

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

REPORT TO THE COMMISSIONERS

DATE: June 22, 2016

REGARDING: RESOLUTION APPROVING SUBORDINATION FOR OLD SWEDISH BANK, LLC, DISTRICT 5, WARD 6.

Requested Board Action

Approving the subordination of a first mortgage HRA Loan for Old Swedish Bank, LLC, to a new first mortgage loan from Sunrise Bank for Old Swedish Bank, LLC.

Background

The Old Swedish Bank building is a commercial building at 961-963-965 Payne Avenue (the “Project”). Old Swedish Bank, LLC is the developer/owner (“Owner”), with East Side Neighborhood Development Company (ESNDC) as the management company and a tenant. The Owner obtained a \$230,000 loan from the HRA (“HRA Loan”) in 2007 for the purpose of interior rehabilitation and remodel of the Old Swedish Bank building. The HRA holds a promissory note in the original principal amount of \$230,000 secured by a first position mortgage dated May 5, 2007.

As of June 9, 2016, the HRA Loan balance totaled \$230,000, including principal and interest. The Owner has made interest payments since 2012; principal payments will begin June 1, 2017.

Budget Action: N/A

Future Action: N/A

Financing Structure

Existing Debt

Source	Position	Original Principal Balance	Rate	Current Principal + Interest Balance	Term
HRA	1 st	\$230,000	2% annual	\$230,000	20 yr amortiz. w/ balloon payment 2022
NDC	2 nd	\$175,000	4% annual	\$159,249	20 yr. amortize., balloon 2016
STAR	3 rd	\$30,000	2% annual	\$30,000	20 yr amortiz. w/ balloon payment 2022
Historic Saint Paul	4 th	\$15,000	0%	\$15,000	No payments, maturity 2037
ESNDC		\$40,000	5% annual	\$34,373	15 year amortiz.
Total		\$490,000		\$468,622	

Proposed Debt

Source	Position	Original Principal Balance	Rate	Current Principal + Interest Balance	Total Balance After Refinance	Term
Sunrise Bank	New 1 st Mortgage	N/A	4.75% annual	N/A	\$205,000	20 yr amortiz. w/ balloon payment Yr 5
HRA	2 nd	\$230,000	2% annual	\$230,000	\$230,000	20 yr amortiz. w/ balloon payment 2022
STAR	3 rd	\$30,000	2% annual	\$30,000	\$30,000	20 yr amortiz. w/ balloon payment 2022
ESNDC	4 th	\$40,000		\$40,000	\$40,000	7 year forgivable
Total					\$505,000	

The Owner is proposing to refinance the existing debt of the Project with a new Sunrise Bank first mortgage loan in the amount of the principal balance of the Neighborhood Development Center (“NDC”) loan, the ESNDC loan, and the Historic Saint Paul loan for the total amount of approximately \$205,000. In addition, ESNDC will make a new \$40,000 forgivable loan in 4th position in order to undertake needed capital improvements. After the refinance, total debt will be approximately \$505,000, as seen in the above table.

The Owner is requesting the subordination of the HRA Loan in order to return program funding to NDC and Historic Saint Paul, and to reinvest mortgage proceeds from the pay-off of the ESNDL loan to make identified capital improvements to the Project.

PED Credit Committee Review

On June 6, 2016, the PED Credit Committee reviewed the subordination request and approved the following:

1. Subordination of the \$230,000 HRA Loan and resubordination of the \$30,000 STAR loan to a new loan in the amount of the remaining NDC loan, the Historic Saint Paul loan, and the remaining ESNDL loan.
2. This approval is subject to ESNDL's mortgage proceeds being reinvested into needed capital improvements to the building.

The HRA Loan risk rating remained (D) Doubtful.

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Public Purpose/Comprehensive Plan Conformance

This project aims to improve the building's physical condition and visual appearance for continued commercial use on a significant commercial corridor. The property will continue to remain on the property-tax rolls. The refinance will allow pay-off of both NDC and Historic Saint Paul debt, which will put funding back into NDC and Historic Saint Paul programming for other projects in the city of Saint Paul.

Recommendation:

The Executive Director recommends adoption of the attached resolution which approves the following for the Old Swedish Bank building:

1. Subordination of the \$230,000 HRA Loan to a new first mortgage loan from Sunrise Bank in the amount of the remaining NDC loan, the Historic Saint Paul loan, and the remaining ESNDL loan.
2. This approval is subject to ESNDL's mortgage proceeds being reinvested into needed capital improvements to the building.

Sponsored by: Commissioner Dan Bostrom

Staff: Hilary Holmes, 651-266-6612

Attachments

- **Attachment – Map**
- **Attachment – District 5 Profile**
- **Attachment - Credit Committee Report**