

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 11, 2017

**REGARDING: RESOLUTION APPROVING A LOAN COMMITMENT TO
PRESERVE AFFORDABLE HOUSING IN LARPENTEUR VILLA
WARD 5, DISTRICT 6**

Requested Board Action

The purpose of this report is to request approval by the Housing and Redevelopment Authority of the City of Saint Paul (HRA) Board of Commissioners of a \$40,000 loan to Aeon (aka Larpenteur Villa, LLC) the Buyer of Larpenteur Villa in order to preserve eighty-two (82) units of affordable rental housing consisting of 2 studio, 53 one-bedroom and 27 two-bedroom units.

Background

Larpenteur Villa is located at 180 Larpenteur Avenue West, at the northern edge of Saint Paul. Originally constructed in 1969, this 82 unit apartment building has been well maintained and is part of a 10 building, 768 unit portfolio known as the Towers Portfolio. Recently, the entire portfolio has been put on the market for sale. These 10 buildings are located in four different cities; including six in Bloomington, two in New Hope, one in Brooklyn Center and one (Larpenteur Villa) located in the City of Saint Paul. Historically, most of the portfolios' units have been renting at unrestricted affordable rental rates, therefore considered "naturally-occurring affordable housing" (NOAH), due in part because there are no financing or other restrictions keeping the rents affordable. These properties have been important affordable housing resources for each of the cities in which they are located including accepting Federal Section 8 rental assistance through the certificate/voucher program.

The rental housing market is experiencing an increase in the turn-over of NOAH properties which are being purchased by investors who are able to increase rents at a rate that has led to the displacement of many low income families. Aeon, a very experienced non-profit affordable housing provider, has stepped in to acquire and preserve all 10 properties. In order to assist with the acquisition of Larpenteur Villa and immediate capital improvements, Aeon has requested a

\$40,000 loan from the HRA in exchange for executing a loan agreement to restrict the rents on all 82 units to households earning 60 % Area Median Income (AMI) or less, for a period of fifteen (15) years. Aeon plans on rents remaining close to current rent levels (40% - 50% AMI and less) and will continue to accept tenants with Section 8 rent assistance. This loan and restrictive rent agreement will allow Aeon to be eligible for “4 (d)” property tax classification which will lower the real estate taxes to assist in maintaining affordable rents.

Budget Action

The funding for the HRA loan will be provided from the TIF affordable housing pool.

Future Action

To be determined at the time of refinancing sometime during the 15 year Loan period.

Financing Structure

The HRA \$40,000 loan will be provided as a deferred loan at zero (0) % interest for a period of fifteen (15) years. The loan will be secured by a note and a mortgage to be due and payable upon sale and/or refinancing of the Project.

PED Credit Committee Review

Credit Committee reviewed and approved the terms of the loan for Larpenteur Villa.

Compliance

City and State Labor Standards (Little Davis Bacon) will apply.

Green/Sustainable Development

The project will meet the Saint Paul/HRA Sustainability Initiative.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The preservation of 82 rental units available to households earning 60% AMI or less.

This project meets the following citywide Comprehensive Plan (2010) goals:

- 1.1. Increase housing choices across the city to support economically diverse neighborhoods
- 2.1. Support private investment in the existing housing stock by using city loans as leverage
- 3.1. Support the preservation of publicly-assisted and private affordable housing

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners adopt the attached Resolution which approves an HRA deferred loan in the amount of \$40,000 to the buyers of Larpenteur Villa in order to preserve eighty-two (82) affordable rental housing units.

Sponsored by: Commissioner Brendmoen

Staff: Diane Nordquist 651-266-6640

Attachments

- **Map**
- **Public Purpose**
- **District 6 Profile**