

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

REPORT TO THE COMMISSIONERS

DATE: August 26, 2015

REGARDING: RESOLUTION APPROVING AND AUTHORIZING ACTION RELATED TO THE SAINT PAUL HOUSING AND REDEVELOPMENT AUTHORITY'S (HRA) DISPOSITION STRATEGY AND WORK PLAN: 1) SALE AND CONVEYANCE OF THE PARCEL 72 CESAR CHAVEZ STREET TO NEIGHBORHOOD DEVELOPMENT ALLIANCE, INC. OR ITS ASSIGNS, AND 2) AUTHORIZATION TO APPROVE A \$329,800 DEFERRED LAND LOAN FOR THE 72 CESAR CHAVEZ HOUSING DEVELOPMENT LOCATED AT 72 CESAR CHAVEZ STREET, DISTRICT 3 WEST SIDE, WARD 2

Requested Board Action

Staff is requesting the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "HRA") to 1) authorize approval of sale and conveyance of the parcel 72 Cesar Chavez Street to Neighborhood Development Alliance, Inc. or its assigns; and 2) authorize approval of a deferred land loan in the amount of \$329,800 to the Developer to assist in the financing of the 40-unit, mixed-use housing development (the "Project") located at 72 Cesar Chavez Street.

Background

The HRA has received a request from the Neighborhood Development Alliance, Inc. (NeDA) for a deferred land loan on a property the HRA owns at 72 Cesar Chavez Street on the west side that was formerly known as the Commercial Club site.

Originally, the Riverview Economic Development Association (REDA) received HRA financing and a STAR grant to purchase the property, demolish the existing Commercial Club building, and develop a Holy Land Deli at the site in 2008. REDA received an HRA loan to purchase the property in the amount of \$116,500; a \$318,100 CDBG loan was also made to REDA to pay off existing debt and prepare the property for redevelopment. Development of Holy Land Deli did not proceed and REDA was eventually merged into NeDA in 2013.

In January 2013, NeDA asked that the HRA take back title to the property in exchange for NeDA paying property taxes and handling site maintenance while seeking a new development proposal for the property. The Credit Committee approved a recommendation to write off the mortgage and accept transfer of the deed in-lieu of payment of future property taxes and maintenance costs by NeDA.

The HRA approved tentative developer status for NeDA in March 2013. An extension of tentative developer status was approved by the HRA in April 2015.

The property is currently zoned T2 - Traditional Neighborhood district and the proposed development is a permitted use in this district.

Financing Structure

NeDA is proposing to construct a new mixed-use housing development on the property. The development would include 40 affordable housing units, 4,468 square feet of street-level commercial space, and structured underground parking. Of the 40 units, 4 would be designated long-term homeless units with supportive services and rental assistance provided by the YWCA of St. Paul. The commercial space will initially be used as a community arts center in collaboration with West Side Community Organization and West Side Artists.

The unit breakdown for the complex consists of the following:

UNIT TYPE	NUMBER of UNITS	SQUARE FOOTAGE	RENTAL RATES
1BR	10	576	\$773
2BR – Long-term homeless units; rental assistance	4	864	\$915 (\$585 with rental assistance affordable at 30%)
2BR	16	864	\$920
3BR	10	1,152	\$1,053
TOTAL	40		

The total project development cost is **\$11,336,464**. The financing consists of the following:

MHFA

The project is seeking a 5% deferred 30-year loan in the amount of \$1,346,000 through MHFA's current funding round. In addition, NeDA has also applied for MHFA's 9% low-income housing tax credits through the non-profit set-aside. The tax credit amount requested is \$970,252.

The projected equity to be generated is estimated in the amount of \$9,109,753 at .939 per credit dollar.

St. Paul

The project is seeking a \$329,800 deferred land loan for a 30-year term at 0%. This amount was determined to be the value of the land. The project has also applied for the City's allocation of 9% low-income housing tax credits. The development is **not** seeking any additional gap financing from the city.

Metropolitan Council

The project was awarded a \$550,000 Livable Communities Development Account - Transit-Oriented Development Grant for a storm water management system, grading, soil correction, lighting, sidewalks, benches and a terraced public plaza.

Budget Action

The Budget action to amend the budget is noted in the Resolution.

Future Action

None anticipated at this time from a financing standpoint. The development will be required to go through site plan review.

PED Credit Committee Review

The PED Credit Committee reviewed the land loan request on August 3, 2015 and approved the staff recommendation that the Project receive a deferred, 30-year land loan in the amount of \$329,800 at 0% interest. The loan will be originated as a loss.

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, Sustainable Development Policy, and the Two-Bid Policy. The Living Wage ordinance and Business Subsidy compliance is not required.

Green/Sustainable Development

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

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

Providing affordable rental housing 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 72 Cesar Chavez housing project is consistent with the Saint Paul Comprehensive Plan because it creates additional affordable housing units, including 4 long-term homeless supportive housing units to the City's inventory and increases housing opportunities in a non-concentrated area of the city. The project is also consistent with the District Del Sol plan for the neighborhood. The West Side 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 3.4 Assist in the preservation and production of homeless and supportive housing.

Statement of Chairman

Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of conveyance of certain Parcels of land located in West Side; District 3 by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, August 15, 2015. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings. The HRA proposes to convey the following property:

In West Side, District 3:

<u>Property Description</u>	<u>Purchaser</u>	<u>Purchase Price</u>
72 Cesar Chavez Street	Neighborhood Development Alliance, Inc. or its' assigns	\$329,800

The above property is being sold by the HRA according to the Disposition Policy and Procedure Resolution 13-1592.

Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.

Recommendation:

The Executive Director recommends approval of sale and conveyance of the property and approval of a \$329,800 deferred land loan pursuant to the terms and conditions of the attached resolution.

Sponsored by: Commissioner Dave Thune

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

Attachments

- **Attachment B -- Map/Address of Project**
- **Attachment C -- Project Summary**
- **Attachment D-- Sources and Uses Summary**
- **Attachment E -- Public Purpose**
- **Attachment F – District Profile**