

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 28, 2023

REGARDING: RESOLUTION APPROVING MODIFICATIONS TO THE 2002 HOME LOAN TO SAINT PAUL FAMILY PROJECT LIMITED PARTNERSHIP OWNER OF JACKSON STREET VILLAGE PROJECT LOCATED AT 1497 JACKSON STREET IN SAINT PAUL DISTRICT 6, WARD 5

Requested Board Action

- Extend the maturity date of the existing 2002 HOME loan by up to 30 years from the anticipated MHFA loan closing so that the new maturity date is coterminous with the maturity date of anticipated MHFA rehabilitation financing;
- Reduce the interest rate from 2% to 0%, effective on the closing date of the anticipated MHFA rehabilitation financing;
- All interest accrued under the 2002 HOME Loan will be due at the new maturity date.
- If the PED Department's Credit Committee provides its advance approval *and* if the MHFA requires it in connection with its new rehabilitation financing, subordinate the 2002 HOME loan mortgage to any new MHFA mortgage lien on the Jackson Street Village project.

Background

The Jackson Street Village townhomes project is located at 1497 Jackson Street. It was developed in 2002 by the Saint Paul Family Project Limited Partnership (the "Borrower"). RS Eden is the managing general partner of the Borrower. The project has 25 deeply affordable, large-size rental townhomes that serve families. There are 16 units set aside for households meeting the HUD definition of chronic homelessness. Due to the age of the project, substantial rehabilitation is now required. RS Eden anticipates requesting rehabilitation funding this summer from Minnesota Housing Finance Agency ("MHFA") and possibly 9% tax credits from St. Paul to finance the costs of such needed rehabilitation. To enhance the competitiveness of its application to MHFA for new financing, RS Eden is requesting the Saint Paul HRA approve the foregoing modifications to the HRA's 2002 HOME loan made to the Borrower. All such modifications to the HRA's 2002 HOME loan are contingent upon the Borrower closing on such MHFA rehabilitation financing.

Budget Action

NA

Future Action

In order to secure funds for the needed rehabilitation work on the Jackson Street Village townhomes project, Borrower or RS Eden may apply to the HRA of the City of Saint Paul for 9% low-income housing tax credits. RS Eden plans to apply for preservation funding from the Minnesota Housing Finance Agency (“MHFA”).

Financing Structure

The Saint Paul HRA HOME loan for this project has a principal balance of \$387,500 and current accrued interest of \$161,879.46 for a total balance of \$549,379.46. RS Eden has requested the HRA extend the maturity date of the 2002 HOME loan for up to 30 years upon closing of the MHFA’s rehabilitation financing and to decrease the interest rate from 2% to 0% upon such closing. The principal and accrued interest will be due on maturity, as extended. Collateral and conditions, including mortgage position, will be determined prior to the refinancing closing. The loan modification documents will be closed simultaneously with the anticipated future preservation refinancing.

PED Credit Committee Review

On May 30, 2023, the PED Credit Committee approved the HRA HOME loan modification terms outlined above (reduction in interest rate, extension of maturity date, and deferral of accrued interest), contingent on a refinancing closing for rehabilitation of the project. There is no change to the risk rating which remains Loss.

Compliance

NA

Green/Sustainable Development

NA

Environmental Impact Disclosure

NA

Historic Preservation

NA

Public Purpose/Comprehensive Plan Conformance

The Jackson Street Village project is in alignment with the Future Land Use Plan of the 2040 Comprehensive Plan which designates this area as Urban Neighborhood with multi-family housing predominating along arterial and collector streets, particularly those with transit. Jackson Street Village is served by Metro Transit Local Route 61.

The Jackson Street Village project furthers City efforts toward meeting the goal of decent, safe and healthy housing with fair and equitable access for all Saint Paul residents. Efforts to preserve deeply affordably rental housing units supporting those with mental illness and/or chemical dependency is in alignment with Policy H-18. The larger unit sizes further support housing goals to reduce overcrowding by providing adequate space for families in alignment with Policy H-7.

Recommendation:

The Executive Director recommends approval of the attached resolution for the Jackson Village project that extends the 2002 HOME loan maturity date by up to 30 years from the closing date, reduces the interest rate from 2% to 0%, and defers all accrued interest to the new maturity date, all contingent on the rehabilitation refinancing approval by Minnesota Housing Finance Agency. Further, if the PED Department's Credit Committee provides its advance approval and if the MHFA requires it in connection with its new rehabilitation financing, the Executive Director will support the subordination of the 2002 HOME loan mortgage to any new MHFA mortgage lien on the Borrower's project.

Sponsored by: Commissioner Brendmoen

Staff: Marie Franchett, Principal Project Manager, 651-266-6702

Attachments:

- **Map**
- **D6 North End Neighborhood Profile**