

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

REPORT TO THE COMMISSIONERS

DATE: MAY 14, 2025

**REGARDING: RESOLUTION APPROVING THE LISC CAT FUND MASTER
PARTICIPATION AGREEMENT, CITYWIDE**

Requested Board Action

Approve and authorize a Master Participation Agreement amendment with LISC for the LISC CAT Fund Investment.

Background

In the aftermath of the civil unrest that followed the murder of George Floyd in May 2020, the City of Saint Paul experienced significant impacts on its businesses and properties. Recognizing the need for economic recovery, the Saint Paul Housing and Redevelopment Authority established a \$1,000,000 Civil Uprising Budget in fiscal year 2021 (RES 20-1681). A key objective was to facilitate the transfer of properties in affected areas to existing businesses, local residents, and community-based owners, thereby fostering economic empowerment amidst the challenges of social unrest and the ongoing COVID-19 pandemic.

The Local Initiatives Support Corporation Twin Cities (LISC) created the Community Asset Transition (CAT) Fund, offering flexible and affordable financing for the acquisition of commercial and residential properties within the impacted cultural districts. The HRA Board of Commissioners identified a public purpose in supporting these initiatives to aid Saint Paul's economic recovery. Consequently, on December 8, 2021 (RES 21-1775), the HRA allocated \$500,000 from its Civil Uprising Budget to the LISC CAT Fund and authorized a Master Participation Agreement (MPA) with LISC, which was executed on October 2, 2023.

A summary of the program is included as an attachment "CAT Fund Program Summary." Terms of the HRA's investment are as follows:

- Total HRA commitment: \$500,000

- Maximum investment per project: \$250,000
- Loan term: 5 years or less
- Loan rate: 0%
- Eligible uses: acquisition only
- Eligible borrower: a community-based nonprofit organization

Loans are structured as participation loans, where the HRA investment at 0% interest would create a blended interest rate for the total loan. The blended interest rate results in a rate that is less than if the HRA had not participated in the deal. HRA's right to repayment on loaned funds is subordinated to LISC.

The initial MPA adhered to the CAT Fund "1.0" guidelines, which limited loan terms to a maximum of five years and restricted borrower eligibility to seven pre-approved non-profit developers. The seven pre-approved non-profit developers are Land Bank Twin Cities, Seward Redesign, Neighborhood Development center (NDC), Latino Economic Development Center (LEDC) Partnership in Property Commercial Land Trust (PIP CLT), Just Built Communities, and Model Cities. However, a subsequent iteration, CAT Fund "2.0" introduced by LISC in 2023, offered more flexible terms, including loan terms up to ten years and eligibility extended to include mission-aligned for-profit developers.

To accommodate the needs of a broader range of borrowers and simplify program access, staff recommends amending the Master Participation Agreement (MPA). This amendment will adopt the more flexible Community Asset Transition (CAT) Fund "2.0" guidelines, which broaden eligibility to include both pre-approved non-profit developers and mission-aligned for-profit developers and offer extended loan terms of up to ten years.

Budget Action

None

Future Action

Projects at or above \$50,000 in HRA investment will require HRA Board approval.

Financing Structure

Each project will have a unique funding structure and will be reviewed by the PED Credit Committee and HRA Executive Director. Projects at or above \$50,000 in HRA investment will require HRA Board approval.

PED Credit Committee Review

Requests for funding will be reviewed by the PED Credit Committee on a project-by-project basis.

Compliance

Individual projects will be reviewed for compliance requirements on a project-by-project basis.

Green/Sustainable Development

Projects may have to comply with the requirements of the City of Saint Paul Sustainability Building Policy or the PED/HRA Sustainability Initiative. Applicability will be reviewed on a project-by-project basis.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

The 2040 Adopted Comprehensive Plan includes the following strategies that support this resolution:

- LU-6. Foster equitable and sustainable economic growth by:
 - 1. Facilitating business creation, attraction, retention and expansion;
 - 4. Proactively directing new development to high-priority geographies, such as Neighborhood Notes, ACP50 Areas and Opportunity Sites;

- 5. Encouraging cultural and arts-based businesses and business districts, such as Little Mekong, Little Africa, Rondo and the Creative Enterprise Zone;
- 6. Supporting business, real estate and financial models that keep more money locally, such as locally-owned business, local-prioritized employment, employee-owned businesses and commercial land trusts;
- 9. Developing programs and funding sources for site acquisition and parcel assembly

Statement of Chairman (for Public Hearing)

N/A

Recommendation:

The Executive Director recommends approval of an amendment to the Master Participation Agreement that broadens eligibility to include both non-profit and mission-aligned for-profit developers and offer extended loan terms of up to ten years.

Sponsored by: Chair Johnson

Staff: Angela Riffe

Attachments

- CAT Fund Program Summary