



REQUEST FOR ECONOMIC DEVELOPMENT AUTHORITY ACTION

Date: 06/07/2021

Item No.: 3.a

Department Approval

Executive Director Approval

Janice Gundlach

Randy Trueman

Item Description: Consider additional financing assistance and enter into a Private Redevelopment Contract and Awarding the Sale of, and Providing the Form, Terms, Covenants and Directions for Issuance of its Tax Increment Revenue Note to Roseville Leased Housing Associates II, LLLP, and Approve Subordinations of Contract for Private Redevelopment and Consents to Collateral Assignment of Contract and TIF Note

BACKGROUND

On July 15, 2019 the Roseville Economic Development Authority authorized providing financial assistance for the redevelopment of properties addressed 1705, 1717, 1743, and 1755 County Road C located in the Twin Lakes Redevelopment Area (Attachment A). Dominion is finishing construction on the Oasis at Twin Lakes, which consists of 228 units of affordable family housing at 60% area median income (AMI). Originally, the Harbor (the senior affordable building) was on a waitlist for bonds, also targeting 60% AMI. In order to be more competitive, and to address housing needs in Roseville, Dominion increased the affordability threshold, targeting 50% AMI in the January 2021 housing bond application. The development was awarded the bonds and the City authorized the issuance of the bonds on May 17, 2021. The property can “average income” the units at 50% AMI overall, allowing for income ranges affordable at 30% AMI, up to 60% AMI. The following is Ramsey County’s 2021 30%-60% income ranges:

Household size	1	2	3	4
30% AMI	\$21,700	\$24,800	\$27,900	\$31,000
50% AMI	\$36,200	\$41,400	\$46,550	\$51,700
60% AMI	\$43,410	\$49,620	\$55,830	\$62,040

The result of increasing affordability to 50% AMI equates to a reduction in the amount of the first mortgage the development can generate. However, changes to the 4% Low Income Housing Tax Credit equity guidelines in late 2020 allow for some additional equity to be recovered to help fill some of the gap newly created since the EDA’s original authorization in June of 2019. From these rent changes and cost of construction increases that have recently occurred, the gap in financing has grown by an estimated \$2.7 million. The City’s public finance consultant, Ehler’s, has underwritten these new financials and substantiated this additional gap amount. In order to fill some of that gap, an application for HOME funds was made to Ramsey County. The development was only able to be awarded \$340,949. Some of the \$2.7 million gap could be closed by securing environmental grants to cover eligible costs, with the developer applying for \$708,000 to Metropolitan Council’s Tax Base Revitalization Account (TBRA), Department of Employment and Economic Development (DEED) Environmental Funds, as well as Ramsey County’s Environmental Response Funds (EFR). It is unknown at the writing of this report if those grants will be awarded.

26 The original underwriting from Ehlers supported the request of \$3.7 million for 15 years of Tax Increment
 27 Financing (TIF). Dominion is now requesting additional TIF to fill some of the newly created gap. Ehlers’
 28 underwriting process can support \$5.1 million total over 18 years of TIF. This would give the developer
 29 additional assistance of \$1.3 million, which the REDA is being asked to consider. If the REDA considers the
 30 addition \$1.3 million of assistance, and the development receives environmental funds totaling \$708,000, the
 31 remaining gap of \$361,603 can be accomplished through additional deferred developer fees.

Lowering rents to 50% AMI gap	\$2,759,202
HOME Funds award	\$340,949
Additional TIF Assistance for 3 years	\$1,348,650
Environmental Remediation Grants	\$708,000
Deferred Developer Fees	\$361,603

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 40 The environmental remediation funds will not be awarded prior to the closing requirement of July 8th, so
 41 Dominion is assuming the risk of filling that \$708,000. The Contract for Private Redevelopment does have a
 42 look-back provision in section 3.5, which allows for the REDA to reduce the amount of TIF assistance based
 43 upon final underwriting and completion of construction if the development does not warrant the additional 3
 44 years of TIF. The REDA should note that 18 years of TIF was provided to the Oasis.

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 46 The Harbor at Twin Lakes will be 277 senior affordable housing units.

47 **Harbor Development**

<u>Units</u>	<u>Number of Units</u>
1 BR /1 BA	131
2 BR /2 BA	116
3 BR / 2 BA	30

48 The Harbor development amenities include in-unit laundry, Harbor at Twin Lakes clubroom, card/craft
 49 room, outdoor patio, theater, salon, fitness center, a green courtyard space the size of a football field, and
 50 Green Communities construction standards (Attachment B). In addition, the development of the Oasis and
 51 Harbor have provided the upfront funds of \$1.8 million for completion of the trails and connection to Oasis
 52 Park over the piping of the ditch (Attachment C).

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 54 Normally, developments appear before the REDA two to three separate times for the approval of various
 55 documents as closing nears on the financing for the project. In this particular situation, the REDA is being
 56 asked to authorize the following documents now in order to meet the MMB required closing date on the bonds
 57 of July 8th, 2021:

- 58
- 59 1) The Contract for Private Redevelopment and award the sale of, and provide the form, terms,
 60 covenants and directions for the issuance of its Tax Increment Revenue Note (Attachment E);
- 61 2) Subordination, and Collateral Assignment of the Contract for Private Redevelopment and TIF Note
 62 (Attachment G and H).
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64 Martha Ingram from Kennedy Graven will address any questions the REDA may have as it relates to these
 65 actions and documents. This type of financing for affordable housing developments is very complicated, so
 66 there is language within the resolutions that provides for minor revisions to these documents, at the discretion of

67 the REDA attorney, so long as those revisions do not alter the substance of the transaction or offer substantive
68 changes to the overall project.

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70 **STAFF RECOMMENDATION**

71 By two separate actions staff recommends adoption of the following two resolutions, requiring two separate
72 motions:

- 73 1. Approve Contract for Private Redevelopment with and Awarding the Sale of, and Providing the Form, Terms,
74 Covenants and Directions for the Issuance of its Tax Increment Revenue Note to Roseville Leased Housing
75 Associates II, LLLP.
- 76 2. Approve Subordinations of Contract for Private Redevelopment between the REDA, and Roseville
77 Leased Housing Associate II, LLLP for the benefit of U.S. Bank National Association and Consent to
78 Collateral Assignment of Contract and TIF Note.

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80 **REQUESTED REDA ACTION**

81 Motion to adopt the following resolutions:

- 82 1. Approve Contract for Private Redevelopment with and Awarding the Sale of, and Providing the Form, Terms,
83 Covenants and Directions for the Issuance of its Tax Increment Revenue Note to Roseville Leased Housing
84 Associates II, LLLP.
- 85 2. Approve Subordinations of Contract for Private Redevelopment between the REDA, and Roseville
86 Leased Housing Associate II, LLLP for the benefit of U.S. Bank National Association and Consent to
87 Collateral Assignment of Contract and TIF Note.

88 Prepared by: Jeanne Kelsey, Housing and Economic Development Program Manager, 651-792-7086

- Attachment A: Resolution #47 Financial Support for TIF
B: Site Plan
C: Trail Improvement Plan
D: Resolution authorizing entering into the Contract for Redevelopment and Issuance of Note
E: Contract for Private Redevelopment
F: Resolution authorizing Subordination and Collateral Assignment of Contract and TIF Note
G: Subordination Agreement Regulator Agreement Only Governmental Entity
H: Collateral Assignment of Tax Increment Financing Note and Tax Increments – Tax-Exempt Loan