

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

**REPORT TO THE COMMISSIONERS**

**DATE: MAY 24, 2017**

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION OF  
A LOAN AGREEMENT FOR THE DOROTHY DAY OPPORTUNITY  
CENTER/RESIDENCES PROJECT, DISTRICT 17, WARD 2**

## **Requested Board Action**

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners approve the attached Resolution approving and authorizing a not to exceed \$1,000,000 TIF Loan Agreement for the Dorothy Day Opportunity Center/Residences project.

## **Background**

The project site is the location of the original Dorothy Day shelter, located at the intersection of 7<sup>th</sup> St and Old 6<sup>th</sup> St on the edge of downtown. Dorothy Day opened in 1981 as a day facility, and was designed to serve 30-50 homeless persons. With the new Higher Ground facility open next door in January 2017, Catholic Charities is now ready to implement the next phase of their redevelopment, the Dorothy Day Opportunity Center and Residences.

This next phase will be a mixed-use, six-story building to be constructed on the existing shelter site, along with several adjacent parcels. The first two floors will house the Opportunity Center, an integrated service-delivery center with a kitchen/dining room, health clinic, and other services. The top four floors (Dorothy Day Residences) will include 171 affordable, single-room occupancy and efficiency units. The site is currently zoned B-5 and does not require a rezoning for this project to proceed.

Catholic Charities recently announced the completion of their \$40 million capital campaign for both phases. The second phase relies on the State to issue two types of bonds: Housing Infrastructure Bonds (HIB) for the housing portion of the project, and General Obligation (GO) Bonds for the Opportunity Center. The project is currently included in the Governor's 2017 bonding proposal (as was the case in 2016); final State action on the bonding request will not be

known until May 22 at the earliest.

Catholic Charities received a \$450,000 forgivable loan from the HRA in 2006, for purposes of remodeling the existing Dorothy Day facility. Catholic Charities is in good standing on that loan, which was forgiven in December 2016 per the loan terms.

### **Proposed Project/Affordability**

As noted, the new building is mixed-use, with 171 rental units (100 SRO units and 71 efficiency units) and 82,000 square feet for the Opportunity Center. Catholic Charities is in discussions with Ramsey County to lease part of the Opportunity Center, as well as other potential users. Catholic Charities is also expected to occupy some of the space.

The efficiency units will be located in a separate wing, and will include 10 units for chemically dependent and/or mentally ill youth age 21-24, as well as 15 units for long-term homeless single adults with chemical dependency and/or mental illness. Each floor of the SRO housing space will have a common kitchen, lounge space, bathrooms, and offices for support/service providers. Catholic Charities expects that the 75 units of Project-Based Section 8 at Mary Hall will be transferred to this new building. The entire project will have a veteran's preference. The unit size, incomes, and rents are as follows:

### **Size and Income /Rent Limits of Units:**

<b>Size</b>	<b># of units</b>	<b>Gross Rent</b>	<b>Rent Limit</b>	<b>Income Limit</b>
Efficiency	15	\$687	30%	30%
Efficiency	10	\$687	30%	50%
Efficiency	41	\$450	30%	30%
Efficiency	4	\$450	50%	30%
Efficiency	1	\$450	30%	30%
SRO	75	\$560	50%	30%
SRO	25	\$400	30%	30%

**Total                    171 units**

### **Budget Action**

The Budget action to amend the budget is noted in the **Attachments**. If this resolution is adopted today, we will have a current balance of \$1,750,452 of pooled TIF for affordable housing.

## **Future Action**

None

## **Financing Structure**

The total development cost for the entire project is \$78,109,665. The primary funding sources for this project are Capital Campaign funds, Low Income Housing Tax Credits (4%), New Market Tax Credits, and State bonding dollars. Catholic Charities has requested \$1,000,000 from the HRA which will be structured as a deferred loan and sourced with existing pooled TIF funds. The project has also received commitments from the Met Council, DEED, and Ramsey County. A detailed Sources and Uses are listed in the Attachments.

