contractor and the Borrower.
- Little Davis-Bacon Labor Standards applies to the construction work.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will preserve 236 rental housing units for 30 years restricted to households earning up to 60% of the Area Median Income (AMI). The Project meets the following goal and policy from the 2040 Comprehensive Plan:

- **Goal 6:** Improved access to affordable housing;
- **Policy H-39:** Promote preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.

Statement of Chairman (for Public Hearing)

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on April 25, 2023. The Notice of Public Hearing will be made a part of these proceedings.

Is there anyone who wishes to be heard on this item? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The HRA Executive Director recommends approval of the resolution providing preliminary approval to the issuance of up to \$45,000,000 in conduit multifamily housing revenue bonds for the benefit of Affordable Housing Alliance II, Inc. d/b/a Integrity Housing and adopting the Housing Program for the Sibley Court and Sibley Park rental housing Project.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachments:

- **Map**
- **D17 Downtown Neighborhood Profile**