

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

REPORT TO THE COMMISSIONERS

DATE: APRIL 26, 2023

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT MULTIFAMILY HOUSING REVENUE BONDS FOR THE PLATO APARTMENTS AT FARWELL YARDS PROJECT TO BE LOCATED AT 115 PLATO BOULEVARD WEST; APPROVING THE EXECUTION OF RELATED DOCUMENTS; AND ADOPTING A HOUSING PROGRAM, DISTRICT 3, WARD 2

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

Approval of a maximum of \$11,000,000 in volume cap conduit multifamily housing revenue bonds for the Plato Apartments at Farwell Yards project located at 115 Plato Avenue W; adoption of a Housing Program; and approval of the execution of related documents.

Background

Buhl Investors, LLC, a Minnesota limited liability company (the “Developer”) has acquired a property at 150 Water Street through its affiliated entity, 150 Farwell Yards, LLC, a Delaware limited liability company, and also acquired a property at 115 Plato Boulevard West, through its affiliated entity, 115 Plato, LP, a Minnesota limited partnership. The Developer, on behalf of 150 Farwell Yards, LLC and 115 Plato LP, has submitted an application to the HRA requesting the establishment of a new redevelopment TIF district to advance private development and the construction of a new public roadway on vacated Bidwell Street, connecting Water Street and Plato Boulevard. The City’s Public Works department requested the construction of the new public roadway during the site plan review process. The HRA retained the services of LHB, Inc. to complete a TIF Eligibility Assessment of the proposed development site including the two tax parcels - 150 Water Street and 115 Plato Boulevard. This assessment determined that the proposed TIF district parcels met the qualifications of a Redevelopment TIF district including the existence of four substandard buildings.

115 Plato Boulevard Housing Proposal

The Developer is proposing Plato Apartments at Farwell Yards, a newly constructed four-story slab-on-grade structure at 115 Plato Boulevard West. The building will consist of a total of 54,124 SF and will have 63 units of affordable housing with 49 1-bedroom units and 14 2-bedroom units. Fifty-six (56) of the units will be income-restricted to households at 50% of AMI and 7 units income-restricted to households at 30% of AMI. The 7 units restricted to 30% of AMI will be funded with the American Rescue Plan Act (ARPA) allocation and will include supportive services for the residents with 4 units designated for High Priority Homeless (HPH) and 3 units for People with Disabilities (PWD). Residents for the HPH and PWD units will be referred from Ramsey County Coordinated Entry. The project includes construction of 62 surface parking stalls, as well as amenities such as a flexible community room for resident events, tenant lounge with a kitchen and work-from-home business office, package room and mailboxes, on-site management office, common laundry, a bike storage room with a repair station, outdoor dog run and community garden, elevators and outdoor tenant patio space. The project will provide enhanced pedestrian and bicycle connection to existing infrastructure and improved access to the Harriet Island Park riverfront area and surrounding trail network.

Unit Mix and Affordability Levels

Unit Type	# of Bathrooms	# of Units	Monthly Gross Rent	Area Median Income Limits
1 Bed	1	44	\$1,100	50%
1 Bed	1	5	\$891*	30%
2 Bed	1	12	\$1,320	50%
2 Bed	1	2	\$891*	30%
Total		63		

*Developer hopes to receive rental subsidies for these units, from the State Agency

Community Engagement

The Developer presented initial designs to WSCO on December 8, 2020, for an earlier, mixed income iteration of the Development on 150 Water Street, and then again on February 8, 2021, with updated plans that responded to WSCO feedback. WSCO issued a letter with requests on March 9, 2021, acknowledging the communication and collaboration by the developer. The next

engagement took place on October 10, 2022, when Buhl presented their current plan of one market-rate mixed-use building on 150 Water Street and one affordable residential building on 115 Plato Boulevard, and a new Bidwell Street from Water Street to Plato Boulevard. The developer has worked with WSCO on the income restrictions and the average income for all units is below 50% AMI.

Budget Action:

No budget action is needed. The HRA approved a budget amendment to align with the financing and spending included in the TIF Plan in RES 22-1687 adopted on October 26, 2022.

