

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 12, 2013

REGARDING: RESOLUTION APPROVING THE ASSIGNMENT, ASSUMPTION, MODIFICATION AND SUBORDINATION OF A HRA LOAN IN THE AMOUNT OF \$600,000 AND A NEW CDBG LOAN IN THE AMOUNT OF \$250,000.00 AND AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS IN CONNECTION WITH THE ST. ALBANS PARK PROJECT, DISTRICT 8, WARD 1

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

1. Approval of an Assignment, Assumption, Modification and Subordination of an existing HRA Loan in the amount of \$600,000 for St. Albans Park II Limited Liability Limited Partnership to assist in the acquisition and rehabilitation of St. Albans Park.
2. Approval of a CDBG Loan in the amount of \$250,000 for St. Albans Park II Limited Liability Limited Partnership to assist in the rehabilitation of St. Albans Park.
3. Authorize the Executive Director to negotiate all terms, and execute all required documents.

Background

On June 9, 2011, Twin Cities Housing Development Corporation (“TCHDC”) entered into a purchase agreement with Selby-Dale Cooperative apartments, located at 627 Selby Avenue (the “Property”). The purchase price is the sum of the outstanding loan balances on the Property. The Property is being acquired and rehabilitated by the St. Albans Park II Limited Liability Limited Partnership (the “Developer”). TCHDC will be the managing general partner of the Developer.

The Property, built in 1981 as a Cooperative known as Selby-Dale Cooperative, consists of 74 low-income housing units, including a grouping of six semi-detached townhomes and one apartment building (the “Project”); 18 units are townhome units and the remaining 56 are apartments. Unit mix includes 28 one-bedroom units, 34 two-bedroom units, six three-bedroom units, and six four bedroom units.

Include interior and exterior rehabilitation will include storm water retention, concrete replacement, foundation replacement, parking lot replacement, interior upgrades, installation of an energy efficient HVAC system, plumbing to fix back-up problems, and kitchen/bathroom upgrades. The Project will help ensure the provision of safe, decent, affordable rental housing for the long term.

Affordability

St. Albans Park currently serves very low-income residents and will continue to serve as an affordable rental housing resource for large families and individuals if the HRA Board approves the requested actions. The Project will have 15 units at or below 30% AMI, 15 at or below 50% AMI and 44 units will be at or below 60% AMI. Four units will be reserved for families experiencing Long Term Homelessness (LTH); five units will be reserved for individuals with physical disabilities. Twenty-four of the units will have Section 8 project-based rental assistance.

In addition to preserving the affordable rents and completing significant renovation, the operating deficit reserves will be capitalized to ensure long term financial stability, while providing safe, decent, affordable rental housing.

No tenants will be displaced at the result of the renovation. However, there will be some internal displacement of tenants to temporary, similar units to facilitate the rehabilitation work. Once rehabilitation is complete, tenants will move back to their original unit.

No properties will be acquired by eminent domain. The properties are currently zoned RM-2; rental housing is an allowable use.

Budget Action

A budget amendment is proposed to authorize up to \$250,000 in Housing Real Estate CDBG Funds for the St. Albans Park project.

Future Action

No further action will be required from the HRA Board.

Financing Structure

The Project will be funded using a combination of sources from HRA's allocated 9% Low Income Housing Tax Credits, Minnesota Housing Finance Agency (MHFA), Family Housing Fund (FHF), Metropolitan Council (Met Council), and City of Saint Paul (STAR).

In 1994, Selby-Dale Cooperative (the "Seller") received a deferred loan of \$600,000 (Fund 117) from the HRA to rehabilitate the Property. (The principal and all accrued interest of the loan is due and payable on June 1, 2015. On May 1, 2013, the loan balance was \$1,179,583.) The Developer has requested that they assume and modify this HRA loan. They are requesting a reduction in the interest rates from 5% to 1%; that the term be extended for 32 years; and that the loan payments and accrued interest be deferred until the maturity date. The Developer has requested that the HRA subordinate this loan to assumed and new debt provided by other lenders to the Project. The loan would be secured by a note, mortgage, assignment of leases and rents, security agreement, fixture financing statement and a UCC.

In addition, the HRA has been asked to provide a new loan to the project of up to \$250,000 from CDBG. The term will be 32 years; with 1% simple annual interest; and principal and interest would be deferred to maturity of the note. The loan will be secured by a note, mortgage, assignment of leases and rents, security agreement, fixture financing statement and a UCC. This loan will be subordinate to all other secured debt to the project.

Projected Sources and Uses

The estimated total development cost is currently \$14,992,266. Estimated sources and uses are detailed below.

