

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2017

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS (WEST SIDE FLATS PHASE III B APARTMENT PROJECT); APPROVING RELATED DOCUMENTS; AND ADOPTING A HOUSING PROGRAM, NORTHWEST CORNER OF FILLMORE AND LIVINGSTON AVENUES, AND APPROVAL OF A FOURTH AMENDMENT TO THE PHASE III DEVELOPMENT AGREEMENT BETWEEN THE WSF PHASE III LLC AND THE HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA, DISTRICT 3, WARD 2

Requested Board Action

Staff is requesting final approval for issuance of tax-exempt housing revenue bonds in the amount up to \$13,000,000 for the WSF Phase III B Limited Partnership and approval of a Fourth Amendment to the Development Agreement between the Housing and Redevelopment Authority of the City of Saint Paul (HRA) and the WSF Phase III LLC (Developer/Sherman Associates).

Background

The WSF Phase III project is located on HRA land bounded by the Mississippi River, Livingston Street, Fillmore Avenue and the Union Pacific Railroad tracks. Redevelopment and contamination cleanup of the site will include construction of a 182 unit market rate apartment building with a first floor restaurant (Building A), and an 82 unit affordable apartment building (Building B) with 32 units at 50% of median income and 50 units at 60% of median income. The affordability requirements will be in place for 40 years. The project will have a tot lot play area at the southwest corner of the site, and a pedestrian trail that runs from Fillmore on the south through the site north to the Mississippi River esplanade. The B building is being designed to meet the Passive House ultra-high energy efficiency standard and will likely be the most energy efficient multi-family building in the Midwest. The Developer plans to use electricity from a community solar garden. The implementation of these strategies will demonstrate how it is possible to construct a building that will have close to a net zero consumption of fossil fuels.

The HRA approved a Third Amendment to the West Side Flats Phase III Development Agreement dated March 22, 2017 between the HRA and WSF Phase III LLC. The project has been delayed in part due to the length of time required for the HUD mortgage insurance underwriting process and development of plans for the upgrade of the Riverview sanitary lift station. The Developer is requesting the termination date be extended from December 31, 2017 to June 31, 2018 and the benchmark date for the HUD firm commitment be extended to May 31, 2018 and the signed restaurant lease benchmark date extended to May 31, 2018. These dates will be reflected in the proposed Fourth Amendment to the Development Agreement.

Recently the United States House of Representatives passed a tax bill that would terminate issuance of tax-exempt revenue bonds at the end of 2017. A key portion of the financing for Building B includes 4% housing tax-exempt revenue bonds which will generate up to \$8 Million in low income housing tax credit equity for the project. It is critical these bonds be issued prior to the end of December to ensure the bonds and tax credits are available to finance Building B. The City Council held a Public Hearing on December 6th and gave preliminary approval for the bond issuance.

The HRA bond counsel has opined that in order to issue the bonds, the Development Agreement must indicate the purchase price for the land for Building B. Since Building B is an affordable housing project with a need for financial assistance, it is recommended the land be sold to the Developer for \$1.00. Please see the attached map of the WSF Building B, lot 2 property. This land price will be reflected in the Fourth Amendment to the Development Agreement. Additional financial assistance will be determined at a future date as indicated below.

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

Other funding sources for Building B are anticipated to include tax increment financing, HOME funds, a possible HRA energy conservation loan, a Livable Communities Demonstration Account grant, and a possible DEED contamination cleanup grant.

HRA seller financing of \$2,000,000 for the HRA land is anticipated for Building A. This loan will assist the developer with the construction of public parking spaces required for the first floor restaurant.

Financing Structure

Dougherty and Company is acting as the placement agent for this bond financing. Upon issuance, the tax-exempt bonds will be placed in escrow. Once all financing is committed for the project and the Developer has secured the HUD insured mortgage, the bonds will be taken out with the HUD insured financing. If the Developer is unable to secure all financing for a closing on the project, the Developer will repay the bond holders with any interest that is due. Kennedy and Graven Chartered are serving as HRA bond counsel.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on December 4, 2017, and found it to be consistent with PED's conduit bond policy.

Compliance

The project will comply with Vendor Outreach, Affirmative Action and Living Wage. Little Davis Bacon labor rates will be required for Building A. Since Federal HOME funds are to be used for Building B, Federal Davis Bacon labor rates and Section 3 will apply. A First Developer Letter has been executed. The Developer will execute a project labor agreement.

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development policy. The Developer will design Building B to meet the Passive House standard.

Environmental Impact Disclosure

A HUD environmental review was completed with a Finding of No Significant Impact.

Historic Preservation

HUD is requiring a 106 review although the development will be located on vacant land.

Public Purpose/Comprehensive Plan Conformance

This project will redevelop blighted and vacant land, generate private investment, support commercial activity, create a new local business and provide market rate and affordable rental housing opportunities.

The project is consistent with the following strategies from the *West Side Flats Master Plan and Development Guidelines* (2015):

- LU1. Promote active commercial, civic and institutional land uses at street level within buildings facing Mixed-Use Corridors, including the Riverfront Esplanade.
- LU3. Attract a broad range of housing types, densities and developers.
- UD4. Create a vibrant, urban and public Riverfront Esplanade that is connected to the neighborhood.
- POS2. Enliven the Riverfront Esplanade.
- SUS20. Encourage energy conservation/efficiency – building materials, design and orientation, site features and furnishings, building reuse.

The West Side Community Organization (WSCO) in its letter dated November 29, 2017 expressed their support for the WSF Phase III B affordable project and commended the developer's commitment to building Passive house and developing a solar farm that will provide energy for this phase of development.

Recommendation: Staff recommends approval of the attached resolution regarding issuance of the bonds and approval of the resolution regarding the Fourth Amendment to the Development Agreement.

Sponsored by: Commissioner Noecker

Staff: Marie Franchett

Attachments

- **WSF Building B, Lot 2 Property**
- **WSF Phase III Site Plan**
- **WSCO Letter**
- **District 3 Profile**