

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

**REPORT TO THE COMMISSIONERS**

**DATE: May 14, 2014**

**REGARDING: AUTHORIZATION TO APPROVE A COMMITMENT OF  
UP TO \$250,000 IN HOME AND \$500,000 IN AFFORDABLE HOUSING TRUST  
FUND LOAN FINANCING FOR THE PRIOR CROSSING HOUSING  
DEVELOPMENT LOCATED AT 1949 UNIVERSITY WEST, WARD 4, DISTRICT  
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## **Requested Board Action**

Approval of up to \$250,000 in HOME funds and \$500,000 in Affordable Housing Trust funds to Beacon Interfaith Housing Collaborative (the “Developer”) to assist in the financing of the Prior Crossing homeless youth housing project (the “Project”) located at 1949 University Avenue West. This financial assistance will be contingent on the Project securing all other necessary financial assistance by December 31, 2014 to fully fund the capital costs of the Project.

## **Background**

The HRA received a request from the Developer for financial assistance to construct a 44-unit supportive housing development for homeless youth ages 18-25. Beacon Interfaith Housing Collaborative is a nonprofit housing development entity comprised of 50 local congregations who are committed to ending homelessness in the Twin Cities through the development of housing units with supportive services for homeless populations. Beacon Interfaith Housing Collaborative, formerly the Plymouth Church Neighborhood Foundation, has developed approximately 480 affordable, supportive housing units in Minneapolis and Saint Paul. Beacon successfully developed a similar 42-unit, homeless youth supportive housing project known as Nicollet Square at 3700 Nicollet Avenue in Minneapolis in 2010.

The Project is located at 1949 University Avenue West, just east of Prior Avenue, and directly adjacent to the Green Line within the Fairview LRT station area plan. The property is currently zoned T4 - Traditional Neighborhood district, the highest-density and most intensive of the Traditional Neighborhood zoning districts. The proposed development is permitted in this district.

The Project proposes to demolish the existing 1.5-story commercial structure on the site and construct a new 44-unit residential building for homeless youth ages 18-25.

On-site staff and supportive services will be located within the development for the residents to gain necessary life skills and access to education and job training. The building's offices and program operations will be located on the ground floor of the Project, with housing units located above. Parking and outdoor recreational amenities will be located directly behind the building on the back/north portion of the site.

Operations for the program component of the project would be funded from program funding available through the recently-approved State of Minnesota Homeless Youth Act, Ramsey County, and private foundations. The House of Hope church has committed \$500,000 over five years for operations. Beacon Interfaith would like to capitalize on the momentum of the newly-approved Homeless Youth Act operations funding, and secure the remainder of its capital funding for construction of the Prior Crossing development.

### **Other Information**

- Site plan review will be required because this is new construction and is receiving more than \$250,000 in city funding.
- The project required six commercial tenants be relocated from the existing commercial building. Beacon Interfaith Housing Collaborative has completed the formal relocation process in 2013, and complied with the Uniform Relocation Act.
- Project Map with parks and schools within ¼ mile of development is located in **Attachment B**.
- A detailed *Project Summary Form* is located in **Attachment C**.
- Census Facts district demographic profile is located in **Attachment F**.

## **Budget Action**

The Budget action to amend the budget is noted in **Attachment A**.

## **Future Action**

If the balance of financing is secured on or before December 31, 2014, future action will be required to approve a loan agreement stipulating the final amount and terms of a loan. If the balance of financing is not secured before December 31, 2014, the commitment of funds to the project expires. The reason for an expiration date is to avoid locking up HRA funding for an extended period of time. The Developer could, however, seek financial assistance from the HRA at a later date when, and should, the other funding needed come into place.

## **Financing Structure**

The total project development cost is \$9,093,731. A *Sources and Uses Summary Funds Form* is located in **Attachment D**.

### **Metropolitan Council**

The Project has secured two grants from the Metropolitan Council Livable Communities grant program. The first grant of \$317,415 is for contamination cleanup of asbestos as part of the demolition of the existing structures onsite and for soil cleanup. The second grant of \$609,600 is for acquisition, demolition and site preparation.

### **Tax Credits**

The Developer will be submitting an application for the City of Saint Paul's 2015 allocation of 9% low income housing tax credits ("LIHTC") in the amount of \$703,204. The Developer will also be submitting an application to Minnesota Housing Finance Agency ("MHFA") for LIHTC under the nonprofit allocation pool. Equity proceeds from the sale of tax credits are estimated to be \$6,047,554.

### **HOME and Affordable Housing Trust Funding**

A commitment of up to \$250,000 in HOME funds and \$500,000 in Affordable Housing Trust funds is being offered at this time to the Project to show the City of Saint Paul's

support of the Project, which will make the Project more competitive for MHFA funding; MHFA applications are due June 10, 2014. The federal HOME funds earmarked for the Project must be under contract by June 31, 2015.

### **Minnesota Housing Finance Agency**

The Developer will also be submitting an application to the MHFA seeking \$1,059,581 in deferred loan financing.

### **Credit Committee Review**

The Credit Committee has not reviewed the Project as this is only a preliminary commitment of financing to the project and no terms have yet been proposed. The Credit Committee will review the proposed terms for the City's funding once all other funding for the Project has been secured.

### **Compliance**

The Project is required to meet compliance requirements for Vendor Outreach, Section 3, Affirmative Action, Federal Davis Bacon Labor Standards, Affirmative Fair Housing Plan, Project Labor Agreement and Two-Bid Policy. Living Wage and Business Subsidy requirements do not apply. required.

The Project Labor Agreement notice for the Project was sent on June 26, 2013; the response period ends July 11, 2013. A response from organized labor was received July 9, 2013 recommending that a Project Labor Agreement be put in place for this project.

The first *Developer/Applicant Compliance Acknowledgement Letter* was received July 11, 2013.

### **Green/Sustainable Development**

The project will be subject to compliance with the Saint Paul Sustainable Development Policy because it is new construction and receiving over \$250,000 in Saint Paul funding.

### **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

The site contained an existing two-story commercial building. The building was reviewed through the Section 106 review process and was not deemed historic. The building was demolished in early 2014.

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

Providing affordable rental housing for homeless youth ages 18-25 with supportive services is the primary public purpose of this Project. The *Public Purpose Form* is attached as **Attachment E**.

## **Saint Paul Comprehensive Plan**

The Prior Crossing housing project is consistent with the Saint Paul Comprehensive Plan because it adds additional homeless housing units to the City's inventory and increases housing density in the Fairview LRT station area along the Central Corridor Green Line. The Hamline-Midway Neighborhood District Council is supportive of the project.

## ***Housing***

Strategy 1: Target growth in unique neighborhoods.

Policy 1.2: Permit high density residential development in Neighborhood Centers, mixed-Used Corridors, the Central Corridor and Downtown.

Strategy 3: Ensure the availability of affordable housing across the city.

Policy 3.1: Support the preservation of public-assisted and private affordable housing through the application of LIHTC and other appropriate funding sources to maintain existing low income housing units.

Policy 3.4 Assist in the preservation and production of homeless and supportive housing.

## **Recommendation:**

The Executive Director recommends approval of committing up to \$750,000 pursuant to the terms and conditions of the attached resolution.

**Sponsored by:** Commissioner Russ Stark

**Staff:** Jennifer Jordan, Project Manager, 651-266-6598

**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**