

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

**REPORT TO THE COMMISSIONERS**

**DATE: MAY 27, 2020**

**REGARDING: RESOLUTION APPROVING THE RE-SUBORDINATION AND TERM EXTENSION FOR DEFERRED LOANS ASSOCIATED WITH MINNESOTA VISTAS AND MINNESOTA PLACE PROJECTS, AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO, 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 following:

1. Re-subordination and term extension on three (3) deferred loans related to Minnesota Place; and
2. Re-subordination and term extension on two (2) deferred loans related to Minnesota Vistas

**Background**

The Minnesota Building is a 13-story former commercial office building located at the southwest corner of 4<sup>th</sup> Street and Cedar Street. In 2010, the building was purchased and converted to affordable rental housing by the current owners, affiliates of Sand Companies, Inc. (the “Owners”). At the time of the conversion, it was difficult finding financing during the 2008 financial market crisis. Due to difficulties in finding financing, the project was divided into two different financing structures with different ownership entities called “Minnesota Place, LLC” and “Minnesota Vistas, LLC”. The overall project included converting part of the second floor and all of floors 3 through 13 into a total of 137 units of affordable rental housing. A portion of the second floor and all the first floor were to be used for commercial office and retail space owned and operated under a separate but related ownership entity. The building is connected to the downtown skyway system and has access to market rate parking in the adjacent structured parking ramp.

The Owners are refinancing the first mortgage loans on both phases and are requesting re-subordination and term extension for five HRA/City deferred loans associated with the Minnesota Building. In addition, the property requires some capital repairs, including security upgrades. A physical needs assessment has been submitted and confirms these needed repairs. Overall, the property is in good condition and with the term extension these units will remain affordable an additional 15 years until 2055.

### **Budget Action**

N/A

### **Future Action**

N/A

### **Financing Structure**

At the time of original financing, there were two unique federal financing programs established as part of the American Recovery and Reinvestment Act (ARRA) of 2009. These programs were put in to place to help tax credit projects such as the Minnesota Building get underway. The Section 1602 Program was funding provided from the federal government and used to replace Low Income Housing Tax Credit (LIHTC) equity usually provided through private investors. Section 1602 funds were to be provided as grants or 0% forgivable loans. The Tax Credit Assistance Program (TCAP) was federal funding to be used like the federal HOME Investment Partnerships program to provide low interest deferred loan financing for affordable housing. Both programs were distributed and administered through the State Housing Finance Agencies and are no longer being provided.

### **Initial Financing for Minnesota Vistas**

MN Vistas consists of floors 7 through 13 with 60 units of rental housing; 48 units (70%) are affordable to households earning 60% and less of the Area Median Income (AMI) and 12 units (20%) are affordable to households earning 50% AMI. The current HRA and City loans for Minnesota Vistas includes a \$3,113,939 Section 1602 loan (replacing “4%” LIHTC), a \$167,112 Met Council TBRA loan, and a \$936,000 TIF note.

**Initial Financing for Minnesota Place**

MN Place consists of floors 2 through 6 with 77 rental units, of which 63 units (82%) are affordable to households earning 50% AMI and less, and another 14 units (18%) will be reserved for persons who are homeless as defined by the Minnesota Housing. The second phase of the project, Minnesota Place, has HRA and City loans including a \$4,895,061 Section 1602 loan (replacing “9%” LIHTC), a \$1,642,989 TCAP loan, and a \$212,688 Met Council TBRA.

**New Financing**

Minnesota Housing will be providing a new first mortgage loan on both MN Vistas and MN Place with \$2,805,000 and \$1,640,000 respectively. Both loans will have an interest rate of 3.30% and a 35-year term. They request that all existing deferred loans be coterminous with the new first mortgage loans which will require an extension of 15 years on the 1602 loans, and 19 years on the LCDA TBRA loans. In addition, there will be an extension of the affordability period by amending both the 1602 and TCAP Declarations out until the year 2055.

**Sources and Uses Minnesota Place**

<u>Source</u>		<u>Use</u>		
New Loan	\$1,640,000		Existing Loan Pay-Off	\$1,204,000
			Rehabilitation	300,000
			Professional Fees	95,000
			Financing	41,000
<b>Total</b>	<b>\$1,640,000</b>		<b>Total</b>	<b>\$1,640,000</b>

**Sources and Uses Minnesota Vistas**

<u>Source</u>		<u>Use</u>		
New Loan	\$2,805,000		Existing Loan Pay-Off	\$2,453,383
			Rehabilitation	190,000
			Professional Fees	120,000
			Financing	41,617
<b>Total</b>	<b>\$2,805,000</b>		<b>Total</b>	<b>\$2,805,000</b>

### **PED Credit Committee Review**

On April 21, 2020, the PED Credit Committee reviewed and approved the re-subordination and extension of the terms and affordability period of the HRA/City loans for both Minnesota Place and Minnesota Vistas.

### **Compliance**

N/A

### **Green/Sustainable Development**

The Minnesota Building 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 along a 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 and extension of the term and affordability period to the year 2055 on all City/HRA subordinate loans for Minnesota Vistas and Minnesota Place.

**Sponsored by:** Commissioner Noecker

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

**Attachments**

- **Map**
- **District 17 Profile**