

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 26, 2020

**REGARDING: RESOLUTION APPROVING THE RE-SUBORDINATION OF AN HRA
LOAN ASSOCIATED WITH THE CRANE ORDWAY PROJECT DUE TO
REFINANCING THE FIRST MORTGAGE, DISTRICT 17, WARD 2**

Requested Board Action

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners to approve the attached Resolution authorizing the approval of the re-subordination of a deferred HOME loan related to the Crane Ordway building.

Background

The Crane Ordway building is located at 281 East 5th Street in Lowertown. An historic former warehouse building, in 2005 the building was purchased and converted into 70 units of affordable rental housing by the current owners, Crane Ordway Limited Partnership, affiliates of Aeon (the “Owners”). The building consists of 66 studio and 4 one-bedroom apartments. 35 of the units are affordable to households earning 50% Area Median Income (AMI) and 35 units are affordable to households earning 30% AMI. Fourteen of the units have been set aside for tenants meeting the State’s definition of long-term homeless. Services and rent assistance on these units are being provided through Ramsey County Department of Human Services and Aeon.

This property is under an extended use Land Use Restrictive Agreement (LURA) which mandates that all units are to remain affordable at certain income levels for 30 years. Due to the very low-income levels, this property has been experiencing negative annual cash flow. In order to stabilize this property, the Owners have applied to Minnesota Housing for additional Section 8 vouchers and are refinancing the first mortgage loan with a lower interest rate to increase annual cash flow.

Budget Action

N/A

Future Action

N/A

Financing Structure

The initial development costs were approximately \$11,600,000. The HRA provided a deferred HOME loan in the amount of \$1,742,000 with a 1% interest rate and a 30-year term. The Owners also received an allocation of 9% low income housing tax credits (LIHTC) and historic tax credits (HTC). The original first mortgage was provided by Wells Fargo Bank and other funding was secured from Minnesota Housing, the Family Housing Fund, the Federal Home Loan Bank, and deferred partnership fees with rates and terms as shown below:

Existing Financing (All debt in lien priority)								
Lender	Amortizing Deferred Cash Flow	Recourse (Y/N)	Repayable Forgivable	Original Amount	Outstanding Balance	Note Rate	Term/ Amortization	Maturity Date
Wells Fargo	Amortizing	N	Repayable	600,000	492,843	7.0%	15/30yr	10/1/22
St.Paul HRA	Deferred	N	Repayable	1,742,000	1,986,190	1.0%	N/A	10/1/35
MHFA	Deferred	N	Repayable	980,000	1,118,779	1.0%	N/A	11/3/35
FHF	Deferred	N	Repayable	200,000	228,318	1.0%	N/A	11/3/35
Aeon FHLB	Deferred	N	Repayable	250,000	570,617	6.0%	N/A	12/31/35
Aeon	Deferred	N	Repayable	287,000	655,064	6.0%	N/A	12/31/35
Aeon	Cash Flow	N	Repayable	7,678	9,576	2.8%	N/A	12/31/35

New Financing

Bridgewater Bank will be providing a new first mortgage loan of \$500,000. This loan will have an interest rate of 4.5% and will have a term of 10 years.

SOURCES AND USES

SOURCES	Dollar Amt	USE (Estimated)	Dollar Amt
Bridgewater 1st Mortgage	\$500,000	Wells Fargo 1st Mortgage Pay-off	\$490,000
Existing Operating Reserve	\$59,608	Bridgewater Origination Fee	\$2,500
		Appraisal	\$2,500
		UCC- Misc Searches	\$50
		Lender Legal	\$5,000
		Borrower legal	\$5,000
		MN Housing Review/RFA	\$500
		Misc. Fees - Title	\$4,000
		Mortgage Registration Tax	\$1,500
		New Reserve	\$48,558
Total Sources:	\$559,608	Total Uses:	\$559,608

MHFA and FHF Subordinate Loans

There will be no change in the subordination order of the original deferred loans. All MHFA, FHF, and FHLB loans will be resubordinated with existing terms.

PED Credit Committee Review

On August 11, 2020, the PED Credit Committee reviewed and approved the re-subordination and of the HRA HOME loan for Crane Ordway.

Compliance

N/A

Green/Sustainable Development

The Crane Ordway project complies with Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

This project meets several public purpose objectives including providing high density affordable rental housing close to major transit corridor and historic preservation. This Project is also consistent with the Housing Chapter of the 2030 Comprehensive Plan including Section 3.1 Support the preservation of publicly-assisted and private affordable housing; and Section 3.4 Assist in the preservation and production of homeless and supportive housing.

This Project is also consistent with the goals in the Downtown Development Strategy including:

- Increase and preserve the number of housing units downtown.
- Provide a range of price options in new housing.
- Increase the amount of life-cycle housing downtown through new development and rehabilitation/conversion of existing buildings, including vacant office buildings as appropriate.
- Ensure the affordability of downtown housing by promoting a better mix of unit types, costs and sizes.

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which approves the re-subordination of an HRA deferred HOME loan for Crane Ordway.

Sponsored by: Commissioner Noecker

Staff: Diane Nordquist 651-266-6640

Attachments

- **Map**
- **District Profile**