

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

REPORT TO THE COMMISSIONERS

DATE: February 11, 2015

**REGARDING: AUTHORIZATION TO APPROVE TERMS OF GAP FINANCING IN THE
AMOUNT OF \$550,000 IN HOME FUNDING AND \$550,000 IN SPRUCE TREE
TAX INCREMENT FINANCING FOR THE PRIOR CROSSING HOUSING
DEVELOPMENT LOCATED AT 1949 UNIVERSITY WEST, WARD 4, DISTRICT
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Requested Board Action

Staff is requesting the Housing and Redevelopment Authority (HRA) authorize approval of the terms of gap financing in the amount of \$550,000 in HOME funds and \$550,000 in Spruce Tree tax increment funds to Beacon Interfaith Housing Collaborative to assist in the financing of the Prior Crossing homeless youth housing project located at 1949 University Avenue West.

Background

The HRA has 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 (Beacon) is a non-profit 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, formerly the Plymouth Church Neighborhood Foundation, has served as a non-profit developer for 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 Prior Crossing Project is located at 1949 University Avenue West within the Fairview LRT station area. 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.

Beacon proposes to construct a new residential building consisting of 44 units of supportive housing for homeless youth ages 18-25. Of the 44 total units, 23 units will be designated for long-term homeless youth. 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 development with housing units located above and parking and outdoor recreational amenities located directly behind the building.

Operations for the program component will be funded from the State of Minnesota Homeless Youth Act as well as from Ramsey County and private foundations.

Budget Action

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

Future Action

N/A

Financing Structure

The total project development cost is \$10,999,679. The federal HOME funds earmarked for the Project must be under contract by June 30, 2015. A *Sources and Uses Summary Funds Form* is located in **Attachment D**.

Metropolitan Council

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

HOME Funding and MHFA

A deferred 0% HOME loan in the amount of \$550,000, 30-year term and a \$550,000 forgivable 0% TIF loan are being recommended for approval.

In 2013, the Board committed up to \$1.1M in HRA funding contingent on the Project securing the balance of funding Minnesota Housing Finance Agency (MHFA) by the end of 2013. Unfortunately, the Project was not successful and our commitment expired. On May 14, 2014, the Board approved \$750,000 in funding in order to demonstrate the City's commitment to the project in time for the MHFA June funding deadline. At that time, the HRA could not commit the full \$1.1M as we were awaiting receipt of our 2014 HOME funds on July 1, 2014.

In October, 2014, the MHFA awarded State Housing Infrastructure Bonds (\$5,067,401) and a \$246,091 deferred 0% loan to Prior Crossing.

Staff has reviewed the Resource List of Projects is now recommending that \$550,000 of HOME funds and \$550,000 in Spruce Tree TIF balances be awarded to complete the \$1.1M funding commitment to Prior Crossing. At the upcoming February 25th HRA Board meeting, staff will be recommending that the balance of the 2014 HOME funding be awarded to the East 7th and Bates Project.

Spruce Tree TIF

On December 10, 2014, the HRA approved a Fifth Amendment to the Spruce Tree/Metz Bakery TIF District to increase the budgeted revenues which may be characterized as tax increments, and adjust the authorized expenditures in connection with development anticipated to occur within the Saint Paul Neighborhood Redevelopment Project Area, including, but not limited to, development along the Central Corridor and the construction of affordable housing within the City. Staff is recommending that \$550,000 of the existing \$1,200,000 fund balance be awarded to Prior Crossing for the development of affordable housing.

Credit Committee

The Credit Committee reviewed the Project on January 26, 2015 and approved the loan terms of a \$550,000 30 year deferred HOME loan at 0% interest and \$550,000 forgivable tax increment finance loan at 0% interest with a 30-year term.

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.

Green/Sustainable Development

The project will be subject to compliance with the Saint Paul Sustainable Development Policy.

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 deemed not 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.

Saint Paul Comprehensive Plan

Prior Crossing Apartments is consistent with the Comprehensive Plan because it creates additional homeless housing units and increases housing density in the Fairview LRT station area. 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.

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

Recommendation:

The Executive Director recommends approval of up to \$1,100,000 in gap financing pursuant to the terms and conditions of the attached resolution.

Sponsored by: Commissioner Russ Stark

Staff: Patricia Lilledahl, 266-6593 and Jennifer Jordan, 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**