

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

REPORT TO THE COMMISSIONERS

DATE: May 25, 2016

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF A CONDUIT  
HOUSING REVENUE NOTE (WILSON II PROJECT); APPROVING  
RELATED DOCUMENTS; AND ADOPTING A HOUSING  
PROGRAM, DISTRICT 4, WARD 7**

## **Requested Board Action**

Approval of the attached resolutions authorizing the following:

1. Authorizing the issuance of a conduit Housing Revenue Note (Wilson II Project); approving related documents; and adopting a Housing Program;

## **Background**

Wilson II Apartments Limited Partnership (the “Developer”) has executed a purchase agreement with Wilson Development LLC for the site located at 1254, 1256, 1276 Wilson Avenue. The Developer proposes to redevelop approximately a 2.5 acre site which site will be assembled by combining excess land subdivided from the existing Wilson Ridge Apartments market rate project located at 1276 Wilson Avenue with the parcels formerly identified as 1254 and 1256 Wilson Avenue immediately west of the current apartment complex. The Developer plans to acquire, construct and equip an approximately 114-unit, 3-story multifamily rental housing development (the “Project”);

The proposed unit mix of the 114 units in the Project is as follows:

<u>Bedroom Type</u>	<u># of Units</u>	<u>Gross Rent</u>	<u>Rent Limit</u>
1 Bedroom	41	\$966	60%
1 Bedroom	20	\$806	50%
2 Bedroom	50	\$1,159	60%
2 Bedroom	3	\$966	50%

The Developer is experienced in the construction and management of multifamily housing projects within the metropolitan area.

The Project has a financing gap and the Developer has requested the establishment of a new housing Tax Increment Financing district to provide assistance. The City Council held a public hearing on May 18 and approved the Redevelopment and Housing plan and Housing TIF District and Plan.

The Project is currently going through the rezoning process to rezone two parcels from RT-1 two Family Residential to RM3 Multiple-Family. If the Rezoning is approved by the City Council, the Project will be a permitted use. See the attached Map/Address of the Property, and demographic profile of District 4, the Saint Paul Planning District in which the Project is located. No businesses will be displaced, and no land acquisition took place as a result of eminent domain.

### **Budget Action**

**“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**

Companion Resolution on the HRA Board May 25<sup>th</sup> Board meeting recommending the (i) approving the establishment of the Wilson II Redevelopment Project Area and the Tax Increment Financing District (Wilson II Housing Project), (ii) approving a Housing Development and

Redevelopment Plan and Tax Increment Financing Plan, respectively, therefore, (iii) authorizing execution of a tax increment development agreement; and (iv) approving a HRA budget amendment.

### **Financing Structure**

The Developer has proposed the following permanent sources and uses to complete the construction project. They are seeking HRA issued Multifamily Housing Revenue Note with automatic 4% Low Income Housing Tax Credits (LIHTC) and Tax Increment Financing (TIF).

<u>Uses</u>		<u>Sources</u>	
Acquisition	\$ 1,200,000	Seller's Note	\$ 1,200,000
New Construction	\$16,943,750	Bank Loan/TIF*	\$12,471,000
Professional Costs	\$ 1,602,261	Syndication Proceeds	\$ 8,862,205
Developer Fee	\$ 2,221,211	Deferred Developer Fee	<u>\$ 1,285,658</u>
Financing Fees	\$ 1,541,923		
Replacement Reserves	<u>\$ 309,718</u>		
TOTAL:	\$23,818,863	TOTAL:	\$23,818,863

\* \$1,720,000 of this amount will be supported by the TIF pay-go note

### **Tax Increment Financing (TIF) Assistance**

Due to the high cost of developing affordable housing, the Project is feasible only through assistance from tax increment financing. With the establishment of the housing TIF district for the Wilson II Housing Project, TIF will be provided through a pay-as-you-go note to the Developer. Upon final analysis of the amount of tax increment financing needed, the TIF will be structured as a Pay-As-You-Go Note to the Developer, pledging 90% of the tax increments collected by the HRA from the TIF district, for TIF-eligible expenses, including interest. The remaining tax increment is budgeted for administration costs. The principal amount of the note will not exceed \$1,720,000 and the interest rate will be equal to the interest on their bond rate estimated to be 4.3%. Pay-As-You-Go obligations are limited obligations without scheduled payments, and revenues are first used to pay interest and then to retire principal. The HRA makes

no representation that the pledged increments will be sufficient to pay principal and interest. See the attached Wilson II Housing Project Tax Increment Financing Plan.

#### Multifamily Housing Revenue Note and 4% LIHTC

On April 20, 2016, the City Council conducted a public hearing and authorized preliminary approval to issue a tax-exempt multifamily housing revenue note for the Project. The principal amount of the note will not exceed \$19,000,000. The Project will also be financed with 4% non-competitive Low Income Housing Tax Credits available with the issuance of a tax exempt multifamily housing revenue note. The note will be directly purchase by Citibank, a qualified financial institution. The note will be for an estimated \$18,100,000 with variable interest during construction converting to a fixed interest rate at Project opening.

#### **PED Credit Committee Review**

The Credit Committee will review the proposed tax-exempt note and Tax Increment Financing assistance on May 23, 2016, to ensure the terms are consistent with PED policies.

#### **Compliance**

The Developer has signed and submitted a letter recognizing the compliance requirements that may apply to this project. These requirements include Vendor Outreach Program, Affirmative Action, City Labor Standards, Living Wage Ordinance, Two Bid Policy, and Project Labor Agreement.

#### **Green/Sustainable Development**

The Project will comply with the Saint Paul Sustainable Development Policy.

#### **Environmental Impact Disclosure**

N/A

#### **Historic Preservation**

N/A

**Public Purpose**

The project will provide 114 affordable housing opportunities for persons with incomes at or below 60% and 50% of AMI.

In addition, the Project meets objectives of *The Housing Plan*, adopted as part of the City's Comprehensive Plan, Section 6.0, Strategy 3: Ensure Availability of Affordable Housing.

**Gold Line Station Area Plans:**

- Facilitate housing provision for a variety of ages and life stages.
- Facilitate subsidized affordable housing for portions of new residential development where there is a local need identified at the time of development. Evaluate local affordability using measures that incorporate housing and transportation costs ("H + T") at various income levels.
- Do not support subsidized affordable housing in areas that contain an abundance of naturally affordable and subsidized affordable units so as to avoid concentrating poverty.

**Recommendation:**

The Executive Director of the HRA recommends approval of the attached resolution authorizing the issuance of a conduit Housing Revenue Note (Wilson II Project); approving related documents; and adopting a Housing Program.

**Sponsored by:**

Commissioner Prince

**Staff:**

Daniel Bayers 651-266-6685

**Attachments**

- **Attachment -- Map**
- **Attachment -- Project Summary**
- **Attachment -- Sources and Uses Summary**
- **Attachment -- Public Purpose**

- **Attachment – District 4 Profile**