

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 10, 2015

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE
EXECUTION OF A \$750,000 LOAN TO SKYLINE TOWER OF ST.
PAUL FOR THE REHABILITATION OF SKYLINE TOWER, UNION
PARK, DISTRICT 13, WARD 1.**

Requested Board Action

1. Approve the attached Resolution authorizing a deferred loan of \$750,000 to Skyline Tower of St. Paul LP to assist in the rehabilitation of Skyline Tower; and
2. Authorize the Executive Director to negotiate all terms and execute all required documents.

Background

Skyline Tower is a 504-unit apartment tower with efficiency, one and two-bedroom units. The building also includes staff offices and community gathering/common areas. Skyline opened in 1971 and is the largest single HUD-subsidized building in Minnesota. By 1999, the original owner, Sentinel Management, struggled to address drug problems, crime, and a deteriorating building. The original appliances, cabinets and plumbing were in need of refurbishing and common space was limited. Unable to finance the necessary major improvements and wishing to avoid tearing down the building, Sentinel Management agreed to sell the property to affordable housing non-profit CommonBond Communities (CommonBond).

CommonBond purchased the property in 1999 utilizing tax exempt bonds and 4% LIHTC. In 2010, CommonBond refinanced the first mortgage debt through the use of the Section 223(a)(7) refinancing program to reduce the interest rate of the first mortgage. The capital needs assessment completed as part of the refinance identified some immediate items that were addressed in the allotted timeframe. The capital needs assessment also identified the need to replace all windows and plumbing waste stacks. HUD noted in the firm commitment that these repairs would be a future obligation to be completed within 36 months of closing. We are now beyond that date, so there is a possibility that HUD could declare a technical default if this work is not completed in the very near future.

CommonBond engaged engineering and design professionals to perform a needs analysis who recommended the replacement of all windows, replacement of all supply piping/riser valves and waste and vent piping.

Unit Affordability

448 of the units are project based Section 8. This means that residents pay no more than 30% of their income in rent. The remaining 56 units are affordable to residents with incomes at or below 60% of area median income (AMI).

Unit Types and Rents (less utilities)

UNIT TYPE	NUMBER of UNITS	Gross Rent (\$)	Income Affordability (\$)	Hourly Wage Needed – 1 Earner (\$)	Hourly Wage Needed – 2 Earner (\$)
0-Bedroom	46	433-631	17,320-25,240	8.33-12.33	4.16-6.07
1-Bedroom	321	548-803	21,920-32,120	10.54-15.44	5.27-7.72
2-Bedroom	137	975-1010	39,000-40,400	18.75-19.72	9.38-9.71
TOTAL	504				

Developer/Owner Experience

CommonBond is a nationally-recognized leader and innovator in the affordable housing industry since 1971. CommonBond owns or manages 5,530 units in 104 housing communities, located in some 50 cities and towns in Minnesota, Wisconsin and Iowa. CommonBond was the first housing provider to include services for residents in its properties and to insist that its housing be a long-term asset to the surrounding neighborhood. CommonBond has demonstrated that quality affordable housing combined with onsite services can transform lives and communities.

Budget Action

The budget action would allocate \$750,000 of 2014 CDBG funds to Skyline Tower of St. Paul LP in the form of a 36 year deferred loan with 1% interest. Both the loan principal and interest will be deferred and due in 2052, after the HUD insured loan is paid off. Assuming approval of this request, there will be \$325,000 CDBG Housing balance remaining. On July 1, 2015, we expect to receive \$1,125,000 in CDBG for Housing uses; all of which is budgeted for Inspiring Communities except for \$250,000.

Future Action

No future Board action is required.

Financing Structure

USES	\$	SOURCES	\$
<i>Rehabilitation</i>	\$9,926,122	<i>MN Housing Infrastructure Bond – EDHC</i>	\$10,243,242
<i>Contractor Fees and Contingency</i>	\$1,000,000	<i>General Partner Cash</i>	\$1,500,000
<i>Environmental Abatement</i>	\$40,000	<i>City of St. Paul HRA-CDBG</i>	\$750,000
<i>Professional Fees</i>	\$1,431,600	<i>HUD Rental Assistance for Relocation</i>	\$264,480
<i>Developer Fees</i>	\$325,000		
<i>Financing Costs</i>	\$35,000		
TOTAL USES	\$12,757,722	TOTAL SOURCES	\$12,757,722

PED Credit Committee Review

On May 27, 2015, the PED Credit Committee reviewed the terms of the loan for the Skyline Tower project, and recommended approval of a 36 year loan with 1%.

Compliance

ComomonBond acknowledges that the following City/HRA compliance requirements may be applicable to the project:

1. Affirmative Action including Workforce Utilization Template
2. Vendor Outreach Program, including Business Opportunity Template (BOT)
3. Labor Standards – Federal Davis Bacon and City Davis Bacon
4. Two Bid Policy
5. HUD Section 3
6. Project Labor Agreement
7. Living Wage
8. Early Notification System (ENS)
9. Affirmative Fair Housing Marketing Plan

Green/Sustainable Development

Since this project consists of rehabilitating the existing building, the City's Sustainable Development policy would not apply. The project's scope of work however, includes replacement of all windows and replacement of all supply piping/riser valves and waste and vent piping, which will improve the project's overall energy efficiency.

Environmental Impact Disclosure

CDBG funding requires an environmental review which will be completed.

Historic Preservation

A HUD 106 review has been completed with the conclusion that no historic properties eligible for or listed on the National Register of Historic Places will be affected by this project.

Public Purpose/Comprehensive Plan Conformance

This project meets the public purpose objectives of preserving high density, affordable rental housing with access to transit, and conforms to the following plans:

Land Use Chapter of the Comprehensive Plan (2010), 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.

The project is a highly-visible gateway development to the area. Further, housing goals supported by the Summit-University neighborhood include the provision of a housing mix that provides lifelong options for residents and to maintain the diversity of neighborhood residents.

Recommendation:

The Executive Director recommends adoption of the attached Resolution, approving a loan in the amount of \$750,000, per the terms and conditions set forth herein and related documents to be executed.

Sponsored by: Commissioner Dai Thao

Staff: Jules Atangana, 651-266-6552

Attachments

- **Attachment B – Map/Address of Project**
- **Attachment C – Project Summary**
- **Attachment D -- Public Purpose**
- **Attachment E – Census Facts**
- **Attachment F – Budget**