

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 12, 2020

REGARDING: STAFF REPORT REGARDING A \$1,300,000 CDBG LOAN FOR THE ACQUISITION OF THE WILKINS TOWNHOME PROJECT, 795 MARSHALL, 587 ASHLAND, AND 608 HOLLY AVENUES, SAINT PAUL, MINNESOTA DISTRICT 8, WARD 1.

Purpose

The purpose of this staff report is to inform the Housing and Redevelopment Authority (HRA) Board of Commissioners of a \$1,300,000 CDBG Loan to the Twin Cities Housing Development Corporation (TCHDC) for the acquisition of Wilkins Townhomes.

Background

Wilkins Townhomes is an existing 23-unit scattered-site affordable family townhome community located in three separate buildings. All 23 of the units are assisted with Project Based Section 8, which allows residents to pay 30% of their income toward rent. The project is attractive to families due their large townhome layouts and will eventually need rehabilitation to maintain healthy, safe housing standards for their residents. The property was constructed in the early 1980s and has had no substantial improvements to date. TCHDC intends to acquire the property and combine it with another scattered site development they own called Selby Commons. Selby Commons consists of 12 buildings along a 5 block stretch of Selby Avenue and has a total of 38 Federally-assisted units with two, three, and four-bedroom units in single-family, duplex and triplex buildings and one apartment building with 10 two-bedroom unit and 11,000 sq. ft. of commercial space. The scattered site design of both developments individually is inefficient and challenging to remain financially feasible. Combining the two developments will increase the efficiencies of operating these scattered site units.

The Developer executed a purchase agreement for Wilkins Townhomes with the intent to close in January or February 2020. They plan to apply for Low Income Housing Tax

Credits in order to recapitalize and renovate both developments together. In addition to the purchase price there are two other loans associated with the property that need to be either assumed or satisfied including; a \$150,000 HOME loan (“HOME Loan”) plus accrued interest, and a \$136,209 Family Housing Fund loan (“FHF Loan”). The HOME Loan will be repaid at closing and the FHF Loan will be assumed by TCHDC and subordinate to the new CDBG loan.

Housing Rents

All 23 units are assisted with Project-Based Section 8 and will be affordable to households earning 30% AMI and less. The Section 8 HAP contract was recently renewed and is in place for another 12 years.

Size and Income /Rent Limits of Units:

Size	# of units	Gross Rent	Rent Limit	Income Limit	Rent Assistance
2 BR	17	\$1,338	60%	30%	Section 8
3 BR	6	\$1,553	60%	30%	Section 8
Total	23				

Developer Experience

TCHDC was formed in 1984 with the intent to create affordable family rental housing options throughout the metro area. They intend to maintain high quality and the affordability for a long term. To date they have built or renovated 2,800 units of housing and 17,000 square feet of commercial space. Recent Saint Paul projects include St. Albans Park, St. Phillips Gardens, East Side Commons and Jamestown Homes. TCHDC seeks to link housing with supportive services and job opportunities whenever possible.

Budget Action

None. CDBG funds are budgeted through City Council action.

Future Action

It is anticipated that this project will return HRA and/or City Council for approvals at the time of refinancing of both Wilkins Townhomes and Selby Commons.

Financing Structure

For purposes of the Saint Paul CDBG Loan for acquisition, sources and uses are as follows:

Sources and Uses of Funding:

USE	\$	SOURCE	\$
<i>Acquisition</i>	\$ 2,070,000	<i>HRA – CDBG: Acq</i>	\$ 1,300,000
Financing Fee	\$ 7,000	<i>FHF Loan:</i>	\$ 136,209
Title and Recording	\$ 10,000	<i>Borrower Cash</i>	\$ 717,690
Legal	50,000	<i>Existing Reserves</i>	\$ 70,000
Misc. App. Fees	\$ 1,023		
<i>3rd Party Reports</i>	\$ 26,150		
<i>Replacement Reserves</i>	\$ 50,000		
<i>Tax & Insurance Deposit</i>	\$ 9,726		
TOTAL USES	\$2,233,899	TOTAL SOURCES	\$2,233,899

\$1,300,000.00 CDBG Funds

The CDBG loan will be structured with a 1% interest rate, deferred principal and interest for 10 years. All excess cash flow will be deposited into a reserve account to be used for the refinancing of Wilkins Townhomes and Selby Commons.

Assumed Family Housing Fund Loan

The Family Housing Fund has agreed to keep their existing loan on the property and the \$136,209 FHF loan balance will be assumed by TCHDC in addition to the purchase price and will be in second position. This loan will be due and payable in 2024.

Partner Loan

A TCHDC Partner Loan in the amount of \$717,690 will be provided at 2% interest rate for a 10-year term. The Partner Loan will have interest only payments and a balloon payment of principal due and payable at sale or refinancing and will be in third position

PED Credit Committee Review

On January 21, 2020, the PED Credit Committee reviewed and approved the terms of the \$1,300,000 CDBG Loan.

Compliance

There is no rehabilitation work at this time, however, TCHDC has submitted the First Developer Letter and is aware that any future rehabilitation financing will trigger compliance requirements such as Vendor Outreach, Affirmative Action, Labor Standards, Section 3, Project Labor Agreement, and the 2-Bid Policy.

Green/Sustainable Development

The Wilkins Townhomes project will comply with Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

The HUD Part 58 Environmental Review has been completed for CDBG funding.

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This Project meets several public purpose objectives and will further several planning strategies and goals such as the following:

1. One of the 2030 Comprehensive Plan major housing strategies is to ensure the availability of affordable housing across the city.
2. Comprehensive Plan policy H 3.1. calls for support the preservation of publicly-

assisted and private affordable housing.

3. Comprehensive Plan policy H 1.1 calls for increasing housing choices across the city to support economically diverse neighborhoods;
4. The Summit University Neighborhood policy 24 calls for preserving the existing housing stock with special commitment to the preservation of affordable housing.
5. Comprehensive Plan policy LU 1.8 calls for encourage the development of townhouses and smaller multi-family developments, compatible with the character of Established Neighborhoods.
6. Comprehensive Plan policy LU 1.41 calls for promoting the development of a range of housing types and housing values in each of the 17 planning districts.

Summary

Preservation of Wilkins Townhomes consisting of 23 units of affordable rental housing assisted with Federal Section 8 assistance is very important for assisting large households with very low incomes.

Sponsored by: Commissioner Dai Thao

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Map**
- **Public Purpose**
- **District 8 Profile**