



Housing and Redevelopment Authority Agenda

15 West Kellogg Blvd.
Saint Paul, MN 55102
651-266-9200

October 27, 2020 - 9:30 a.m.

Council Chambers - Courthouse Room 300

ROLL CALL

1. **Agenda of October 27, 2020 is Presented for Approval.** [2020-486](#)
Sponsors: County Managers Office
Approve the agenda of October 27 , 2020.
2. **Minutes August 18, 2020 are Presented for Approval** [2020-487](#)
Sponsors: County Managers Office
Approve the August 18, 2020 Minutes.

POLICY ITEM

3. **Conduit Bonds/Conduit Financing for Affordable Housing Projects.** [2020-451](#)
Sponsors: Community & Economic Development
None. For information and discussion only.

ADJOURNMENT



Housing and Redevelopment Authority

15 West Kellogg Blvd.
Saint Paul, MN 55102
651-266-9200

Request for Board Action

Item Number: 2020-486

Meeting Date: 10/27/2020

Sponsor: County Manager's Office

Title

Agenda of October 27, 2020 is Presented for Approval.

Recommendation

Approve the agenda of October 27 , 2020.



Housing and Redevelopment Authority

15 West Kellogg Blvd.
Saint Paul, MN 55102
651-266-9200

Request for Board Action

Item Number: 2020-487

Meeting Date: 10/27/2020

Sponsor: County Manager's Office

Title

Minutes August 18, 2020 are Presented for Approval

Recommendation

Approve the August 18, 2020 Minutes.

Attachments

1. August 18, 2020 Minutes

The Ramsey County Housing and Redevelopment Authority met in regular session at 10:49 a.m. with the following members present remotely: Carter, Frethem, McDonough, McGuire, Ortega, Reinhardt, and Chair MatasCastillo. Also present were Ryan O'Connor, County Manager, and Amy Schmidt, Assistant County Attorney.

1. ROLL CALL

Commissioners	YES	NO	ABSENT	RECUSE
Carter, Toni	x			
Frethem, Nicole	x			
MatasCastillo, Trista	x			
McDonough, Jim	x			
McGuire, Mary Jo	x			
Ortega, Rafael	x			
Reinhardt, Victoria	x			

2. Agenda of August 18, 2020 is Presented for Approval

VOTING

Motion by: Rafael Ortega
Second by: Mary Jo McGuire

Commissioners	YES	NO	ABSENT	RECUSE
Carter, Toni	x			
Frethem, Nicole	x			
MatasCastillo, Trista	x			
McDonough, Jim	x			
McGuire, Mary Jo	x			
Ortega, Rafael	x			
Reinhardt, Victoria	x			

3. Minutes from July 7, 2020 are Presented for Approval

VOTING

Motion by: Jim McDonough
Second by: Toni Carter

Commissioners	YES	NO	ABSENT	RECUSE
Carter, Toni	x			
Frethem, Nicole	x			
MatasCastillo, Trista	x			
McDonough, Jim	x			
McGuire, Mary Jo	x			
Ortega, Rafael	x			
Reinhardt, Victoria	x			

ADMINISTRATIVE ITEMS

4. Community and Economic Development - Environmental Response Fund Grant Awards (H2020-010)

VOTING

Motion by: Jim McDonough
Second by: Mary Jo McGuire

Commissioners	YES	NO	ABSENT	RECUSE
Carter, Toni	x			
Frethem, Nicole	x			
MatasCastillo, Trista	x			
McDonough, Jim	x			
McGuire, Mary Jo	x			
Ortega, Rafael	x			
Reinhardt, Victoria	x			

WHEREAS, Minnesota Statutes, Section 383A.80, established the authority for Ramsey County to impose a mortgage registry and deed tax each equal to .0001 percent of the principal amount and requiring that all revenues collected under this authority be deposited in the county's Environmental Response Fund (ERF), and

WHEREAS, On December 22, 2002, the Ramsey County Board of Commissioners approved an increase in the mortgage registration and deed tax for the express purpose of creating an Environmental Response Fund, which was reinstated effective July 1, 2013 to January 1, 2028; and

WHEREAS, The Ramsey County Housing and Redevelopment Authority administers the Environmental Response Fund and approved the policy statement and guidelines on March 18, 2014; and

WHEREAS, The application process for the Environmental Response Fund is held twice a year in conjunction with the Minnesota Department of Employment and Economic Development and the Metropolitan Council; and

WHEREAS, Proposals for funding have been reviewed for eligibility; and

WHEREAS, Projects proposed for funding are consistent with policies established by the Ramsey County Housing and Redevelopment Authority; and

WHEREAS, Adequate funds are available to fund the awards; and

WHEREAS, Staff recommends approval of the projects with the express condition that the funding will be withdrawn if funds are not spent within 18 months following adoption of the resolution; Now, Therefore, Be It

RESOLVED, The Ramsey County Housing and Redevelopment Authority approves the selection of TGLDC LLC, Hazel Assisted Living, and United Village at Midway to receive Environmental Response Funds; and be It Further

RESOLVED, The Ramsey County Housing and Redevelopment Authority authorizes the award of Environmental Response Funds for TGLDC LLC in the amount of \$200,000; Hazel Assisted Living in the amount of \$60,883; and United Village at Midway in the amount of \$100,000; and be It Further

RESOLVED, The Ramsey County Housing and Redevelopment Authority authorizes the County Manager to enter into agreements in a form approved by the County Attorney's Office.