Sources:

Syndication Proceeds	\$ 9,057,765	(61.2%)
General Partners Contribution	\$ 236,000	(1.6%)
MHFA 1 st Mortgage	\$ 1,870,000	(12.6%)
MHFA PARIF	\$ 1,016,408	(6.9%)
Met Council Grant	\$ 400,000	(2.7%)
FHF Loan (assumed)	\$ 338,224	(2.3%)
FHF Loan	\$ 50,000	(0.3%)
HRA Loan (assumed)	\$ 1,179,583	(8.0%)
HRA's CDBG Loan	\$ 250,000	(1.7%)
City's STAR Loan	\$ 74,000	(0.5%)
NEF Contribution	\$ 10,000	(0.1%)
Insurance Proceeds (hail damage)	\$ 50,000	(0.3%)
Construction Sale Tax Rebate	\$ 125,000	(0.8%)
Environmental Reimbursement	<u>\$ 150,000</u>	<u>(1.0%)</u>
Total Sources	\$14,806,980	

Uses:

Acquisition	\$ 3,392,807	(22.9%)
Hard Construction	\$ 6,113,535	(41.3%)
Construction Contingency	\$ 640,703	(4.3%)
Environmental Remediation	\$ 300,000	(2.0%)
Architectural/Engineering	\$ 370,000	(2.5%)
Marketing/Audits/Assessments	\$ 310,000	(2.1%)
Relocation Benefits	\$ 324,000	(2.2%)
Developer's Fee (9.55%)	\$ 1,650,000*	(11.1%)
Carrying/Operating Reserves	\$ 904,233	(6.1%)
Financing Fees	\$ 574,702	(3.9%)

Legal	\$ 175,000 (1.2%)
Syndication Fees	\$ <u>52,000</u> (0.4%)
Total Uses	\$14,806,980

*= (\$236,000 contributed back to project)

PED Credit Committee Review

On May 20, 2013, the PED Credit Committee reviewed the request for Assumption, Assignment, Modification and Subordination of the existing Selby-Dale Cooperative HRA loans and the new CDBG loan. The PED Credit Committee recommended approval of the Assumption, Assignment, Modification and Subordination of the \$600,000 HRA loan and the new \$250,000 CDBG loan for the St. Albans Parks project. Both loans are Risk Rated as Originated Loss.

Compliance

The Applicant has signed the 1st compliance letter for this project. The project will comply with the following programs and/or requirements: Limited English Proficiency, Project Labor Agreement, Section 3, Vendor Outreach Program, Affirmative Action, Labor Standards, Two Bid Policy and Sustainable Green Policy. This project is exempt from Business Subsidy and Living Wage. They estimate that this project will create 57 temporary construction jobs.

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development Policy. In addition, this project will comply with the Green Communities Minnesota Overlay.

The Developer has indicated that they will incorporate the following green initiatives into the project: installation of new high efficiency hot water heaters; high efficiency gas forced air furnaces with setback thermostats; installation new energy star rated light fixtures and kitchen appliances; installation of new exterior envelope with addition of new insulation on all exterior surfaces; new storm water retention system to comply with the current Capital Region Watershed District requirements; and reduction of impervious surfaces.

Environment Impact Disclosure

An environmental review has been completed on this project. No environmental impact was indicated.

Historic Preservation

A 106 Historic Review has been completed on this project. The Developer has worked with the HPC staff on the exterior of the building located at 662-676 Dayton Avenue which is within the Historic Hill Preservation District.

Public Purpose

The project will provide 74 affordable housing opportunities for persons with incomes at or below 60%, 50% and 30% of AMI.

In addition, the Project meets objectives of *The Housing Plan*, adopted as part of the City's Comprehensive Plan, Section 6.0, Strategy 3: Ensure Availability of Affordable Housing.

It also meets the objectives of the Summit-University (District 8) Plan - Area Plan Summary Addendum to the Comprehensive Plan for the City of Saint Paul which states "the community supports quality housing that provides life-long options for residents at all stages of their lives." Recommendations for Housing include: Sec. 24 – "Preserve the existing housing stock with special commitment to the preservation of affordable housing."

Recommendation:

The Executive Director recommends the HRA Board of Commissioners adopt the attached Resolution authorizing the Assumption, Assignment, Modification and Subordination of the \$600,000 HRA loan and the new \$250,000 CDBG loan to St. Albans Park II Limited Liability Limited Partnership to assist in the acquisition and rehabilitation of St. Albans Park (Selby-Dale Cooperative) apartments.

Sponsored by: Commissioner Carter

Staff: Report prepared by: Daniel K. Bayers, (266-6685)

- Attachment A -- Resolution A
- Attachment B -- Map and Address of Project
- Attachment C -- Project Summary Form
- Attachment D -- Sources and Uses Summary Form
- Attachment E -- Public Purpose Form
- Attachment F -- Census Facts