

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

**REPORT TO THE COMMISSIONERS**

**DATE: NOVEMBER 9, 2022**

**REGARDING: RESOLUTION RECOMMENDING THE AUTHORIZATION AND APPROVAL OF FINANCING OF A \$1,260,214 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN AND \$439,786 COMMUNITY DEVELOPMENT BLOCK GRANT COVID (CDBG-CV) LOAN, AND RECOMMENDING AUTHORIZATION AND APPROVAL OF THE EXECUTION OF A DEVELOPMENT AGREEMENT AND CDBG AND CDBG-CV LOAN AGREEMENT FOR THE KEYSTONE COMMUNITY FOOD CENTER PROJECT AT 1790-1800 UNIVERSITY AVE W, WARD 4, DISTRICT 13.**

## **Requested Board Action**

The following actions are requested of the Board:

1. Recommending authorization of financing for a new Community Development Block Grant (CDBG) loan in the amount of \$1,260,214; and
2. Recommending authorization of financing for a new Community Development Block Grant CARES Act (CDBG-CV) loan in the amount of \$439,786; and
3. Recommending authorization of entrance into a combined Development and CDBG/CDBG-CV Loan Agreement.

## **Background**

Keystone Community Services acquired two buildings located at 1790 and 1800 University Avenue W for the purpose of redeveloping them into a consolidated, transit-accessible food center. The 20,000 SF center will vastly increase Keystone's capacity to receive and warehouse available food resources, improve logistical support for mobile food services, provide a grocery-store-like shopping area for participants to select culturally specific foods that meet their household's needs, have private spaces where Keystone Resource Navigators can meet with residents, and large community rooms to support group volunteerism and community meetings and events.

On August 25, 2021, via RES 21-21194 City Council approved a \$56,443 Neighborhood STAR Grant for this project. On October 20, 2021, via RES 22-1438 City Council authorized a \$902,255 CDBG-CV loan to Keystone. At the time of the CDBG-CV loan, the plan was to phase the project and begin work on the building shell immediately while fundraising continued. A combination of increased costs and increased demand required Keystone to rethink a phased approach. Their Board of Directors voted to expedite the project and facilitated that with authorization for the organization to assume debt, a non-standard practice for the nonprofit. Other anticipated sources did not provide funding for the project, and Keystone approached the city with another request to fill a \$1,700,000 gap. CDBG and CDBG-CV were identified as the most suitable sources for this project.

CDBG-CV funds are a special type of funding appropriated by Congress in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and these funds must meet all typical CDBG criteria and prevent, prepare for, and respond to the coronavirus pandemic. The new food center responds to the economic and health impacts of COVID-19 by helping individuals and families meet their needs for emergency food support and other social services. These funds must be spent in 2023 or the City will not meet its spending deadline.

This project is also consistent with CDBG guidelines which require a national objective to be met. In this case the nation object is to provide a benefit to low- and moderate- income persons (LMI).

Upon approval of the new CDBG and CDBG-CV loans, staff will prepare a combined Development and Loan Agreement which will administer all three loans: original \$902,255 CDBG-CV loan, new \$1,260,214 CDBG loan, and new \$439,786 CDBG-CV loan. The STAR grant will be administered under a separate STAR grant agreement.

### **Budget Action**

The current action will require a subsequent City Council action by administrative order to transfer the \$1,260,214 in CDBG funds and \$439,786 in CDBG-CV funds.

### **Future Action**

No future action is anticipated.

## Financing Structure

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

Sources		Uses	
Neighborhood STAR	\$ 56,334	Acquisition	\$ 1,931,153
LCDA Predevelopment	\$ 100,000	Hard Costs	\$ 4,557,413
Capitol Region Watershed District Planning	\$ 10,000	Soft Costs	\$ 1,549,187
Rent/Escrow	\$ 169,000	Contingency	\$ 345,653
Individuals, Foundation, DAF	\$ 794,772		
Foundations	\$ 1,733,000		
Sunrise Building/Construction Loan	\$ 2,600,000		
Sunrise PACE Loan	\$ 318,045		
CDBG/-CV	\$ 2,602,255		
<b>TOTAL</b>	<b>\$ 8,383,406</b>		<b>\$ 8,383,406</b>

## PED Credit Committee Review

On October 25, 2022 the PED Credit Committee reviewed and approved the terms for the \$1,260,714 CDBG and \$439,786 CDBG-CV loan, and modified terms for the \$902,255 CDBG-CV loan authorized by City Council on October 20, 2021.

## Compliance

Compliance that will apply to this project includes Vendor Outreach Program, Affirmative Action, Labor Standards, Two-Bid Policy, Sustainable Building Policy, and HUD Section 3.

## Green/Sustainable Development

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

## Environmental Impact Disclosure

N/A

## Historic Preservation

N/A

**Public Purpose/Comprehensive Plan Conformance:**

This project fulfills a public purpose and is consistent with the 2040 Comprehensive Plan including policy LU-16 in the Land Use Chapter of the Plan which encourages “the equitable spatial distribution of community food assets, including urban farms, community gardens, food markets, healthy retail food options and food hubs.” There is currently no food option like Keystone’s Food Center in the vicinity. It is additionally well connected by transit, a priority for Keystone participants, and the Plan. Policy LU-1 in the Land Use Chapter encourages “transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.” Located directly on the central corridor, Keystone’s new location will be easily accessible by a variety of transportation options.

**Recommendation:**

The Executive Director recommends, per the attached resolution, that the HRA Board recommend authorization and approval of financing a new \$1,260,214 CDBG loan; authorization and approval of financing a new \$439,786 CDBG-CV loan; and authorization and approval of entrance into a combined Development and CDBG/CDBG-CV Loan Agreement subject to final City Council approval.

**Sponsored by:** Commissioner Mitra Jalali, Commissioner Amy Brendmoen, Commissioner Jane Prince, Commissioner Nelsie Yang, and Commissioner Rebecca Noecker

**Staff:** Claudia Klinkhammer, 651-266-8685

**Attachments**

- **Map**
- **D13 Union Park Neighborhood Profile**