

Commerce Building Sale

10 East 4th Street

Partial Loan Forgiveness

March 5, 2025



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Background



- 100-unit affordable project with two ground floor retail spaces
- CommonBond converted the property from Class C office into workforce housing from 2007 to 2011 in two phases
- All units subject to tax credit affordability
 - Phase I: 55 units restricted until 2037
 - Phase II: 45 units restricted until 2041
 - Addl. HOME, Section 811, CDBG, ELHIF and LTH units





Affordability

Owner	Property	Affordability
Commerce Apartments LP	Floors 7 – 11 (55 units)	6 units 30% AMI – ELHIF/LTH 6 units 50% AMI – CDBG 55 units 60% AMI – Tax Credit
Commerce Apartments Phase II LP	Floors 2 – 6 (45 units)	7 units 50% AMI – HOME 5 units 30% AMI – ELHIF/LTH 4 units 30% AMI – Section 811 45 units 60% AMI – Tax Credit
Commerce Retail LLC	Floor 1 (2 retail spaces)	N/A



Path Forward



- After years of deficits and advancing more than \$1.5M to the project, CommonBond can no longer sustainably own or manage the Commerce Building
- Marketed the site and selected PAK Properties' offer of \$3,200,000
- Sale to PAK Properties:
 - Avoids bank foreclosure
 - Tax credit affordability restrictions remain in place through existing affordability period
 - Limits disruption or uncertainty for residents
 - Generates sales proceeds for partial repayment of HRA and MHFA debt
 - PAK has track record and expertise in commercial leasing



Path Forward (cont.)



- Long Term Homeless (LTH) units:
 - Ramsey County is providing funding to maintain 5 LTH units
 - PAK is working with Simpson Housing as the LTH service provider
 - CommonBond will provide transition services for 6 LTH units (4 occupied) and cover moving expenses, if applicable
- Four Section 811 units and services will be maintained (supportive housing for people with disabilities)
- Anticipated closing by March 31, 2025; US Bank Loan due April 1, 2025
- MHFA Board approved partial forgiveness of two loans on February 27, 2025



Transition Plan



To support all residents in the transition, CommonBond has committed to:

- Notify residents of pending sale and provide a range of rents allowed for their unit.
 - CBC originally notified tenants of the planned sale in Spring 2024.
- Has offered, or will offer, one-year lease extensions to all residents.
- Residents may join waiting/interest list for other CBC projects.
 - Commerce residents prioritized, as allowed by Fair Housing laws.
 - Residents can stay in place so long as they have an active lease.
 - CBC will cover moving expenses, up to six months post-closing.
- Report outcomes to HRA staff



HRA Debt

Deferred, subordinate loans

Source	Initial Loan Amount	Current Balance (01/15/2025)	Maturity
CDBG	\$1,434,024	\$1,681,871	12/31/2037
Met Council - TBRA	\$563,100	\$563,100	08/30/2037
HOME	\$895,173	\$895,173	01/21/2041
Total	\$2,892,297	\$3,140,144	



Sales Proceeds and Debt Repayment

Sales proceeds = \$3,289,000

Loan	Current Balance (01/15/25)	Repayment	Total Forgiveness
US Bank	\$774,240	\$774,240	\$0
MHFA ELHIF - Phase 1	\$693,750	\$600,000	\$93,750
HRA Loans - Combined	\$3,140,144	\$1,914,760	\$1,225,384
MHFA ELHIF - Phase 2	\$679,918	\$0	\$679,918
CommonBond	\$1,523,873	\$0	\$1,523,873
Rutzick (Commercial)	\$181,966	\$0	\$181,966
Total	\$6,993,891	\$3,289,000	\$3,704,891



Anticipated HRA Loan Forgiveness & Payment (Program Income)

Source	Initial Loan Amount	Current Balance (01/15/2025)	% of Investment	Payment	Forgiveness
CDBG	\$1,434,024	\$1,681,871	49.6%	\$1,074,080.54	\$607,790.46
Met Council - TBRA	\$563,100	\$563,100	19.5%	\$324,150.12	\$238,949.88
HOME	\$895,173	\$895,173	30.9%	\$516,529.34	\$378,643.66
Total	\$2,892,297	\$3,140,144		\$1,914,760	\$1,225,384



Summary and Requested HRA Action 3/12/2025

Approve the partial forgiveness of up to \$1,225,384 of combined principal and interest on three HRA loans to the Commerce Building Phase I and Phase II projects, including CDBG, HOME, and Met Council Loans.



Questions?