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

N/A

Financing Structure

The HRA will issue tax exempt housing revenue bonds, which will be purchased directly by Red Stone A7 III LLC (“Red Stone”). The bonds shall mature 40 years after the closing, subject to redemption prior to maturity. The bonds will be used to construct the project. Red Stone will also provide the bridge loan for construction, capitalized by bonds and net operating income (NOI), and then convert to permanent financing and capitalized by the approved TIF income generated from the TIF District (currently proposed to be 6.13% of the tax increments collected by the HRA). The Project will also receive equity from the “automatic 4%” low-income housing tax credits (LIHTC) that accompany tax exempt bonds. The Developer has applied to and was awarded ARPA

funds from the City. The Metropolitan Council has awarded a TBRA grant to the project, which will be structured as a deferred loan, and the developer is making a capital contribution by deferring 43.5% of their fee.

Construction Loan – Housing Revenue Bonds

The HRA will provide a total not to exceed \$11,000,000 of volume cap to finance construction. To receive the automatic 4% tax credits, the project must meet the “50% test”, meaning that at least 50% of the eligible total construction costs must be initially financed with bond proceeds, but no more than 53% of basis will be issued per HRA policy. The bonds will be a direct placement with Red Stone and be loaned to the Project. At or prior to stabilization \$4,526,591 of tax-exempt bonds will be subject to redemption and the balance converted into a permanent loan in the amount of \$5,975,000, including an amount of \$620,000 supported by the affordable housing building TIF.

Tax Increment Financing (TIF) Notes

On October 26, 2022, the HRA Board through Res 22-1687 authorized the establishment of the Farwell Yards Tax Increment Financing District (a redevelopment TIF district) to advance private development of the affordable housing project at 115 Plato and the construction of a new public roadway on vacated Bidwell Street, connecting Water Street and Plato Boulevard, as required by Public Works. The HRA action in October approved a TIF note for the roadway pledging 19.62% of the TIF. The affordable notes will pledge 70.38% of the TIF, resulting in a total pledge of 90%. The HRA will provide the Developer a currently estimated \$7,158,00 in tax increment financing in the form of two pay-as-you-go TIF notes that will be capitalized by two developer loans. The Series A TIF Note, approximated from the affordable housing building (115 Plato), will pledge 6.13% of the tax increments collected by the HRA. The Series A TIF Note will be issued in an estimated principal amount of \$710,000 with an interest rate estimated at 5.730%, to be consistent with the first mortgage interest rate. The Series B TIF note, approximated from the market rate building (150 Water), will pledge 64.25% of the tax increments collected by the HRA. The Series B TIF note will be issued in an estimated principal amount of \$6,448,000 with an interest rate estimated at 7.150%, to be consistent with the developer’s private loan.

Tax Base Revitalization Account (TBRA) loan

On behalf of the Developer, the City applied and successfully secured a grant in the amount of \$110,100 from the Metropolitan Council to fund the cost of activities related to asbestos abatement, lead-based paint abatement, and related environmental oversight. On January 11, 2023, the Saint Paul City Council approved through Res PH 23-3 the acceptance of the TBRA for the Plato Apartments at Farwell Yards project. The developer has requested that the grant be structured as a loan and the Metropolitan Council has approved the request. Staff is proposing a fully deferred loan for 40 years at 0% interest.

ARPA

The Developer has submitted to the City an application to receive American Rescue Plan Act (ARPA) funds. The project will receive ARPA funds of \$2,222,897 to fund the construction of 7 units for extremely low-income households, limited to tenants with income at 30% AMI or below. The proposed term for the ARPA funds is 40 years at 0% interest with both principal and interest payment fully deferred for the term of the loan. On April 26, 2023, the Saint Paul City Council will take action on the ARPA financing for the Plato Apartments at Farwell Yards project.

