

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

REPORT TO THE COMMISSIONERS

DATE: February 12, 2014

REGARDING: PENFIELD UPDATE, DISTRICT 17, WARD 2

Project Summary

The Penfield is a transit oriented, mixed-use, sustainable development located on the block bounded by Minnesota, 10th Street, Robert and 11th Street. The project includes a 27,500 SF Lunds grocery store, 254 market rate apartments and 329 structured parking spaces. We are in the process of completing the LEED Silver documentation.

The Penfield Apartment LLC (LLC) is the owner and developer of the \$62 million project. The Housing and Redevelopment Authority of the City of Saint Paul (HRA) is the sole member of the LLC. The Board of Commissioners of the HRA constitutes the Board of Governors of the LLC. The Executive Director of the HRA, Cecile Bedor, is the Chief Manager of the LLC. The Deputy Mayor of the City of Saint Paul is the Treasurer of the LLC. The Chair and Vice Chair of the HRA are the President and Vice President of the LLC respectively.

The LLC secured a HUD insured mortgage of \$40,952,900, invested \$19,195,029 and secured grants of \$1,902,381 from Ramsey County, the Metropolitan Council and DEED. The HRA/LLC moved forward as developer to ensure that a Lunds store was built in downtown Saint Paul. Risk to the HRA has been mitigated due to the HUD-insured loan and the conservative underwriting for the project.

A certificate of occupancy was issued for the north tower on November 30, 2013 and a certificate of occupancy was issued for the east and south towers on December 30, 2013. Tenants began moving into the building November 30th.

Below are key HRA underwriting assumptions, at the time of HRA Board approval of financing for the project, compared to actual performance. The project's low interest rate, increased rental rates and earlier Lunds rent schedule will enhance the economic performance of the project.

	<u>Interest Rate</u>	<u>Rents</u>	<u>Pre-leased</u>	<u>Start of Lunds Rent</u>
HRA Underwriting	4.62%	1.59 SF	16%	9/1/2015
Actual Status	3.12%	1.89 SF	18.1% (12/30)	Spring 2014

Property Management

PED conducted an RFP process to hire Village Green is the property manager. Steven Vargas is the on-site property manager and lives in the building. Leasing information about the Penfield can be found at thepenfieldapts.com or villagegreen.com. Great Lakes Management Company is the asset manager and will be reviewing the annual operating budget. Below is a summary of the unit mix and rental ranges for the Penfield:

<u>Unit Type</u>	<u>Number</u>	<u>General Rent Range</u>
Studio	13	\$950 to \$1,200
Alcove	45	\$1,175 to \$1,290
1 Bedroom	100	\$1,400 to \$1,600
2 Bedroom	81	\$1,700 to \$1,900 (\$2,400 lofts)
3 Bedroom	<u>15</u>	\$2,100 to \$2,500
	254	

The majority of renters access information about the project via website drivers. In addition, Village Green has been reaching out to major corporations in the Twin Cities area regarding the Penfield housing opportunity and will be hosting a series of “happy hour” events to showcase the property. Per the HRA underwriting, the project is projected to reach stabilization at 93% occupancy June of 2015. Per Village Green’s projections the Penfield will reach stabilization November of 2014.

Lunds

On August 10, 2010 the Penfield Apartments LLC executed a 10 year lease with Lunds with six, five year extension options for a total of 40 years. Lunds started their tenant build out work the third quarter of 2013 and will open on May 15, 2014. The Lunds grocery store space will include a salad bar, olive and antipasti bar, organic produce, Caribou Coffee, Big Bowl Chinese Express, Hissho Sushi, Bachman’s floral, and St. Croix Cleaners dry cleaner. As a major retail anchor, Lunds will enhance the livability and vitality of downtown.

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