

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

**REPORT TO THE COMMISSIONERS**

**DATE: APRIL 28, 2021**

**REGARDING: RESOLUTION APPROVING THE RE-SUBORDINATION AND EXTENSION OF THE TERMS AND AFFORDABILITY PERIODS OF FIVE HRA/CITY DEFERRED LOANS ASSOCIATED WITH MODEL CITIES BROWNSTONE, LIMITED PARTNERSHIP DUE TO REFINANCING OF FIRST MORTGAGES, DISTRICT 7, WARD 1**

**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 and extension of terms and affordability period on five (5) deferred loans related to the Model Cities BROWNstone project.

**Background**

The Model Cities BROWNstone project involved the demolition of an existing single-story commercial building and surface parking lot at the northeast corner of University Avenue and Victoria Street owned by Model Cities of Saint Paul. Located at 839 University Avenue, the project removed the existing obsolete building to make way for the new construction of a four-story mixed-used transit-oriented development (TOD) adjacent to the Green Line LRT Victoria Station.

The new building consists of thirty-five (35) units of affordable rental housing and 20,415 square feet of commercial/retail space (the "Project"). The first floor has retail space, a community room, as well as a reading/museum room dedicated to the history of the Pullman workers from the 1900's which was mostly comprised of residents of the old Rondo neighborhood that was predominantly an African American workforce. The second floor is split between Model Cities Headquarters and six (6) of the rental housing units. The third and fourth floor has the remaining

twenty-nine (29) rental housing units. There are twenty-six (26) residential underground parking spaces and twelve (12) surface spaces. Also included is a private courtyard/pocket park developed on an adjacent surface parking lot that currently serves a six (6) unit apartment-building also owned by Model Cities.

The BROWNstone housing units are one and two-bedroom units and are affordable to households earning 50% Area Median Income (AMI) and 60% AMI.

**Size and Income /Current Rent Limits of Units:**

Size	# of units	Gross Rent	Rent Limit	Income Limit
1 BR	6	\$839	50%	50%
1 BR	26	\$1048	60%	60%
2 BR	1	\$1031	50%	50%
2 BR	2	\$1,194	60%	60%
Total	35			

**Budget Action**

N/A

**Future Action**

N/A

**Financing Structure**

**Initial Financing for Model Cities BROWNstone, Limited Partnership**

The current financing includes a first mortgage loan provided by tax exempt bond financing through Old National Bank, a HOME loan, a Minnesota Housing (MHFA) Challenge loan, a Pooled Tax Increment Financing (TIF) loan, and three (3) loans provided through funding awarded to the City of Saint Paul from the Met Council’s Livable Community Development Act (LCDA) program including; a LCDA loan, a TBRA loan, and a LCDA TOD loan.

<b>Lender and loan</b>	<b>Original Loan</b>	<b>Interest Rate</b>	<b>Term</b>	<b>Amount to be paid off</b>
Old National Bank	\$1,346,000	5.25%	32 years	\$1,291,000
HRA HOME	\$750,000	1%	30 years	\$0
MHFA Challenge	\$1,302,000	0%	30 years	\$0
HRA Pooled TIF	\$1,688,248	0%	30 years	\$0
City LCDA	\$421,350	0%	30 years	\$0
City TBRA	\$119,096	0%	30 years	\$0
City LCDA TOD	\$104,356	0%	30 years	\$0
<b>Total</b>	<b>\$5,731,050</b>			<b>\$1,291,000</b>

## **REFINANCING**

### **New First Mortgage**

MHFA will be providing a new first mortgage loan in the amount of \$1,425,000. The new first mortgage will have an interest rate of 3.25% and a 35-year term. MHFA requests that all existing deferred loans be coterminous with the new first mortgage loans which will require an extension of 10 years. In addition, there will be an extension of the affordability period by 10 years or until 2056.

## **SOURCES AND USES**

<b>SOURCES</b>	<b>Dollar Amt</b>	<b>USE (Estimated)</b>	<b>Dollar Amt</b>
MHFA 1st Mortgage	\$1,425,000	Old National Bank 1st Mortgage Pay-off	\$1,291,000
		Prepayment Fee	\$ 26,000
		Professional Services Fees	\$ 39,699
		Developer Fee	\$ 30,000
		Financing Fees	\$ 38,031
<b>Total Sources:</b>	<b>\$1,425,000</b>	<b>Total Uses:</b>	<b>\$1,425,000</b>

**MHFA Subordinate Loan**

There will be no change in the subordination order of the original deferred loans. The existing MHFA deferred loan will be re-subordinated and terms and affordability period will be extended to 2056 as well.

**PED Credit Committee Review**

On April 13, 2021, the PED Credit Committee reviewed and approved the re-subordination and extension of terms on the of the five HRA/City deferred loans to Model Cities BROWNstone, Limited Partnership.

**Compliance**

N/A

**Green/Sustainable Development**

The Model Cities BROWNstone project complies with Saint Paul Sustainable Development Ordinance.

**Environmental Impact Disclosure**

N/A

**Historic Preservation**

N/A

**Public Purpose/Comprehensive Plan Conformance**

This Project meets several public purpose objectives and will further several planning strategies and goals such as the following:

1. One of the 2040 Comprehensive Plan major housing strategies is to ensure the availability of affordable housing across the city.

2. Comprehensive Plan policy H-18 calls for support of the preservation of publicly assisted and private affordable housing, especially units that serve affordable households earning 50% Area Median Income and less.
3. Comprehensive Plan policy H-27 and H-39 calls for collaboration with HUD and other funding partners to promote preservation of affordable units.
4. The Frogtown Planning District plan calls for preserving the existing housing stock with special commitment to the preservation of affordable housing.

**Recommendation:**

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which approves the re-subordination and extension of terms and affordability period by an additional 10 years for five HRA/City deferred loans with Model Cities BROWNstone, Limited Partnership.

**Sponsored by:** Commissioner Thao

**Staff:** Diane Nordquist 651-266-6640

**Attachments**

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