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

REPORT TO THE COMMISSIONERS **DATE: December 11, 2013**

REGARDING: **Resolution Approving Authorizing Resubordination of HRA Mortgage for Parkside Gardens Senior Housing Project Located at 1145 Hudson Road, Saint Paul, Minnesota (aka Bridgecreek Senior Place Apartments), Extending Affordability Period, and Releasing Certain Parcels of Land from HRA Mortgage, District 4, Ward 7.**

Requested Board Action

Approval of the attached Resolution authorizing the following:

1. Resubordination of the HRA deferred loan mortgage to a new first mortgage loan on the property; and
2. Extension of the affordability period and release of certain parcels of land from the HRA mortgage.

Background

On April 23, 2003, the HRA Board of Commissioner approved a Development Agreement with Bridgecreek Senior Place, Limited Partnership (the "Partnership") for the construction and financing of Bridgcreek Senior Housing now known as Parkway Gardens Senior Apartment (the "Project'). Financing approved for the Project included Tax Exempt Bonds, Low Income Housing Tax Credits, and a pay as you go TIF Note. The Project consists of a four-story apartment building containing 160 independent senior affordable rental housing units. Amenities include 109 underground heated parking spaces, 51 surface parking spaces, laundry facilities, and common gathering spaces. The Project has 42 one-bedroom units and 118 two-bedroom units. The Project rents and incomes are restricted to households earning 60% of the area median income (AMI) and less and must stay restricted for 30 years, or until 2034. In addition, the HRA loan requires the at least 10% (16) of the units remain affordable to households earning 50% AMI and less, and 10% (16) of the units remain affordable to households earning 30% AMI and less. The HRA loan's rent and income restrictions were to stay in place for at least 15 years.

The Project site is located in the Dayton's Bluff neighborhood at the northwest corner of Old Hudson Road and Johnson Parkway. The site consists of approximately 8 acres. The apartments are built on approximately 4 acres (the "Development Property"), the remaining 4 acres (the "Vacant Land") are in an unbuildable wooded area that was to remain as open space. Due to environmental issues, as part of the Bridgecreek Apartments Development Agreement, the Partnership received a $581,000 grant from DEED through the City of Saint Paul (the "City") to clean up the Development Property. The Vacant Land was to be deeded back to the City for open space to be maintained by the Bridgecreek Apartments owner through an easement agreement. After the Project was constructed however, the Vacant Land was never deeded back to the City. The Partnership has requested that the Vacant Land be removed from the HRA mortgage as was originally intended in the Development Agreement to ensure income from the affordable senior housing units does not have to be diverted to pay operating costs of the Vacant Land.

Budget Action

None

Future Action

PED staff will make a recommendation in the future as to whether or not the City should take title to Vacant Land. If it is determined that the City does not want title to the Vacant Land, PED staff will determine under what terms this release of rights to the property would occur. Staff will return to the HRA Board and/or City Council for any required approvals.

Financing Structure

Original Debt Financing

Series A Bonds	1st Mortgage	$10,750,000	Variable Rate
Series B Bonds	2nd Mortgage	$ 2,600,000	7%, 25yr, PAYGO
HRA Loan	3rd Mortgage	$ 364,967	0%, 33yr, deferred
Total Original Debt		*$13,714,967*	

New Financing

On September 13, 2013, the Investor Limited Partner of the Partnership entered into a settlement that removed the original general partner from the Partnership and transferred the general partner interest and duties to the successor general partner, HCP Pacific GP- Parkway Gardens, LLC, an affiliate of the Investor Limited Partner. The original general partner was removed from the partnership for failure to convert the original Series A Bond debt, secured by a Bank of America letter of credit, from the construction phase to the permanent phase. (This conversion failure resulted in the senior loan never starting to amortize, and thus not being paid down.) The original general partner also lacked the financial capacity to fund a shortfall that occurred between the construction loan and supportable permanent financing. When the Investor Limited Partner removed the prior general partner, they contributed an additional $1,900,000 to obtain a 90-day extension of the exiting loan from Bank of America. A portion of this $1,900,000 will be repaid at closing on the new financing; the remainder will be repaid if there is excess cash flow from the Project per the Partnership Agreement.

Bridgecreek Senior Place, LP intends to refinance the existing senior debt, currently set to mature on November 30, 2013, with new Freddie Mac financing in the approximate amount of $6,500,000. In order to do so, they are requesting the HRA consent to the Freddie Mac Loan under the HRA Mortgage, and agree to subordinate the HRA Loan and the liens created by the HRA Mortgage to the Freddie Mac Loan. In addition, they would like the HRA to release the Vacant Land from the HRA Mortgage as anticipated according to the original Development Agreement.

Proposed Refinancing Sources and Uses

Freddie Mac Loan	1st Mortgage	$ 6,500,000	Approx. 4.7 %, 7yrs
Series B Bonds	2nd Mortgage	$ 2,525,000	7%, yr, PAYGO
HRA Loan	3rd Mortgage	$ 364,967	0%, 33yr, deferred
Investor LP Loan	4th Mortgage	$ 442,422	Excess cash flow
Total New Debt		**$9,832,389**	

The $6.5 million Freddie Mac Loan will pay off the following:

Bank of America Loan	$4,847,422
Investor Limited Partner Loan	1,457,578
Loan Closing Costs	110,000
Tax and Insurance Escrow	35,000
Legal Fees	50,000

The Freddie Mac Loan will be a fixed rate loan (252 basis point spread on a seven year Treasury) with a seven year term and 30 year amortization schedule. The original Series A bonds will be retired. The remaining subordinate debt pieces will remain unchanged. The Series B bonds will continue to be secured by TIF revenue. No TIF will be committed to the Freddie Mac Loan.

HRA Loan Subordination/Affordability

This HRA rent and income restrictions detailed in this report were to stay in place for 15 years. In exchange for the re-subordination and maintaining the 0% interest, deferred HRA loan, the Partnership has agreed to extend these rent and income restrictions for the entire term of the HRA loan, or an additional 18 years.

Proposed Rents

	30% AMI	50% AMI	60% AMI
1BR	472.00	787.00	945.00
2BR	567.00	945.00	1,134.00

PED Credit Committee Review

On December 2, 2013, the PED Credit Committee reviewed, and is recommending approval of, the resubordination of the existing HRA loan and release of Vacant Land from the HRA mortgage.

Compliance

N/A. This is a refinancing of an existing housing project.

Green/Sustainable Development

N/A. This is a refinancing of an existing housing project.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

Preservation of 160 units of affordable rental housing for seniors 55 years +.

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners adopt the attached Resolution approving the resubordinate of the HRA mortgage to a new first mortgage loan on the property; extension of the affordability period; and the release certain parcels of land from the HRA mortgage

Sponsored by: Commissioner Kathy Lantry

Staff: Diane Nordquist

Attachments

- **Attachment A -- Resolution**
- **Attachment B – N/A**
- **Attachment C -- Map/Address of Project, should include libraries, parks, schools.**
- **Attachment D --** ***Project Summary Form***
- **Attachment E --** ***Sources and Uses Summary Form***
- **Attachment F --** ***Public Purpose Form***
- **Attachment G -- Census Facts**