

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

REPORT TO THE COMMISSIONERS

DATE: JULY 25, 2018

**REGARDING: RESOLUTION APPROVING SUBORDINATION AND ASSIGNMENT
FOR COMUNIDADES LATINAS UNIDAS EN SERVICIO (CLUES) AT
797 EAST SEVENTH STREET, DISTRICT 4, WARD 7.**

Requested Board Action

Approving the subordination of HRA loans for Comunidades Latinas Unidas en Servicio to a loan from Raza Development Fund, Inc., and assignment of the HRA loans to CLUES Real Estate Holding Company.

Background

Founded in 1981, Comunidades Latinas Unidas En Servicio (CLUES) moved its headquarters to St. Paul's East Side neighborhood more than a decade ago to meet the needs of the growing Latino population and to contribute to neighborhood development. CLUES impacts the greater Latino community by addressing the needs of individuals and families via classes, counseling, services, and programs, which provide strong building blocks that lead to a long-term self-sufficiency. Today, CLUES is the largest Latina-led non-profit in the State of Minnesota and has been in existence for 35 years. CLUES serves over 11,000 individuals annually through direct services and another 13,500 through outreach and community events.

On December 23, 2004, the HRA, by resolution Number 04-12/23, authorized loans totaling \$848,000 to CLUES for the acquisition and construction of their headquarter office at 797 East 7th Street:

- Loan 1: \$170,000 deferred loan with a current remaining balance of \$150,697.
- Loan 2: \$261,000 forgivable loan at 10% per year from June 2006 to June 2015. This loan has been fully forgiven.
- Loan 3: \$417,000 deferred CDBG loan, with payments deferred until 2025.

These loans are risk rated as a loss.

In 2014 CLUES purchased the neighboring property (801 East 7th Street) to build a 20,386 sq. ft. expansion (the “Project”) for additional office, classroom, and tenant space. Environmental studies were conducted for the new property and engineers recommended demolishing, soil cleaning, and building new. Since then CLUES has been working to complete their financing package, which was recently accomplished with the securing of New Markets Tax Credits.

CLUES is requesting a subordination of the HRA loans to a loan from Raza Development Fund, Inc. and assignment of the HRA Loan to CLUES Real Estate Holding Company to comply with the New Markets Tax Credit rules.

Budget Action: N/A

Future Action: N/A

Financing Structure

Existing Debt – CLUES

Source	Position	Current Principal + Interest Balance	Term
HRA	1st	\$150,697	25-yr term w/ balloon payment May 14, 2030; 3% interest
STAR	2nd	\$125,000	10-year term, 3% interest
HRA - CDBG	3rd	\$417,000	Deferred until 2025, balloon payment May 14, 2040; 0% interest
Total		\$692,697	

Proposed Debt – CLUES

Source	Position	Loan Amounts after Refinance	Term
Raza Development	New 1st	\$2,600,000	7-yr term, amortized 7 yrs w/ balloon payment; 6.875% interest

HRA	2nd	\$150,697	25-yr term w/ balloon payment May 14, 2030; 3% interest
STAR	3rd	\$125,000	10-year term, 2% interest
HRA - CDBG	4th	\$417,000	Deferred until 2025, balloon payment May 14, 2040; 0% interest
Total		\$3,292,697	

The proposal is for a new Raza Development loan in the amount of \$2,600,000. After the refinance, total debt will be approximately \$3,292,697, as seen in the above table. CLUES is requesting the subordination of the HRA Loans in order to finance the Project.

PED Credit Committee Review

On July 17, 2018, the PED Credit Committee reviewed the subordination request and approved the following:

- Subordination of \$150,697 HRA loan to 2nd position and \$417,000 HRA CDBG loan to 4th position
- A subordination fee of \$2,838.49
- The Risk Rating on the HRA loan – (O) Originated as Loss – will remain the same.

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Public Purpose/Comprehensive Plan Conformance

This Project's purpose promotes economic and community development along a significant commercial corridor. The subordination will further enhance the capacity of the Developer to provide greater community benefit to the local neighborhood and broader community.

The following objectives from the Comprehensive Plan are met through the Project.

1.17 Promote a place, amenity, or activity that serves as a community focus and emphasizes the special identity of individual Neighborhood Centers.

1.19 Promote conditions that support those who live and work in Neighborhood Centers, including frequent transit service, vibrant business districts, a range of housing choices, and community amenities.

Recommendation:

The Executive Director recommends adoption of the attached resolution which approves the following for the subordination and assignment of the HRA Loans:

1. Subordination of the \$567,697 in HRA loans to a new loan by Raza Development Fund, Inc.
2. Assignment of the HRA loans to the CLUES Real Estate Holding Company, which will hold the property, as required by the New Markets Tax Credit Program.

Sponsored by: Commissioner Jane Prince

Staff: Marcq Sung, 651-266-6615

Attachments

- **Map**
- **District 4 Profile**