

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 23, 2024

REGARDING: RESOLUTION AUTHORIZING AND APPROVING A \$2,159,382 POOLED TIF LOAN; AND RECOMMENDING APPROVAL BY CITY COUNCIL OF A METROPOLITAN COUNCIL LIVABLE COMMUNITIES ACT (“LCA”) LOCAL HOUSING INCENTIVES ACCOUNT LOAN IN THE AMOUNT OF \$1,159,382 AND RELATED DOCUMENTS FOR THE MARY HALL PROJECT LOCATED AT 438 DOROTHY PLACE, DISTRICT 17, WARD 2

Requested Board Action

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners:

1. Approve a Pooled TIF loan in an amount of up to \$2,159,382.
2. Recommend City Council approval a \$1,159,382 Metropolitan Council LCA Local Housing Incentives Account loan.
3. Authorize the entrance into a Subrecipient Agreement, Loan Agreement, and related documents with Aeon, Mary Hall LLLP, and/or its affiliated entity.
4. Authorize the Executive Director to finalize all documents for execution by the appropriate HRA Officers in connection with the Mary Hall housing project.

Background

The Mary Hall development is an acquisition and gut-rehabilitation of a 6-story vacant building located 438 Dorothy Day Place. At completion, there will be 88 units, with a mix of one-bedrooms and efficiencies. All units will be affordable to households at 30% of Area Median Income (AMI) or less. Aeon, Radies Health, and the Veteran’s Administration will all have individual offices to provide on-site supportive services to residents. Every resident will have access to these services.

The building was built in 1925 and is currently owned by Catholic Charities. Past uses include a nurses’ home, single-room occupancy (SRO) housing, and temporary housing during the pandemic, among other uses.

The proposed project is a gut-rehabilitation project with a \$22 million dollar scope of work. The work includes a new roof, complete replacement of the plumbing, electrical and mechanical systems, new windows, elevator replacement, asbestos and lead remediation, apartment finishes, and new community room, property management and supportive services spaces. The building is eligible for the state and national register of historic places and is set to receive state historic and federal historic tax credits.

Aeon is a non-profit developer in the Twin Cities whose mission is “to create and sustain quality affordable homes that strengthen lives and communities.” Their vision is that every person has a home. To date, Aeon serves more than 17,500 low-income residents in the Twin Cities area and own and manage 60 properties.

Some past Aeon developments include Como on the Lake in Saint Paul (senior housing), Sound on 76th (multifamily) in Edina, and the Lamoreaux (supportive housing) in Minneapolis.

The project will have the following rental assistance:

- Twenty-five (25) units will receive project-based vouchers (PBVs),
- Seventeen (17) units will receive Veterans Affairs Supportive Housing (VASH) vouchers,
- Forty-six (46) units will serve individuals who meet Minnesota Housing’s definition of High Priority Homeless (HPH) and will receive Ramsey County Housing Support.

Unit Type	# of Units	Income Limit	Source of Rental Assistance or Operating Subsidy
0BR/Eff	46	30% MTSP	Housing Support
0BR/Eff	25	30% MTSP	PBV
0BR/Eff	8	30% MTSP	VASH
1BR	9	30% MTSP	VASH
Total	88		

Budget Action

N/A

Future Action

N/A

Financing Structure

The developer has proposed the following permanent sources and uses to complete the construction project:

Source	Amount
General Partner Cash	100
Syndication Proceeds	7,095,609
Federal Historic Proceeds	3,955,930
Sales Tax Rebate	170,000
Energy Rebates	50,000
MHFA Housing Infrastructure Bonds	11,218,573
Met Council- LHIA	1,159,382
Saint Paul HRA-Pooled TIF	2,159,382
County GO Bonds	1,485,310
County ARPA 2023	2,390,936
County LEVY	435,132
Solar ITC	36,464
Rethos SHTC Loan	4,578,000
TOTAL PERMANENT FINANCING	34,734,818

Uses	Amount
Acquisition or Refinance	1,010,000
Rehabilitation	18,097,374
Contractor Fees	1,907,444
Contingency	2,000,444
Professional Fees	1,336,657
Developer Fees	1,881,000
Syndicator Fees	64,500
Financing Costs	534,711
TOTAL MORTGAGEABLE	26,831,747
Reserves and Non-Mortgageable	7,902,689
TOTAL DEVELOPMENT COST	34,734,818