The entire project will be constructed at one time, with different tax credit entities owning the Opportunity Center and the Residences. Catholic Charities will be the General Partner and management agent in each entity.

## **Financing Terms**

### Low Income Housing Tax Credits (LIHTC)

The 4% LIHTC are expected to be issued by MN Housing, in conjunction with the Housing Infrastructure Bonds. The project is in a HUD-defined Qualified Census Tract, and will receive an additional 30% boost in tax credit equity.

### New Market Tax Credits (NMTC)

NMTC will be utilized by the Opportunity Center. Given the amount of NMTC needed, an allocation will be required from multiple Community Development Entities (CDEs). Catholic Charities has indicated they have three CDEs interested in the project.

### TIF Loan

A \$1,000,000 loan sourced with existing pooled TIF funds. No new TIF district will be created. The loan will have a 30-year term and a 1% simple interest rate. The TIF loan will be subordinate to the State's Housing Infrastructure Bonds,

which are expected to be structured as a deferred loan. The HRA's TIF loan would be used for the Residences, not the Opportunity Center.

### Grants

Awarded grants include \$549,945 from DEED for environmental remediation, and \$662,000 from the Met Council in LCDA funds to assist with site improvements. The LCDA funds will be structured as a loan to the project, and the DEED funds as a grant.

### Ramsey County Funds

The Ramsey County funds are part of a preliminary commitment by the County Board to provide funds for the construction of the Opportunity Center, as well as 10-year lease by the County. County staff would provide services in a portion of the Opportunity Center and are currently negotiating the details of this lease, which will require final approval by the County Board.

### Capital Campaign

Catholic Charities' Capital Campaign for both Higher Ground and the Opportunity Center/Residences has raised \$40 million; of which ~ \$35 million of the total will be allocated to Opportunity Center/Residences.

### Developer Fee

There will be a 9% Developer Fee (on the Residences only) which is within HRA policy. The entire fee will be deferred and used as a capital contribution in Year 10 of the tax credit period.

### **PED Credit Committee Review**

On April 17, 2017 the PED Credit Committee reviewed and approved all terms and conditions of the TIF loan.

### **Compliance**

The project will be required to meet the HRA's compliance requirements. The determination on which programs will apply will be made when the final

financing is known (State bonding pending at the Legislature).

A pre-construction meeting will be scheduled after final HRA Board approval and before a final closing on financing.

### **Green/Sustainable Development**

The project will comply with the Saint Paul Sustainable Development Policy, and will be certified through the State's B3 green building standard.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

On January 26, 2017 the HPC reviewed a report on the historical significance of the Catholic Charities-owned building at 215 Old 6<sup>th</sup> Street. The HPC requested additional photo documentation of the building prior to demolition.

### **Public Purpose/Comprehensive Plan Conformance -**

This project meets several public purpose objectives, including providing new affordable housing, and reducing and preventing homelessness. The reconstruction of Dorothy Day was supported by the Mayor's 2013 Task Force convened to address the need for single adult overnight shelter in Saint Paul.

The proposed project implements several strategies from the 2010 Comprehensive Plan, including:

### **Land Use Chapter**

Strategy 1.2: Permit high density residential development in Neighborhood Centers, Mixed-Use Corridors, the Central Corridor, and Downtown.

Strategy 1.30: Implement the *Saint Paul Downtown Development Strategy*.

Strategy 1.40: Promote the development of housing that provides choices for people of all ages, including singles and young couples, families, empty-nesters, and seniors.

## **Housing Chapter**

Strategy 3.2: Support new housing opportunities for low-income households throughout the city.

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

### **Recommendation:**

The Executive Director recommends and requests the HRA Board of Commissioners consider approval of the attached resolution which approves a \$1,000,000 TIF loan to the Dorothy Day Residences project.

**Sponsored by:** Commissioner Noecker

**Staff:** Amy Geisler, 651-266-6602

### **Attachments**

- **Attachment – Budget Amendment**
- **Attachment – Project Summary**
- **Attachment – Map**
- **Attachment – Sources and Uses**
- **Attachment – Public Purpose**
- **Attachment – District 17 Profile**