

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

REPORT TO THE COMMISSIONERS

DATE: JULY 12, 2023

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF
CONDUIT MULTIFAMILY HOUSING REVENUE BONDS FOR THE
SIBLEY COURT AND SIBLEY PARK APARTMENTS LOCATED AT
484 TEMPERANCE STREET AND 211 7TH STREET EAST,
APPROVING THE EXECUTION OF RELATED DOCUMENTS
DISTRICT 17, WARD 2**

Requested Board Action

The requested action includes final approval for the HRA to issue up to \$45,000,000 in conduit multifamily housing revenue obligations for the benefit of Affordable Housing Alliance II, Inc. d/b/a Integrity Housing to finance of the acquisition and rehabilitation of two existing rental facilities known as Sibley Court and Sibley Park (the “Project”) and execute required documents.

Background

Sibley Court (122 units) located at 484 Temperance, is a five-story building that opened in 2003 and Sibley Park (114 units) located at 211 - 7th Street East, is a five-story building that opened in 2002. The buildings were constructed through HRA action primarily utilizing Low Income Housing Tax Credits (LIHTC) and tax increment financing.

Affordable Housing Alliance II, Inc. d/b/a Integrity Housing, a Colorado not-for-profit corporation and 501(c)(3) organization (the “Borrower” or “Integrity Housing”), has submitted an application requesting that the HRA issue conduit multifamily housing revenue bonds (the “Bonds”), the proceeds of which will be used to finance the acquisition and rehabilitation of the two rental housing buildings. Integrity Housing has a purchase agreement to acquire the two properties and will complete over \$2.5 million in capital improvements including upgrading unit interiors, amenities and lighting and refreshing the exterior of each building. The closing is anticipated for late July and the improvements will be completed over time.

Integrity Housing, a dba of Affordable Housing Alliance II, Inc. was launched in 2010 focusing on a mission driven approach toward the creation of mixed income affordable housing through new development and the acquisition of existing multifamily properties. Their offices are mostly

located in California and they are currently developing multiple projects in the states of California, Oregon and Arizona with over 400 units commencing construction last year. This would be their first project in Minnesota.

Currently, all 236 units in the Project are income restricted as follows: 20% restricted to households at or below 50% AMI (48 units) as required by the TIF financing (2027 final year), 43% restricted to households at or below 60% AMI (101 units) as required by the LIHTC (2031/2032 final years), and 37% restricted to households at or below 115% AMI as required by the TIF financing (2027 final year). Additionally, the project includes 49 - Section 8 Project Based Vouchers (PBV), with 25 in Sibley Court (Integrity Housing is working with the PHA to extend these contracts) and 24 in Sibley Park.

When Integrity Housing acquires the Project, they will proceed to restrict all units to 60% AMI or below with 20% at or below 50% AMI, such that the units qualify for the 4d tax classification. They will maintain income and rent restrictions for a 30-year period from the closing date.

The Project is in the B5 zoning district, and a map is **attached**. The demographic profile of District 17, the Saint Paul planning district in which the Project is located, is **attached**.

The HRA Board held a public hearing and adopted RES PH #23-115 on May 10, 2023, providing preliminary approval for the issuance of the Bonds. A representative from the Borrower did attend, but no testimony was taken during the hearing.

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 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.

Future Action

N/A

Financing Structure

The bonds will be unrated and sold through a limited offering by Piper Sandler (the “Underwriter”) in minimum bond denominations of \$100,000, consistent with PED’s conduit bond policy for unrated bonds. The HRA will require the initial purchasers to execute an Investor Letter confirming the purchaser is either a Qualified Institutional Buyer (“QIB”) or Accredited Investor (“AI”). The financing anticipates four series of bonds, with a senior/subordinate structure with estimated sizing shown below. All the bonds issued will mature around August 1, 2033. The total estimated cost of the Project is \$41,172,139 as shown below.

Sources of Funds	
Tax-Exempt Series 2023A-1	\$24,945,000
Taxable Series 2023A-2	\$4,430,000
Tax-Exempt Series 2023B - Subordinate CAB	\$9,297,139
Tax-Exempt Series 2023C - Subordinate	\$2,500,000
Total Sources	\$41,172,139
Uses of Funds	
Acquisition	\$31,580,000
Deposit to Capital Fund	\$2,537,000
Soft Costs	\$145,000
Insurance and Tax Escrow	\$939,800
Developer Fee	\$1,000,000
Borrower Fee	\$700,000
Operating Account	\$275,000
O&M Reserve Fund	\$635,612
Capitalized Interest	\$1,470,000
DSRF	\$829,962
Costs of Issuance	\$1,059,765
Total Uses	\$41,172,139

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on May 2, 2023 and found it to be consistent with the HRA/PED’s conduit bond policy.

Compliance

The Borrower has acknowledged receiving City/HRA compliance documents specifying that the following compliance requirements are applicable to this project:

- Vendor Outreach Program, Chapter 84.01.
- Affirmative Action, Chapter 183.04 applies to both the contractor and the Borrower.
- Little Davis-Bacon Labor Standards applies to the construction work.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will preserve 236 rental housing units for 30 years restricted to households earning up to 60% of the Area Median Income (AMI). The Project meets the following goal and policy from the 2040 Comprehensive Plan:

- **Goal 6:** Improved access to affordable housing;
- **Policy H-39:** Promote preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.

Recommendation:

The HRA Executive Director recommends adoption of the resolution which provides approval for the issuance and sale of up to \$45,000,000 in conduit multifamily housing revenue bonds for the benefit of the Affordable Housing Alliance II, Inc. d/b/a Integrity Housing to finance the acquisition and rehabilitation of two existing rental facilities known as Sibley Court and Sibley Park and execute required documents.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachments:

- **Map**
- **D17 Downtown Neighborhood Profile**