

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 26, 2024

REGARDING: RESOLUTION RECOMMENDING THE AUTHORIZATION AND APPROVAL OF A SUBORDINATION OF A \$2,602,255 COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) / COMMUNITY DEVELOPMENT BLOCK GRANT COVID (CDBG-CV) LOAN TO KEYSTONE COMMUNITY SERVICES, 1790-1800 UNIVERSITY AVE W; DISTRICT 13, WARD 4

Requested Board Action:

Requesting the Saint Paul Housing and Redevelopment Authority (HRA) Board of Commissioners approve a subordination of \$2,602,255 CDBG / CDBG-CV loan funds to Keystone Community Services for the Community Food Center renovation project at 1790-1800 University Ave W.

Background

Keystone Community Services, founded in 1939, is the largest food shelf in Ramsey County and has provided vital community-based services for 35,000 individuals annually. In June 2020, they identified the building at 1790 – 1800 University Ave W as a site for their new community food hub, and entered into a purchase agreement. They have since acquired the building and almost completed work on the new 20,000-square-foot Community Food Site. This location consolidates all food shelf operations into one location including their innovative mobile distribution program. The site will increase efficiencies and streamline processes for receiving and distributing over 4 million pounds of food annually, including food rescue items and federal commodities, to 50,000 unduplicated residents by 2024 – a significant increase over the 28,000 people supported with these services in 2019.

The total project budget (including building acquisition) was \$11,025,629. Sources included fundraising, several public sources, a building loan from Sunrise Banks, and a construction bridge loan from Sunrise Banks. Sources from or passing through the City of Saint Paul / Saint Paul Housing and Redevelopment Authority (HRA) were a Neighborhood STAR grant of \$56,334, an LCA TOD Development grant of \$445,592, and a CDBG/CDBG-CV loan of \$2,602,255. After

these funds were secured and had contracts for them executed, Keystone received an appropriation from the State of MN for \$2,600,000. This appropriation declares it will not allow any prior and/or superior lien imposed upon the Real Property (1790-1800 University Ave W) without the prior written consent of the State Entity. This means the CDBG/CDBG-CV loan from the City of Saint Paul / Saint Paul HRA of \$2,602,255, which is secured by a Mortgage, must subordinate its lien position to the State of MN so that Keystone can receive the State appropriation funds.

Originally, the CDBG/CDBG-CV loan was subordinated to the Sunrise Banks loan amount of \$2,600,000. Approval of this action for subordination would move the CDBG/CDBG-CV loan's lien position from second to third, now behind the State of MN and Sunrise Banks. Once Keystone can access the State Appropriation, they will be able to pay back the building loan from Sunrise Banks and the portion of the construction bridge loan from Sunrise Banks that they have drawn, which is anticipated to be no greater than \$500,000. As soon as the debt from Sunrise Banks has been eliminated, which is anticipated to be shortly after an approval of this action, the CDBG/CDBG-CV loan's lien position would move back into second position.

Budget Action

N/A

Future Action

N/A

Financing Structure

The total project cost is \$11,025,629. A complete list of Sources and Uses are included as an attachment to this report.

The terms of the two other sources of *debt/grant with terms* for the project are as follows:

State of MN Appropriation

Granted amount: \$2,600,000

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 until 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 as set forth in the Agreement.

Sunrise Banks Loan

Building Loan – Originated

Principal Loan Balance: \$1,425,000

Maturity Date: March 10, 2028

Interest Rate: 6.02%

Construction Bridge Loan – Approved up-to, Originated

Principal: Up To \$1,789,151

Anticipated amount to be drawn: About \$500,000

Term: 5 years

Interest Rate: 6.02%

Note, however, that these two Sunrise Banks loans will be fully paid with the State of MN Appropriation listed above.

PED Credit Committee Review

The Credit Committee reviewed the proposed CDBG/CDBG-CV loan subordination at their March 26, 2024, meeting and approved the loan in the third lien position behind the positions of the State of Minnesota and Sunrise Banks. The Risk Rating will remain Forgivable, as it was originally set and approved.

Compliance

This action will not influence Compliance areas, several of which have been in effect since the public funding sources were approved. Compliance areas that apply to this project include Labor

Standards, Affirmative Action, Vendor Outreach Policy, Two-Bid Policy, Sustainable Building Policy, and HUD Section 3.

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

This project fulfills a public purpose and is consistent with the 2040 Comprehensive Plan including policy LU-16 in the Land Use Chapter of the Plan which encourages “the equitable spatial distribution of community food assets, including urban farms, community gardens, food markets, healthy retail food options and food hubs.” There is currently no food option like Keystone’s Food Center in the vicinity. It is additionally well connected by transit, a priority for Keystone participants, and the Plan. Policy LU-1 in the Land Use Chapter encourages “transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.” Located directly on the central corridor, Keystone’s new location is easily accessible by a variety of transportation options.

Recommendation:

The HRA Executive Director recommends approval of the resolution, authorizing subordination of a \$2,602,255 CDBG / CDBG-CV loan to Keystone Community Services.

Sponsored by: Commissioner Jalali

Staff: Jonathan Reisetter, 266-9119

Attachments

- **Draft Subordination Agreement**
- **Project Sources and Uses**

- **Map**
- **Public Purpose**
- **D13 Union Park Neighborhood Profile**