

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 14, 2019

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION OF ASSIGNMENT AND SUBORDINATION DOCUMENTS FOR THE PARKWAY GARDENS PROJECT, 1145 HUDSON ROAD (AKA BRIDGECREEK SENIOR PLACE APARTMENTS), DISTRICT 4, WARD 7

Requested Board Action

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners approval of the following:

1. Subordination and assignment of documents to Tilden Fundamental (Parkway Gardens) Holdings, LLC

Background

Bridgescreek Senior Place, Limited Partnership, is the current owner of Parkway Gardens and proposes to sell this 8-acre property which includes a four story, 160-unit affordable senior apartment property, located at the northwest corner of Old Hudson Road and Johnson Parkway, to Tilden Fundamental Holdings, LLC. The project has 42 one-bedroom units and 118 two-bedroom units. Under the new ownership the affordability requirements will remain in place.

Tilden Fundamental Holdings, LLC is a to-be-formed joint venture between members of CAPREIT, Inc. and Fundamental Advisors, LP. CAPREIT is a real estate investment and management company based in Maryland. Formed in 1993, CAPREIT and its affiliated companies have acquired \$5 billion of multifamily properties and manage over 16,000 apartment homes in 20 states. CAPREIT owns and manages over 7,000 affordable apartment units nationwide. They own and manage four market rate apartment buildings in the Minneapolis St. Paul metropolitan area including the Barrington in Woodbury, and Loring Park in Minneapolis.

The original financing, approved for the Project by the HRA in 2003, included tax exempt bonds, low income housing tax credits and a pay as you go TIF Note. The current request is for approval

to assign and subordinate the HRA loan, development agreement, TIF financing and bond financing to the new ownership entity.

Affordability Requirements

In 2003 when the original financing for this project was approved, the owner executed a recorded land use regulatory agreement (LURA) with a 30-year affordability requirement. Per the LURA, the new owner of the property must maintain the affordability requirements until 2034. The LURA requires rents and incomes for 80% (128) of the units restricted to households earning 60% of median income (AMI) and at least 10% (16) of the units must remain affordable to households earning 50% AMI and less, and 10% (16) of the units must remain affordable to households earning 30% AMI. There are currently 18 units with Section 8 vouchers. The new owner anticipates the project will always remain affordable and that in the future they would want to pursue financial assistance that would extend the restrictions beyond 2034.

Budget Action

None

Financing Structure

Existing Debt Financing

Freddie Mac	1 st Mortgage	\$ 6,500,000	7 yr. term, 30 amt,
Series B Bonds	2nd Mortgage	\$ 2,350,000	7%, 25yr, PAYGO
HRA Loan	3rd Mortgage	<u>\$ 365,000</u>	0%, 33yr, deferred
Total Debt		\$ 9,215,000	

New Financing upon Sale of the Property

Sources

Equity	\$5,118,000	
Bank Loan (new debt)	\$9,800,000	
TIF bonds (existing)	\$2,350,000	7%, 25 yr. PAYGO
HRA loan (existing)	\$365,000	0%, 33 yr, deferred
Total Sources	\$17,633,000	

Uses

Real Estate purchase price	\$12,990,000
NPV of TIF Note	\$2,208,000
Closing cost, escrows	\$903,000
Replacement reserves (2 years)	\$100,000
Construction Mgt. Fee	\$81,000
Construction Contingency	\$64,000
Interior Renovation Reserve	\$320,000
Exterior and Common Area Reserves	<u>\$967,000</u>
	\$17,633,000

The assignment and assumption documents to be approved are with regard to:

- Housing Regulatory Agreement
- Declaration of Land Use Restrictive Covenants for Housing Tax Credits
- Development Agreement
- Subordinate Loan Documents and Modifications to Subordinate Indenture of Trust
- HRA Loan Documents

The subordination agreements include:

- Subordination Agreement between the Senior Lender, Trustee, HRA and Assignee (Bond Subordination)
- Subordination agreement by between the Senior Lender, HRA and Assignee

Proposed Rents

	30% AMI	50% AMI	60% AMI
1BR	\$672	\$713	\$864
2BR		\$805	\$908

PED Credit Committee Review

The Credit Committee reviewed the proposed transaction on July 23, 2019. The \$365,000 HRA loan had been assigned a risk rating of Loss because the loan was deferred for more than 10 years. The Credit Committee re-confirmed the risk rating for the HRA loan as Loss.

Compliance

N/A.

Green/Sustainable Development

N/A.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

Continued affordability and preservation of 160 units of affordable rental housing for seniors.

Recommendation:

The Executive Director recommends the HRA Board of Commissioners consider the adoption of the attached Resolution which approves the following:

1. Authorizing the execution of assignment and subordination documents for the Parkway Gardens project, 1145 Hudson Road

Sponsored by: Commissioner Jane Prince

Staff: Marie Franchett

Attachments

- **Map**
- **District 3 Profile**