

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

REPORT TO THE COMMISSIONERS

DATE: April 9, 2014

REGARDING: **Resolution Approving the Issuance, Sale and Delivery of Conduit Housing Revenue Bonds (Maryland Park Apartments Project), Series 2014; adopting a Housing Program pursuant to Minnesota Statutes Chapter 462C; and Approving the Form and Authorizing the Execution and Delivery, of the Bonds and Related Documents, Greater East Side, District, Ward 6.**

Requested Board Action

Approval of the attached Resolution, which

1. authorizes the issuance of up to \$11,000,000 in tax-exempt housing conduit revenue bonds and related documents for the Maryland Park Apartments Project; and
2. adopts the Housing Program; and
3. authorizes the HRA Executive Director to execute all related documents.

Background

Maryland Park Apartments is an existing 172-unit affordable rental housing complex located at 1619 Maryland Avenue East. The property is zoned RM1 – Multiple Family and is adjacent to a large Saint Paul public park, Prosperity Park. The complex was constructed in 1969 and has a Department of Housing and Urban Development (“HUD”) Section 8 assistance contract for 143 of 172 units. The current owner of the property, SHN/GP Properties, LLC, is no longer interested in owning the property and has indicated that they will let the project-based Section 8 assistance contract with HUD expire in order to facilitate a sale to a new owner as market-rate housing.

The Developer has executed a purchase agreement with the current owner. They plan to retain the Section 8 project-based contract and rehabilitate the complex. The scope of work includes replacement of all building mechanicals, interior unit replacement of fixtures and appliances, insulation, renovation of the interior common areas, installation of digital camera security system, parking entrance gate system, and renovation of the existing office building into a community clubhouse.

Exterior improvements include installation of cement board siding, replacement of all sidewalks, parking lot, fencing, lighting, updated landscaping, and an updated playground area with an outside common patio area for residents. Operational changes will include 24-hour, on-site management.

The 143 Project-based Section 8 units will serve households at or below 30% of Area Median Income (AMI). The annual income limit of a one-person household at 30% of the AMI is \$17,400. The annual income limit of a two-person household at 30% of the AMI is \$19,900.

The remaining 29 units will be affordable to residents with incomes at or below 60% of the AMI. The annual income limit of a one-person household at 60% of the AMI is \$44,750. The annual income limit of a two-person household at 60% of the AMI is \$51,150.

Size and Income /Rent Limits of Units:

UNIT TYPE	NUMBER of UNITS	SQUARE FOOTAGE	RENTAL RATES	AFFORDABILITY
Studio – Section 8	2	454	\$590	30% of AMI
1-Bedroom – Section 8	71	626	\$675	30% of AMI
1-Bedroom	15	626	\$675	60% of AMI
2-Bedroom – Section 8	69	850	\$825	30% of AMI
2-Bedroom	13	850	\$825	60% of AMI
3-Bedroom – Section 8	1	1,009	\$1,060	30% of AMI
3-Bedroom	1	1,009	\$1,060	60% of AMI
TOTAL	172			

Developer Experience

Dominium Development is a Plymouth, MN-based developer of market-rate and affordable housing. Since 1972, Dominium has developed, owned, and managed over 22,000 housing units across 20 states. Currently, 80% of Dominium’s portfolio is affordable housing (low income housing tax credit, and Section 8 projects) and 20% is market rate.

PED staff has reviewed the audited financials for both the property and Dominium and no material findings were found.

Budget Action

None.

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 of Saint Paul 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. Principal and interest on the bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

None.

Financing Structure

The total acquisition and rehabilitation cost is \$18,992,990. Below is the Sources and Uses statement.