COUNTY CONNECTIONS (carried over from the preceding County Board meeting agenda) – Presented by County Manager Ryan O'Connor. Discussion can be found on archived video

ADJOURNMENT – Chair MatasCastillo declared the meeting adjourned at 10:58 a.m.

Janet M. Guthrie, Chief Clerk – County Board

Request for Board Action

Item Number: 2020-451

Meeting Date: 10/27/2020

Sponsor: Community & Economic Development

Title

Conduit Bonds/Conduit Financing for Affordable Housing Projects.

Recommendation

None. For information and discussion only.

Background

The Ramsey County Housing and Redevelopment Authority (HRA) has acted as conduit issuer of housing/mortgage revenue bonds in the past. The most recent was for the Skyline Towers rehabilitation and the Chestnut Housing new construction (now Joseph's Pointe) in Saint Paul in the early 2000's. There is currently increased demand for these bonds, and the 4% Housing Tax Credit which accompanies them. Municipalities often have demand greater than they can meet under their volume cap. County participation as a bond issuer can help fill the gap, enabling more projects to move forward. A renewed program will increase production of housing to address the growing housing need and deepen affordability in new and rehabbed units.

Housing/mortgage revenue bonds are a form of conduit financing that provides funding for affordable housing development, or acquisition and redevelopment of existing housing properties. Conduit bonds enable developers to obtain below-market financing for a project because interest income from the bonds is exempt from state and federal taxes. As the conduit issuer, Ramsey County or HRA is not responsible for making payments to bondholders; rather the conduit borrower must make such payments from the cash flow generated from the project.

Unlike almost all other bonds, conduit bonds are initiated by and issued for the benefit of private entities. Under the state statutes that authorize these bonds, the county HRA issues the bonds and loans the proceeds to the private entity. That private entity repays the loan in an amount sufficient to pay principal and interest on the bonds. As a practical matter, the loan is (normally) handled entirely by a separate bond trustee (usually the trust division of a bank). After the bonds are issued, the county or HRA plays a minimal role in payment or administration of the bonds.

The bonds are revenue bonds - the county or HRA does not pay debt-service or any other cost related to the transaction and does not make any guarantee as to future repayment. As such, the bonds have no effect on the county's credit rating and are not counted against any statutory limitations on borrowing. When the bonds are sold, investors look only to the credit of the private borrower (and any related private security, such as mortgages and guarantees). While the county HRA board must approve issuance of the bonds and all the bond documents, the transaction is largely handled by the private borrower and the underwriter that usually serves as the initial purchaser of the bonds. The bond counsel for conduit bonds may be the county's regular bond counsel or may be retained by the private entity (this is a matter of county policy and practice).

By participating and requesting an allocation of bonds from the Minnesota Office of Management and Budget (MMB), the County may provide an additional financing resource for affordable housing developers in Ramsey

County. The non-competitive 4% Housing Tax Credits (HTCs) are used for projects financed with tax-exempt bonding authority through MMB. The tax credits are awarded to eligible participants and provide a source of equity financing for the development of affordable housing. Investors in qualified affordable multifamily residential developments can use the HTCs as a dollar-for-dollar reduction of federal income tax liability. The tax credits program are awarded when the bonds finance at least 50% of the cost of the land and buildings in the project.

Conduit bonds are payable exclusively through pledged project revenues, they do not impose any risk on local or state government issuers.

GENERAL PROCESS

In order to restart the conduit bonds program, Ramsey County CED has updated the existing conduit bond policy. HRA to ready to receive applications for participation in the program. From there Ramsey County staff and/or consultants will review the application and determine project feasibility. Upon approval, applicants will enter a Memorandum of Understanding to establish responsibilities and goals of the project.

Preliminary approval is required before submitting the application to MMB. Ramsey County must hold a public hearing and adopt a resolution granting approval of the project for allocation from MMB to be completed.

Once the project has been notified that there is sufficient bonding capacity for the project to proceed, Ramsey County HRA will follow the procedures established in the conduit policy and procedure guide adopted in February 2004. During this time, the HRA will conduct due diligence and work with Bond Counsel to assure issuance requirements are met. Prior to issuance, the HRA Board will need to approve a final resolution of authorization. The closing on the sale of the bonds must occur within 180 days of award.

