

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

**REPORT TO THE COMMISSIONERS**

**DATE: OCTOBER 11, 2023**

**REGARDING: RESERVATION OF 2024 LOW INCOME HOUSING TAX CREDITS FOR  
THE EAST 7<sup>TH</sup> DEVELOPMENT AT 892 EAST 7<sup>TH</sup> STREET, DISTRICT 4,  
WARD 6**

## **Requested Board Action**

Approval of the accompanying resolution to reserve:

- \$891,451.00 of the 2024 Low-Income Housing Tax Credits ("2024 HTC") for the East 7<sup>th</sup> development located at 892 West 7<sup>th</sup> Street, owned and operated by Project for Pride in Living, Inc., a Minnesota non-profit corporation, or one of its affiliated entities ("East 7<sup>th</sup>").

## **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 May 24, 2023, by Resolution 23-764, 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") 2024-2025 Low Income Housing Tax Credit Procedural Manual ("2024-2025 Procedural Manual") and the 2024-2025 Qualified Allocation Plan ("2024-2025 QAP") to reflect the HRA Board's housing selection priorities for the 2024 and 2025 Credit Program. The 2024-2025 QAP contains several changes aimed at better serving the lowest income residents in our community by expanding the eligibility of the housing tax credits to Naturally Occurring Affordable Housing projects and to projects that demonstrate the use of strategic and integrated approach to addressing equity and cultural integration. These changes also include adding a criterion for preservation projects and providing more points (up to 25 points) to projects serving homeless tenants.

On May 30, 2023, the Finance Board approved the 2024-2025 Procedural Manual and the 2024-2025 QAP. The Finance Board also authorized the HRA Board to administer the 2024 Credit Program and reserved the 2024 Credits to qualified Saint Paul developments. The projected HRA Board's sub-allocation of Credits for 2024 is \$891,451.00.

To be considered for 2024 Credits, eligible projects must be financially feasible and viable as qualified low-income projects for the credit period. (See: attached 2024-2025 QAP, Article VII, 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 2024-2025 QAP scoring criteria.

The HRA received one (01) application for the 2024 HTC request for proposals (9% LIHTC RFP) as follows:

|   |                                 |
|---|---------------------------------|
| <b>Project Name:</b>                        | East 7 <sup>th</sup>            |
| <b>Address:</b>                             | 892 East 7 <sup>th</sup> Street |
| <b>Developer:</b>                           | PPL                             |
| <b>Owner:</b>                               | PPL                             |
| <b>Project Type:</b>                        | New Construction                |
| <b>Total Units</b>                          | 60                              |
| <b>Zoning District</b>                      | B3 General Business District    |
| <b>Eminent Domain</b>                       | none                            |
| <b>Project Cost</b>                         | \$31,541,769                    |
| <b>City Financing to be requested:</b>      | \$1,500,000                     |
| <b>2022 Housing Tax Credit requested:</b>   | \$2,689,158                     |
| <b>2022 Housing Tax Credit recommended:</b> | \$436,854.00                    |

According to Article VII (K) of the 2024-2025 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.

Following the 2024-2025 QAP selection and preference priorities, the application scored as follows:

- **East 7<sup>th</sup>                      92 points**

East 7<sup>th</sup> is a new construction family project not restricted to persons who are 55 years of age or older and in which, for the term of the extended use period, at least 75% of the total housing tax credit units contain two or more bedrooms and at least one-third of the 75% contain three or more bedrooms. The East 7<sup>th</sup> project application scoring is summarized in the below chart. See the attached Credit Scoring Worksheets for more information about the scoring criteria.

| <b>Criteria</b> | <b>Description</b>  | <b>East 7<sup>th</sup></b> |
|-----------------|---|----------------------------|
| A1              | Percentage 30% AMI (up to 10 points)                                | 10                         |
| A2              | Percentage 50% AMI (up to 6 points)                                 | 6                          |
| A3              | Homelessness (up to 25 points)                                      | 12                         |
| C1              | Healthy Communities, Wealth and Community Building (up to 8 points) | 7                          |
| C2              | Neighborhood Support (1 point)                                      | 1                          |
| C4              | Non-Profit Status (2 points)  | 2                          |
| C5              | Non-Smoking policy (1 point)  | 1                          |
| D1              | Larger-sized Family Housing Units (up to 15 points)                 | 15                         |
| D2              | Transit (up to 3 points)  | 3                          |
| D4              | Equity and Cultural Integration (up to 10 points)                   | 10                         |
| D5              | Tenant Selection Plan (up to 4 points)                              | 4                          |
| F2              | Intermediary costs/Soft costs (up to 4 points)                      | 4                          |
| F3              | Prior 9% HTC Commitment (10 points)                                 | 10                         |
| F4              | Long term affordability (up to 7 points)                            | 7                          |
| <b>Total</b>    |   | <b>92</b>                  |

Upon review, HRA staff recommends that the HRA Board approves the reservation of \$891,451.00 of the 2024 HTC for the East 7<sup>th</sup> development.