Proposed Lien Priority List

1. \$11,218,573 MHFA Housing Infrastructure Bonds (HIB)
2. \$2,390,936 Ramsey County ARPA
3. \$1,485,310 Ramsey County GO Bonds
4. \$435,132 Ramsey County Levy
5. \$2,159,382 Saint Paul HRA Pooled TIF
6. \$1,159,382 Met Council LHIA
7. \$4,578,000 State Historic Proceeds Loan (Rethos) – simple interest of 0.10%, up to 40 years

All loans except for the State Historic Proceeds loan are proposed to be coterminous with the senior debt with all principal and interest deferred for 30 years following construction with a zero (0%) interest rate.

Enterprise is the Syndicator for the 4% Low-income Housing Tax Credits, Federal Historic Tax Credits, and Solar Tax Credits.

\$2,159,382 HRA Pooled TIF Loan

The \$2,159,382 Pooled TIF funds will be coterminous with the senior debt. All principal payments will be deferred until maturity. This loan requires that all units be affordable at 50% of AMI or below for 30 years. The Pooled TIF loan will be subordinate to the following loans: MHFA Housing Infrastructure Bond (HIB), Ramsey County ARPA, Ramsey County GO Bonds, and Ramsey County Levy. The loan will be secured by a Loan Agreement, Promissory Note, a 5th position Real Estate Mortgage, Assignment of Rents and Leases, Security Agreement and Fixture Financing Statement, and an Affordable Housing Declaration.

\$1,159,382 Metropolitan Council LHIA

The City of Saint Paul will loan a \$1,159,382 Metropolitan Council LCA Local Housing Incentives Account grant. The loan will require a 30-year affordability period with all units affordable at 30% of AMI. The loan will be coterminous with the senior debt, with both principal and interest deferred until maturity. The loan will be secured by a Loan Agreement, Promissory Note, a 6th position

Real Estate Mortgage, Assignment of Rents and Leases, and Security Agreement and Fixture Financing Statement, and an Affordable Housing Declaration.

PED Credit Committee Review

On October 8, 2024, the Credit Committee reviewed and recommended approval of the proposed \$2,159,382 Pooled TIF loan and the \$1,159,382 Metropolitan Council Livable Communities Act (LCA) Local Housing Incentives Account loan. Both loans are being risk rated as “Originated as a Loss” due to the deferral period being longer than 10 years.

Compliance

The project will comply with the following compliance programs/requirements:

1. Affirmative Action/Equal Economic Opportunity
2. Vendor Outreach Program
3. Federal & City Labor Standards
4. Two Bid Policy
5. Project Labor Agreement
6. Living Wage

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development Ordinance.

Environmental Impact Disclosure

The initial Environmental Review was completed, including review by the State Historic Preservation Office, and resulted in a Finding of No Significant Impact (FONSI).

Historic Preservation

As a component of the Environmental Review, the project has been reviewed and approved by the State Historic Preservation Office.

Public Purpose/Comprehensive Plan Conformance:

The proposed project will rehabilitate the vacant building at 438 Dorothy Day Place to create 88 units of deeply affordable permanent supportive housing. The development meets the following goals established in the City’s 2040 Comprehensive Plan:

- Housing Policy H-18. Foster the preservation and production of deeply affordable rental housing (housing affordable to those at 30% or less of AMI), supportive housing and housing for people experiencing homelessness
- Housing Policy H-31. Support the development of new affordable housing units throughout the city.
- Housing Policy H-42. Pursue public and private funding sources, including local sources, for affordable housing preservation and production.

Recommendation:

The Executive Director recommends approval of a resolution which approves the following actions:

1. Approval of a Pooled TIF loan in an amount of up to \$2,159,382.
2. Recommend City Council approval of a Metropolitan Council LCA Local Housing Incentives Account loan in the amount of \$1,159,382.
3. Authorize the entrance into a Subrecipient Agreement, Loan Agreement, and related documents with Aeon, Mary Hall LLLP and/or affiliated entities.
4. Upon approval by the City Council, authorizing the Executive Director or her designees to finalize all documents for execution by the appropriate HRA Officers in connection with the Mary Hall project.

Sponsored by: Chair Noecker

Staff: Hannah Chong, 651-266-6552

Attachments

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