

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

**REPORT TO THE COMMISSIONERS**

**DATE: September 23, 2015**

**REGARDING: RESOLUTION APPROVING THE ISSUANCE, SALE AND DELIVERY OF CONDUIT HOUSING REVENUE BONDS (LONNIE ADKINS COURT APARTMENTS), SERIES 2015; 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, SUMMIT-UNIVERSITY DISTRICT 8, WARD 1.**

## **Requested Board Action**

1. authorize the issuance of up to \$6,800,000 in tax-exempt housing conduit revenue bonds and related documents for the Lonnie Adkins Court Apartments Project
2. adopt the Housing Program
3. authorize the HRA Executive Director to execute all related documents

## **Background**

Lonnie Adkins Court Apartments is a 77-unit multifamily apartment complex that was constructed in 1973 (rehab in 1999). It is located at the NE corner of Western Avenue and St. Anthony Avenue (just north of Interstate 94). The complex consists of two 3-story residential buildings and three 2-story residential buildings.

The 77 units include

9 one-bed-one-bath

47 two-bed-one-bath

9 two-bed-one-bath townhome-style

12 three-bed-one-bath townhome-style

57 units have a project-based Section 8 HAP contract that is set to expire on 31 March 2019.

Dominium (dba St. Paul Leased Housing Associates VII, LLLP) intends to purchase the complex and perform substantial renovations, which will increase unit count to 79. They will secure a 20-

year renewal of the Section 8 contract for 57 units and will designate the remaining 22 units as LIHTC 60% AMI units.

Rehabilitation scope includes replacement of all light fixtures, toilets, plumbing fixtures, thermostats, and unit entry doors; as-needed replacement of appliances, interior apartment doors, countertops, kitchen cabinets, vanities, tubs, windows and flooring; ADA upgrades in select units; new playground, camera security system, and boilers; re-opening of previously closed laundry rooms; parking lot and sidewalk improvements; and the new construction of a clubhouse with community room and office to replace the existing non-ADA-compliant office.

Dominium will purchase the apartment complex for \$5,690,000 (combination of cash to seller, assumption of debt, payoffs, and some seller financing). New construction, rehab, construction contingency and contractor fee total \$3,077,043. Total Development Cost is \$12,447,376 (see **SOURCES AND USES**).

Dominium is requesting the issuance of up to \$6,800,000 in housing revenue bonds. Series A bonds will be underwritten by Dougherty & Company, publicly-offered, rated AA+, and issued in \$5,000 denominations. Series B bonds will be non-rated, and directly purchased by Sunrise Bank in \$100,000 denominations. The bonds will be used as construction financing and be paid back with tax credit investor equity and a HUD insured loan. The bonds will be short-term, with an 18-month maturity date. The HRA will receive its standard 1.00% closing fee, and semi-annual servicing fees of 0.25% of bonds outstanding at 6 and 12 months and .75% at 18 months.

### **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.

### **Permanent Financing Structure**

Dominium will obtain a HUD 223(f) PILOT \$3,870,000 loan from Dougherty Mortgage. The tax exempt bonds will generate \$415,518 of annual 4% Low Income Housing Tax Credits which will raise \$4,195,896 in syndication proceeds (\$1.01 per credit dollar), to be purchased by WNC. (see **SOURCES AND USES** and **PERMANENT FINANCING**). Dominion has secured a commitment from MHFA of \$600,000 gap financing, as well as their willingness to re-commit \$1,075,000 of existing debt to the project. Family Housing Fund has agreed to re-commit their existing \$230,000 debt to the project after payment of accumulated interest. Dominion has requested permission from HRA to assume a current HRA loan in the amount of \$420,991. That request is being considered via another Resolution at this same HRA Board meeting.

## PERMANENT SOURCES AND USES

Uses	
acquisition: cash to seller	\$1,952,611
acquisition: closing costs	\$208,609
acquisition: pay HRA interest	\$133,396
acquisition: pay FHF interest	\$30,000
acquisition: pay off HUD debt	\$99,393
acquisition: take on seller loan	\$1,540,000
acquisition: pay off MHFA debt	\$1,075,000
acquisition: assume HRA debt	\$420,991
acquisition: pay off FHF debt	\$230,000
new construction	\$120,000
rehabilitation	\$2,338,846
contractor fees and contingency	\$618,197
professional fees	\$873,648
developer fee	\$1,387,510
syndicator fee	\$135,000
financing cost	\$737,613
reserves	\$546,562
	<b>\$12,447,376</b>

total acquisition =  
\$5,690,000

Sources	
first mortgage	\$3,870,000
syndication proceeds	\$4,195,896
MHFA new loan	\$1,675,000
seller new loan	\$1,540,000
HRA existing loan	\$420,991
FHF new loan	\$230,000
deferred developer fee	\$515,489
	<b>\$12,447,376</b>

## PERMANENT FINANCING

Proposed

position	lender (source)	principal	terms
1st	Dougherty Mortgage (HUD 223(f) pilot insured)	\$3,832,100	3.25% (estimated), fully amortized, 35 years
2nd	HRA (HUD Rental Rehabilitation Funds)	\$420,991	1%, deferred, 35 years
3 <sup>rd</sup>	MHFA (PARIF)	\$245,000	0%, deferred, 35 years
4 <sup>th</sup>	Family Housing Fund	\$230,000	1%, deferred, 35 years
5 <sup>th</sup>	MHFA (old 5 <sup>th</sup> + old 6 <sup>th</sup> + new)	\$1,430,000	0%, deferred, 35 years
6 <sup>th</sup>	Seller Note	\$1,540,000	2.91% (estimated), deferred, 35 years

### **PED Credit Committee Review**

On August 24, 2015, the PED Credit Committee reviewed the terms of the proposed bond structure and determined that the issuance of the Housing Revenue Bonds for the Lonnie Adkins Court Apartments project meets the HRA bond policy.

### **Compliance**

A pre-construction meeting will be held prior to commencement of construction. The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, Little Davis-Bacon, Affirmative Fair Housing Marketing, and the St. Paul Sustainable Building Policy (see **Green/Sustainable Development**).

### **Green/Sustainable Development**

HRA staff recommends a partial waiver of the St. Paul Sustainable Building Policy for the Lonnie Adkins Courts Apartments project. This waiver request will be considered by the HRA Board on this same day via an additional Resolution.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

The Lonnie Adkins Courts Apartments complex was constructed in 1973 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 Lonnie Adkins Courts 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 adoption of the attached Resolution, authorizing the issuance of up to \$6,800,000 in tax-exempt multifamily housing revenue bonds and authorizing related documents to be executed.

**Sponsored by:** Commissioner Dai Thao

**Staff:** Joe Musolf, 612-266-6594

#### **Attachments**

- **Attachment B -- Map**
- **Attachment C -- Project Summary**
- **Attachment D -- Sources and Uses**
- **Attachment E -- Public Purpose**
- **Attachment F -- District 8 Profile**