Sources and Uses

USES		TDC per UNIT (172 Units)	% of LINE ITEM OF TDC
ACQUISITION			
Acquisition	\$ 7,675,000	\$ 44,622	40.4%
Rehab/Construction	\$ 6,877,050	\$ 39,983	36.2%
Construction Contingency	\$ 487,045	\$ 2,832	2.6%
Architectural	\$ 142,500	\$ 828	0.8%
Other Soft Costs	\$ 688,875	\$ 4,005	3.6%
Developer's Fee	\$ 1,732,109	\$ 10,070	9.1%
Tax Credit Syndication Fees	\$ 90,000	\$ 523	0.5%
Financing and Other Fees	\$ 849,476	\$ 4,939	4.5%
Non-Mortgageable Costs	\$ 98,539	\$ 573	0.5%
Limited Partner Operating Reserve	\$ 352,396	\$ 2,049	1.9%
TOTAL	\$ 18,992,990		
SOURCES			
MHFA Deferred Request	\$ 1,100,000	\$ 6,395	6%
FNMA 1st Mortgage	\$ 9,700,000	\$ 56,395	51%
4% LIHTC - Syndication proceeds at 0.94	\$ 6,504,181	\$ 37,815	34%
Deferred Developer Fee	\$ 1,068,809	\$ 6,214	6%
St. Paul HOME Financing	\$ 600,000	\$ 3,488	3%
Imputed Expenses	\$ 20,000	\$ 116	0%
TOTAL	18,992,990		

Housing Revenue Bonds

The Developer is requesting the issuance of up to \$11,000,000 in housing revenue bonds. The bonds will be underwritten by Dougherty & Company, publicly-offered, rated AA+, and issued in \$5,000 denominations. The bonds will be used as construction financing and be paid back from a combination of proceeds from a \$9,700,000 HUD-insured Fannie Mae first mortgage loan and tax credit investor equity. The bonds will be short-term, with an 18-month maturity date. The HRA will receive its standard 1.00% closing fee, and an annual servicing fee of 0.25% of bonds outstanding.

Low Income Housing Tax Credits

The Project will be partially financed with investor equity (estimated at \$6.5 million) via the purchase of the “automatic 4%” Low Income Housing Tax Credits (LIHTC) that come with tax-exempt bond financing. WNC & Associates, Inc. is the tax credit investor; credit pricing \$.94 per tax credit dollar.

Gap Financing

The project has a commitment of \$1,100,000 in gap financing from Minnesota Housing Finance Agency (MHFA) in the form of a deferred loan. The Developer is deferring \$1,068,809 of its developer fee. Staff is recommending that the proposed \$600,000 HOME fund loan be deferred for 32 years, and accrue interest at 1% interest per annum.

PED Credit Committee Review

On March 24, 2014, the PED Credit Committee reviewed the terms of the proposed bond structure and determined that the issuance of the Housing Revenue Bonds for the Maryland Park Apartments project meets the HRA bond policy.

Compliance

A pre-construction meeting occurred on April 2, 2014. The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, Federal Davis Bacon, and the 2-Bid Policy. A Project Labor Agreement has been recommended.

Green/Sustainable Development

Since this is a rehabilitation of an existing building, the City's Sustainable Development policy would not apply. The project's scope of work, however, includes replacement of all mechanical systems and insulation in order to improve the building's energy efficiency.

Environmental Impact Disclosure

N/A

Historic Preservation

The existing Maryland Park Apartments structure was constructed in 1969 and is not deemed historic.

Public Purpose/Comprehensive Plan Conformance

This project meets the public purpose objective of preserving high density, very affordable rental housing and conforms to the following plans:

Land Use Chapter of Comprehensive Plan (2010): The Maryland Park Apartments project is in conformance with the City of Saint Paul's Comprehensive Plan policy to preserve existing affordable housing.

Strategy 3: Ensure the Availability of Affordable Housing Across the City

- 3.1 Support the preservation of publicly-assisted and private affordable housing.
 - b. Support the application of LIHTC, historic tax credits and other appropriate funding sources to maintain existing low-income units. The

City/HRA should work with Minnesota Housing, community development corporations, and property owners to continue the provision of low-income housing units in these developments and to use LIHTC on the rehabilitation of existing affordable units.

Recommendation:

The Executive Director recommends the HRA Board of Commissioners adopt the attached Resolution which authorizes the issuance of up to \$11,000,000 in tax-exempt multifamily housing revenue bonds and related documents to be executed.

Sponsored by: Commissioner Dan Bostrom

Staff: Jennifer Jordan, 612-266-6598

Attachments

- **Attachment A -- Resolution**
- **Attachment B -- Map/Address of Project**
- **Attachment C -- *Project Summary Form***
- **Attachment D -- *Sources and Uses Summary Form***
- **Attachment E -- *Public Purpose Form***
- **Attachment F -- Census Facts**