

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

REPORT TO THE COMMISSIONERS

DATE: JULY 17, 2024

REGARDING: RESOLUTION RECOMMENDING THE AUTHORIZATION AND APPROVAL OF SUBORDINATION OF A \$1,400,000 TIF LOAN TO THE STATE OF MINNESOTA FOR THE LISTENING HOUSE OF ST. PAUL, 421 7TH ST EAST; DISTRICT 4, WARD 2

Requested Board Action:

Requesting the Saint Paul Housing and Redevelopment Authority (HRA) Board of Commissioners approve subordination of the \$1,400,000 TIF loan funds to the State of Minnesota for the Listening House of St. Paul, Incorporated in relation to the renovation project for the drop-in daytime shelter at 421 7th Street East.

Background

The Listening House of St. Paul, Inc. (“Listening House”) is a non-profit organization that has been providing daytime drop-in services to unsheltered guests since 1983. Listening House had previously operated out of rented space, but in 2022 had the opportunity to move to a permanent facility in a former restaurant located at 421 East 7th Street, which has sat vacant since 2019.

The total project budget, including acquisition was \$2,868,062.96. A \$600,000 commercial mortgage was secured from Sunrise Banks for the acquisition. Listening House had the cash reserves for the remaining acquisition cost and 20% of the development costs. Listening House had a financing gap of \$1,400,000. On July 27, 2022, the Saint Paul Housing and Redevelopment Authority approved a \$1,400,000 forgivable TIF loan to Listening House. This allowed Listening House to perform the needed renovation and begin operating out of a permanent facility. The loan terms state 10% of the loan will be forgiven each year for the next ten years, provided the Listening House remains in operation.

A temporary Certificate of Occupancy was granted that allowed Listening House to welcome guests in their new location beginning November 8, 2023. Renovation is complete and the final Certificate of Occupancy was issued on February 20, 2024.

Demolition and renovation of the existing building was considered Phase One of the project; Listening House also acquired the adjacent vacant lot at 423 7th Street East and is beginning Phase Two, which consists of building an addition and courtyard. On June 2, 2023, Listening House received a State Appropriation of \$2,950,000 for the construction of Phase Two, scheduled to be complete by June 2025. The State grant requires the Saint Paul Housing and Redevelopment Authority enter a Subordination Agreement so the TIF loan is subordinate to the State grant.

The TIF Loan Agreement includes a Mortgage which establishes that the lien of the Mortgage is subordinate and inferior to the liens in favor of Sunrise Banks, putting the HRA in second position behind Sunrise Banks. On July 11, 2023, Sunrise Banks issued a Satisfaction of Mortgage showing the loan has been fully paid and satisfied, escalating our lien to first position. Approval of this subordination action would now place TIF loan's lien position behind the State of MN.

Budget Action

N/A

Future Action

N/A

Financing Structure

Phase One of the project received the following funding, both secured by mortgages on the property in the following amounts:

- Sunrise Banks: \$600,000; Satisfaction of Mortgage issued July 11, 2023
- HRA TIF Loan: \$1,400,000; Forgivable over 10 years

The Development and Loan Agreement between the HRA and Listening House, dated August 1, 2022, includes the terms:

Loan Amount: \$1,400,000

Interest: 0%

Forgiveness of Note: For a ten-year period beginning June 1, 2024, 1/10th of the loan will be forgiven annually provided the required forgiveness documentation confirms all forgiveness conditions are met.

Phase Two of the project received a State appropriation. The terms of the State grant are as follows:

State of MN Appropriation

Granted amount: \$2,950,000

Lien Position: It will not allow any lien or encumbrance that is prior and superior to the Declaration to be created on or imposed upon the Real Property, whether such lien or encumbrance is voluntary or involuntary, without the prior written consent of the State Entity.

Term: Unless earlier terminated in accordance with any of the provisions contained herein, the Agreement shall remain in full force and effect for the time period starting on the effective date hereof and ending on the date that corresponds to the date established by adding a time period equal to 125% of Useful Life of the Real Property and, if applicable, Facility to the date on which the Real Property and, if applicable, Facility is first used for the purpose set forth in the Agreement.

PED Credit Committee Review

The Credit Committee reviewed the proposed loan subordination at their June 4, 2024, meeting and approved the loan in the second lien position behind the State of Minnesota. The Risk Rating will remain Forgivable, as it was originally set and approved.

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

N/A

Recommendation:

The HRA Executive Director recommends approval of the resolution, authorizing subordination of the \$1,400,000 TIF loan to the State of Minnesota for Listening House.

Sponsored by: Commissioner Noecker

Staff: Annie Byrne, 651-266-8567

Attachments

- **Map**