

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

REPORT TO THE COMMISSIONERS

DATE: JULY 26, 2023

**REGARDING: RESOLUTION RECOMMENDING APPROVAL OF AN AMENDMENT TO THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) LOAN MADE TO BRANDT JENS KLUGE LIMITED PARTNERSHIP FOR THE 653 ARTIST LOFTS PROJECT AT 653 GALTIER STREET, DISTRICT 7, WARD 1**

## **Requested Board Action**

Approval of an amendment to an existing CDBG loan for the purpose of increasing the loan amount, for the 653 Artist Lofts project.

## **Background**

653 Artist Lofts is a two-story brick and wood framed apartment building located at the southwest corner of Como Avenue and Galtier Street in the Frogtown Neighborhood. The property was originally constructed in 1917 as a warehouse for a clothing manufacturer. An addition was added in the 1930s to house the Brandt Jens Kluge printing machine manufacturer. In 1992, the building was purchased by Artspace Frogtown, LLC and converted into affordable rental housing units for the creative arts industry using low-income housing tax credits. The units are designed to provide both living and studio space for the tenants. It consists of 12 two-bedroom units and 24 three-bedroom units. When the tax credits expired at the end of 2022, the HRA Board approved a \$2,363,000 CDBG loan to complete capital improvements while preserving affordability. Currently, the Project's rents and incomes are restricted to households earning 50% and 60% and less of Area Median Income (AMI) for 20 years.

Twin Cities Housing Development Corporation (TCHDC), the Managing General Partner for the Brandt Jens Kluge Limited Partnership (the "Partnership") is requesting additional funds for increased relocation costs. The project is already underway, having completed much of the original scope, but does not have sufficient funds to cover the unforeseen relocation costs related to window installation. The temporary relocation costs increased from the original estimates due to the overall complexity of the lead safe work and structural accommodations needed for the high ceilings in each unit. A path and workspace of about nine feet will need to be cleared and

cordoned off with plastic from floor to ceiling. Two vacant units will be used as temporary storage areas for residents' possession. The vacancy loss of these two units is another project expense.

Residents will move out the day before work begins in their unit and will not be allowed back in until all lead tests are clear. The length of time residents must be out of their units varies as some units have up to twelve windows that need to be replaced. Most households will be out of their unit for at least 4 days.

**Budget Action**

The requested budget action to designate an additional \$70,992 in CDBG funds will go to City Council for approval via Administrative Order on July 26 or August 2, 2023.

**Future Action**

None

**Financing Structure**

The existing \$2,363,000 loan has a 2% interest rate with interest and principal payments deferred until 2043. The amendment will increase this loan by \$70,922, making the amended principal \$2,433,992. All other terms will remain the same.

**Updates Sources and Uses**

The estimated total sources and uses of funds statement for the interior and exterior renovations are as follows:

<b>Sources</b>	
CDBG Loan	\$2,433,992
Family Housing Fund Grant	\$642,193
Reserves	\$15,704
<b>Total</b>	<b>\$3,091,889</b>

<b>Uses</b>	
Family Housing Fund Refinance	\$1,246,693
Construction Costs	\$1,639,738
Soft Costs	\$205,458
<b>Total</b>	<b>\$3,091,889</b>

### **PED Credit Committee Review**

The PED Credit Committee reviewed and approved the requested amendment of the CDBG loan on June 20, 2023.

### **Compliance**

The following compliance requirements will be applicable to the project:

1. Affirmative Action including Workforce Utilization Template
2. Vendor Outreach Program, including Business Opportunity Template (BOT)
3. Labor Standards – Federal Davis Bacon and City Davis Bacon
4. Two Bid Policy
5. HUD Section 3
6. Project Labor Agreement
7. Living Wage
8. Early Notification System (ENS)

### **Green/Sustainable Development**

653 Artist Lofts is not required to comply with the Sustainable Building Ordinance.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

N/A

### **Public Purpose/Comprehensive Plan Conformance**

The subject property is in a location defined by the comprehensive plan as an Urban Neighborhood. Urban Neighborhoods are primarily residential areas with a range of housing types. Single family homes and duplexes are most common, although multi-family housing predominates along arterial and collector streets, particularly those with transit. The proposed rehabilitation of this affordable multi-family development is consistent with the Urban Neighborhood general land use designation, as well as numerous policies in the housing chapter of the Comprehensive Plan such as:

- Housing Policy H-39. Promote preservation of existing income-restricted affordable housing units to ensure continued affordability of those units.
- Housing Policy H-42. Pursue public and private funding sources, including local sources, for affordable housing preservation and production.

The proposed rehabilitation of the multi-family affordable housing development is also consistent with Frogtown Neighborhood Plan; specifically land use policy L5 which calls for supporting the retention and development of new missing middle housing types in Frogtown's urban neighborhoods, such as duplexes, townhomes, and medium density residential apartments that are compatible with the scale of existing development.

**Recommendation:**

Staff recommends that the HRA recommends approval of the amendment to increase the loan to the Partnership by \$70,992 for a total loan amount of \$2,433,992 in accordance with the attached resolution.

**Sponsored by:** Commissioner Russel Balenger

**Staff:** Hannah Chong, 951-266-6552

**Attachments**

- Map
- D7 Frogtown Thomas Dale Neighborhood Profile