## **East 7<sup>th</sup>**

### **a. Overview – East 7th**

The East 7<sup>th</sup> project is a new development that will consist of the residential portion of one building and approximately 40,000 SF of commercial space, in the East Side neighborhood of Saint Paul. The residential position will have 60 units varying from 1 to 5 bedrooms in sizes of housing to be affordable at 60% AMI or below. On the currently vacant lot will be constructed a three-story building with commercial on the first floor and residential units on the second and third floors. The project will have a strong focus on providing affordable housing to multi-generational families

in the community. The residents will have access to community spaces, such as resident lounge, property management offices, a play area for kids, as well as City Park adjoining the building. The project has a strong focus on providing health and housing connections and the commercial spaces plan to offer various services on site including a Health and Wellness clinic, Early Childhood Day Care center, and an Autism Center.

**b. Unit Mix – East 7th**

| Unit Type | # of units | Income Limit |
|-----------|------------|--------------|
| 1BR       | 8          | 30% MTSP     |
| 2BR       | 4          | 30% MTSP     |
| 3BR       | 4          | 30% MTSP     |
| 2BR       | 6          | 50% MTSP     |
| 3BR       | 19         | 50% MTSP     |
| 4BR       | 5          | 50% MTSP     |
| 3BR       | 5          | 60% MTSP     |
| 4BR       | 7          | 60% MTSP     |
| 5BR       | 2          | 60% MTSP     |

The project will have 60 units of family housing, comprised mainly of two, three, four and five-bedroom units. There will be some 1-Bedroom units as well, which will include people with disability units providing supportive housing to single adults. All housing units will be affordable to families with incomes at or below 60% area median, and some units will be set aside for supportive housing and will target households with incomes at or below 30% of the area median.

**c. Financing Structure – East 7<sup>th</sup>**

On November 9, 2022, the HRA Board of Commissioners approved a reservation of 2023 HTC in the amount of \$436,854 for the East 7<sup>th</sup> project. The approval of the recommendation will bring the total reservation of HTC to \$1,328,305. PPL has requested a total allocation of \$1,700,000 of HTC and staff anticipates that PPL will return next year with another request for more tax credits. Also, staff is working with PPL and other partners to secure all additional funds needed to close on the financing of the project. The total development cost is anticipated to be \$35,500,469 and a project budget will be available once all funding sources are secured.

#### **d. The Developer – East 7th**

Founded in 1972, Project for Pride in Living, Inc. (PPL) has a mission to build the hope, assets, and self-reliance of individuals and families who have lower incomes by providing transformative affordable housing and career readiness services. Over the past 50 years, PPL has helped nearly 13,000 individuals and families in the Twin Cities move into affordable housing, earn higher incomes, improve their academic skills, and gain economic independence each year. PPL has built and is managing safe, quality, affordable housing throughout the Twin Cities.

#### **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 2023 LIHTC.

#### **PED Credit Committee Review**

N/A. No loan risk rating is involved.

#### **Compliance**

Compliance requirements will be applicable to this project and will be determined once a final budget is in place.

#### **Green/Sustainable Development**

Projects awarded credits must comply with the Saint Paul Sustainable Development Policy.

#### **Environmental Impact Disclosure**

NA

**Historic Preservation**

N/A

**Public Purpose/Comprehensive Plan Conformance:****East 7<sup>th</sup> –**

The proposed development conforms to the 2040 Saint Paul Comprehensive Plan, which designates the site as Mixed Use, calling for a balance of jobs and housing within walking distance of each other such as promoted by this project. The Comp Plan also, in Policy H-7, calls for production of small and family-sized affordable housing options such as proposed. Additionally, the Near East Side Roadmap designates the site as a redevelopment opportunity for housing, mixed use, or small commercial-industrial.

**Statement of Chairman (for Public Hearing)**

N/A

**Recommendation:**

The Executive Director recommends, per the attached resolution, that the HRA Board approve the following reservation for the 2024 Low-Income Housing Tax Credits for:

- The East 7<sup>th</sup> Development in the amount of \$891,451.00.

**Sponsored by: Chair Chris Tolbert**

**Staff:** Jules Atangana, 651-266-6660

**Attachments**

- 2024-2025 QAP
- Self-Scoring Worksheet
- Map
- Public Purpose
- D4 Dayton's Bluff Neighborhood Profile