

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 24, 2020

REGARDING: RESOLUTION APPROVING A FORGIVABLE LOAN OF \$98,024.00 OF HOME FUNDS TO CAPITALIZE OPERATING RESERVES FOR AMERICAN HOUSE, A PROJECT LOCATED AT 352 WACOUTA STREET IN SAINT PAUL, DISTRICT 17, WARD 2.

Requested Board Action

1. Approve a forgivable loan of \$98,024.00 of HOME funds to capitalize operating reserves for American House, a project located at 352 Wacouta Street in Saint Paul
2. Authorize the HRA Executive Director to execute all related documents

Background

American House (the “Project”) is a 70-unit single room occupancy development located in St. Paul’s Lowertown neighborhood. The Project houses single adults who have experienced homelessness. The project was acquired by Beacon Interfaith Housing Collaborative (“Beacon”) in 2010 from Amherst H. Wilder Foundation. Beacon is the sole owner through 352 Wacouta LLC.

The Project does not generate any cash flow and the property currently utilizes several resources available to help maintain ongoing property stability. These resources include an Operating Subsidy Grant from MHFA, a contract for Group Residential Housing (Ramsey County) as well as cash infusion from Beacon Interfaith.

Current loans consist of the following:

1st Priority	MHFA PARIF loan (Deferred, 0% interest, due in May 2040)	\$1,669,540
1st Priority	City Existing First HOME Loan (Deferred, 0% interest, due in November 2032)	\$250,000
3rd Priority	Ramsey County Endowment Fund Existing Loan Deferred, 0% interest, due in November 2032	\$250,000
4th Priority	MHFA Existing First HTF Loan (Deferred, 0% interest, due in June 2033)	\$218,506
5th Priority	FHF Existing Loan (Deferred, 0% interest, due in November 2032)	\$200,000
6th Priority	City Existing Second HOME Loan (Deferred, 0% interest, due in November 2017)	\$162,500
7th Priority	MHFA Existing Second HTF Loan (Deferred, 0% interest, due in June 2033)	\$130,000
8th Priority	City Existing Third HOME Loan (Deferred, 0% interest, due in November 2032)	\$50,000

Budget Action - None

Future Action - None

Financing Structure

Current tenants in HOME units may be unable to meet their rent obligations due to the economic impact of the COVID-19 pandemic and at the same time property owners may experience increased operating costs related to increased cleaning and other health measures. In order to address the resulting operating deficits some HOME properties face, HUD has enabled Participating Jurisdictions to take rapid action to establish capitalized reserves to preserve the financial viability of HOME-assisted affordable rental projects currently under a HOME period of affordability that are not financially viable due to COVID-19 .

American House is a single room occupancy property, with no in-unit kitchens and bathrooms, that serves many formerly unsheltered residents. Given the vulnerable population served, and the shared common facilities of this SRO building, the current COVID-19 pandemic has put additional pressure on the Project’s operating expenses and staff has determined that American House is a troubled HOME-assisted rental housing project with a period of affordability ending in 2032.

HUD has waived the requirement of a written memorandum of agreement between HUD and the City as a precondition of this additional funding. The waiver authority can only be exercised if the project owner agrees to forego the following:

1. any distributions of residual receipts resulting from the project throughout the waiver period and for a period of 6 months thereafter;
2. any right under the existing lease agreement or State or local law to pursue legal action against tenants of HOME-assisted units for non-payment of rent and the collection of any fees associated with late payments without prior approval of the City;
3. any adverse credit reporting against tenants of HOME- assisted units for nonpayment of rent or fees without prior approval of the City.

In addition to the above, the total HOME funding for the Project (original investment plus additional investment) must not exceed the per-unit subsidy limit. Beacon Interfaith Collaborative has reviewed the conditions and has agreed with the above requirements. The loan in the amount of \$98,024.00 will fund operating deficits of the Project due to COVID-19, for American House to continue providing services to the homeless population such as housing stability, chemical and mental health, employment and career training. This loan shall mature on December 31, 2020, at which time it will be forgiven if in compliance with program terms. This loan shall bear no interest, and no principal payments shall be due. Any remaining funds not used by December 31, 2020 will be returned to the City.

PED Credit Committee Review

PED Credit Committee reviewed and recommended this request for HRA Board approval on June 2, 2020

Compliance - NA

Green/Sustainable Development - NA

Environmental Impact Disclosure

HOME funding requires an environmental review which has been completed.

Historic Preservation – Not required

Public Purpose/Comprehensive Plan Conformance:

The project meets the public purpose objectives of preservation of existing affordable housing units and conforms to the following plans:

Housing Plan the Comprehensive Plan (2030):

3.1. Support the preservation of publicly assisted and private affordable housing.

d. Support the preservation of other low-income housing units under private ownership and management. The City/HRA should actively work with private owners to ensure the long-term affordability of such units, particularly in neighborhoods where there are fewer housing choices for low-income people.

Statement of Chairman (for Public Hearing)

Recommendation:

The Executive Director recommends adoption of the attached Resolution, approving a forgivable loan in the amount of \$98,024.00 of HOME funds to capitalize operating reserves for American House, per the terms and conditions set forth herein and related documents to be executed.

Sponsored by: Rebecca Noecker

Staff: Jules Atangana - 651.266.6552

Attachments

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