The total development cost is \$22,821,954.00. The budget includes the following sources and uses:

SOURCES		USES	
Sources	Amount	Activity	Amount
First Mortgage	\$ 5,975,000.00	Acquisition	\$ 581,121.00
Syndication Proceeds	\$ 7,909,842.00	New Construction	\$ 11,617,888.86
Crown Bank - Market Rate TIF	\$ 5,480,000.00	Contractor Fees	\$ 1,231,036.00
TBRA Loan	\$ 110,100.00	Contingency	\$ 638,696.24
ARPA Loan Funds	\$ 2,222,897.00	Environmental Abatement	\$ 1,038,487.00
Deferred Developer Fee	\$ 1,124,114.64	Professional Fees (Soft Costs)	\$ 1,777,499.00
		Developer Fee	\$ 2,585,543.50
		Syndication Fees	\$ 290,000.00
		Financing Fees	\$ 1,819,371.70
		Reserves	\$ 1,242,310.47
Total	\$ 22,821,954	Total	\$ 22,821,954

First mortgage total also includes \$620,000 supported by the Series A TIF Note.

PED Credit Committee Review

The Credit Committee reviewed the proposed financing on March 21, 2023, and confirmed the bond structure is in conformance with PED policy. The Credit Committee also reviewed and determined the terms of the proposed TIF Notes issued to finance the affordable housing development are consistent with TIF policies; and approved a risk rating of Originated as Loss for the ARPA and TBRA loans per PED policy for long term deferred loans.

Compliance

The project will comply with Vendor Outreach, Affirmative Action, Davis Bacon, Living Wage, Project Labor Agreement, Sustainable Building Policy, Two Bid Policy, and Compliance Agreement for Bonds. The second *Developer/Applicant Compliance Acknowledgement Letter* has been executed and received.

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Green/Sustainable Development

The City Green Sustainable Policy is applicable to this project.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This project's purpose aligns with the Comprehensive Plan, promoting housing and community development in an area guided to be Mixed Used by the Comprehensive Plan's Future Land Use Map. With the coming G-Line Arterial Bus Rapid Transit service to Rice and Robert Street, the proposed construction of Bidwell Street, and the addition of a bike lane to Water Street West, high-density, affordable multifamily development on Plato Boulevard West directly supports land use and housing goals in the Saint Paul 2040 Comprehensive Plan. This project conforms to the following policies established in the Land Use and Housing chapters of the Comprehensive Plan:

- LU-1. Encourage transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.

- H-16. Increase housing choice across the city to support economically diverse neighborhoods by pursuing policies and practices that maximize housing and locational choices for residents of all income levels.
- H-37. Encourage the development of affordable housing in areas well-served by transit and/or in proximity to employment centers.
- H-46. Support the development of new housing, particularly in areas identified as Mixed Use, Urban Neighborhoods, and/or in areas with the highest existing or planned transit service, to meet market demand for living in walkable, transit-accessible, urban neighborhoods.

Additionally, the 2003 Harriet Island / District del Sol Final Concept Plan envisions this area transitioning to multifamily use. The Final Concept Plan guides the City to retain and reuse historic warehouses as loft-style housing or employment; because the existing warehouse at 115 Plato is considered unfit for rehabilitation, new multifamily housing conforms closest to this guidance. This project also conforms to the Final Concept Plan by respecting “the existing property lines... so that the area can develop parcel by parcel...” The proposed reconstruction of Bidwell Street adjacent to this property, led by the same developer as a part of the overall Farwell Yards project, complements this multifamily development in providing the “Historic Street grid reinstated, providing a fine-grained, pedestrian-scaled development pattern.”

Recommendation:

Staff recommends the HRA Board of Commissioners adopt the attached resolution regarding the issuance of conduit revenue bonds in the maximum amount not to exceed \$11,000,000.00 for the Plato Apartments at Farwell Yards project.

Sponsored by: Commissioner Rebecca Noecker

Staff: Angela Riffe (651-266-8524), Jenny Wolfe (651-266-6680), and Jules Atangana (651-266-6660)

Attachments:

- **Map**
- **Project Summary**
- **Sources and Uses**
- **D3 West Side Neighborhood Profile**