The County will begin to see applications for conduit bond financing as early as next month under this existing policy. CommonBond Communities has made an application for conduit bond financing in partnership with the City of St. Paul HRA. Their proposal will renovate a 136-unit affordable housing project adding seven new ADA units, a new computer lab, and serve seven High Priority Homeless households. Ramsey County staff are reviewing the application and will begin the process for Board consideration pending approval of the amended policy.

County Goals (Check those advanced by Action)

- Well-being
- Prosperity
- Opportunity
- Accountability

Racial Equity Impact

There is an existing gap or need for more units for households at or below 30% of the Adjusted Median Income (AMI). Currently, households/individuals earning 30% AMI or less, outnumber the total number of units that are affordable to them by roughly 15,000 in Ramsey County based on the latest data available.

What we know: Minority households that are cost-burdened are overwhelmingly earning 50% AMI or lower. The majority of cost-burdened households are white, but minority households are more likely to be cost-burdened (e.g. 48% of African American households outside Saint Paul are cost-burdened, but they account for only 4 percent of the cost-burdened households in Ramsey County.)

Additionally, the median white household in Ramsey County can afford roughly ~ \$1,000 more in housing costs per month than the median African American household in Ramsey County. This income inequality translates into inequality in affordable housing options for all nonwhite households.

To increase production of housing and deepen affordability of housing units in Ramsey County. An additional

resource for affordable housing, especially one with incentives for developers, lends itself as a tool to fix inequalities in housing opportunities experienced by minority households.

The county has flexibility to set parameters on projects financed through conduit bonds to ensure the most critical needs are addressed with priority (e.g. 30% AMI units).

Community Participation Level and Impact

Ramsey County residents have consistently expressed concern about a lack of affordable housing in the County.

- Inform Consult Involve Collaborate Empower

Fiscal Impact

Acting as an issuer of Conduit Bonds bears no financial risk for the County. Administrative fees will be collected as part application submittals to offset internal review costs by Finance and Community and Economic Development staff.

County Manager Comments

Staff and Bond Counsel recommend the Ramsey County HRA have an approved Conduit Bond policy and procedures in place prior to accepting applications.

Last Previous Action

On February 3, 2004, the Ramsey County Housing and Redevelopment Authority approved a prior summary of policies and procedures for conduit bonds (Resolution H04-002).

Attachments

1. DRAFT - Ramsey County HRA Conduit Financing Policies and Procedures Summary

**DRAFT - Ramsey County HRA Conduit Financing Policies and Procedures Summary
October 2020**

Conduit financing is undertaken by the Housing and Redevelopment Authority pursuant to the provisions of Minnesota Statutes, Chapters 462C and 469. The borrower realizes a reduction in interest cost and the County achieves a public purpose. The Bonds are repayable from the revenue and assets pledged in their support and are not a debt obligation of Ramsey County or the Authority.

It is the intent of the Ramsey County HRA to limit conduit financing activities to those projects which are directly related to the County's Vision, Mission and Goals. Specifically, the project must, preserve, and/or rehabilitate affordable housing units.

Approval of a conduit bonds for project by the HRA does not guarantee the project's feasibility, the quality or marketability of the housing to be produced, or the security or tax-exempt status of the obligations issued pursuant to the program.

General Summary of Application Process and Timeline
(Note: Not all are applicable nor sequential)

1. Initial Meeting to discuss request
2. Submission of Initial Application along with application fee of \$5,000.
3. Staff review for viability, organizational capacity, financing, ability to repay debt obligation, legal issues, timeliness.
4. Staff presents Project Report to HRA Board.
5. Bond Counsel prepares preliminary resolution for action by HRA
6. HRA meets to discuss and act upon preliminary resolution. Preliminary approval is entirely at the discretion of the Authority Board.
7. If necessary, County staff will prepare and submit Minnesota Application for Allocation of Bonding Authority, ensure transmittal of the issuance and deposit fees. (All fees must be paid by developer prior to submission.)
8. Memorandum of Understanding executed between Developer/Sponsor. The MOU will include but not be limited to roles and responsibilities of the parties, bond issuance requirements, and HRA fees and other costs.
9. County staff will schedule public hearing and prepare documentation needed for the final Bond Resolution prepared by Bond Counsel.
10. Ramsey County internal credit committee will review documents prior to closing.
11. Bond documents will be prepared by the project's underwriter and bond counsel.
12. Following closing, Bond Counsel will provide one fully executed set of documents to each party.
13. County staff will monitor the project and reporting requirements on an annual basis.

Fees

Initial Fee – non-refundable \$5,000 due to HRA at time application is made to support work performed by county staff through closing.

Closing Fee – One half of one-percent (.05%) of the actual bond issuance due to Ramsey County HRA at closing.

Annual Fee – One-tenth of one-percent (.10%) of the initial bond issuance due to HRA annually to cover monitoring.

Miscellaneous Fees – All other fees associated with issuance of bonds are the responsibility of the applicant/developer/sponsor, including any fees required by the Department of Revenue, and legal fees incurred by Ramsey County Bond Counsel and professional fees incurred by the County's Independent Financial Consultant.