

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 26, 2020

REGARDING: RESOLUTION APPROVING THE ISSUANCE BY THE CITY OF ROCHESTER OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS ON BEHALF OF EASTRODGE HOUSING PARTNERS, LP USING, IN PART, RECYCLED BONDING AUTHORITY FROM THE PIONEER PRESS BUILDING PROJECT, 345 CEDAR STREET, DISTRICT 17, WARD 2

Requested Board Action

The purpose of this report is to request the HRA Board authorize and approve the issuance of conduit revenue bonds by the City of Rochester using, in part, recycled bonding authority from the repayment of bonds from the Pioneer Press building to acquire and rehabilitate an 126-unit affordable rental housing project located in the City of Rochester, Minnesota (the “Issuer”) through the execution of a Joint Powers Agreement.

Background

The Pioneer Press building (the “Project”) is located at 345 Cedar Street. Real Estate Equities (REE), an affordable housing developer, purchased the building and converted it into 143 units of affordable rental housing. In June of 2017 the HRA authorized the issuance of \$24,000,000 in conduit tax exempt housing revenue bonds to help finance the Project. Federal law permits the reuse of bonding authority for affordable housing projects and treats the reuse as a refunding for tax purposes in certain limited circumstances related to timing of when the bonds were issued, when they can be refunded, and when the bonds mature. The refunded bonds do not generate new 4% Low Income Housing Tax Credits (LIHTC). The Pioneer Press project was completed in early 2019 and is fully occupied; REE has repaid the bonds issued by the HRA for the Project.

An affordable housing developer out of Seattle, Vitus, would like to reuse bonding authority from the Project to finance the above described project located in Rochester. The ability to issue bonds utilizing the recycled bonding authority from the Project expires on or before April 11, 2020. Staff has determined that no projects within Saint Paul would be able to utilize the

recycled tax-exempt authority within this timeframe. The otherwise unused resource will be able to assist in financing an affordable housing project outside of Saint Paul. Additionally, an opportunity exists from other Saint Paul projects that have or will repay HRA issued bonds to be recycled (including the Union Flats Apartment Project) to benefit upcoming Saint Paul affordable rental projects.

The proposed resolution will authorize up to \$15,000,000 in total bonds to be issued by the City of Rochester, however, the Joint Powers Agreement will limit the amount of recycled bonds, currently estimated to total no more than \$4,607,000. The HRA will collect a closing fee equal to 0.25% of the amount of bonds issued with Saint Paul's recycled bonding authority.

A second affordable rental housing project in Brooklyn Center is proposed to utilize recycled bonding authority from the Project as well and is detailed under a separate resolution.

In May 2019, the HRA approved the issuance by the City of Coon Rapids of conduit housing revenue bonds for an 168-unit affordable rental project, using, in part, \$6,440,000 of recycled bonds from the Project.

Budget Action

N/A

Future Action

N/A

Financing Structure

The proposed conduit revenue bonds will be issued by the City of Rochester and will be payable solely from revenues of the project and shall not constitute an indebtedness, liability, general or moral obligation, or pledge of the faith or credit or taxing power of the HRA or the City.

PED Credit Committee Review

N/A

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

N/A

Statement of Chairman (for Public Hearing)

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of approving the City of Rochester to issue up to \$15,000,000 in conduit housing revenue bonds, using, in part, recycled bonding authority from the repayment of bonds from the Pioneer Press building. Notice of time, place, and purpose of this hearing was published in the Pioneer Press, a newspaper of general circulation in the City on the 8th of February 2020. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings. Is there anyone who wishes to be heard on this matter? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The Executive Director recommends the HRA Board approve the resolution authorizing the issuance of the conduit revenue bonds and the execution of a Joint Powers Agreement.

Sponsored by: Commissioner Rebecca Noecker

Staff: Jenny Wolfe, 651-266-6680