

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 8, 2023

REGARDING: RESOLUTION APPROVING AND AUTHORIZING EXTENTION OF TERMS OF THREE HRA LOANS ASSOCIATED WITH TILSNER BUILDING LIMITED PARTNERSHIP, FOR PROPERTY AT 300 BROADWAY STREET, DISTRICT 17, WARD 2

Requested Board Action

Approving loan modifications for three existing loans associated with Tilsner project to extend their maturity.

Background

Originally built as a warehouse in 1890, The Tilsner building (the “project”) was converted into affordable housing for artists in 1993. Twin Cities Housing Development Corporation (TCHDC) (the “Developer”) is requesting modification of existing City of Saint Paul debt provided through three loans associated with the property. This modification is being requested in anticipation of a future refinancing through the creation of a new limited partnership to be formed for new 9% tax credit financing in 2026 or 2027.

The Tilsner Building Limited Partnership currently owns the Tilsner Artist Lofts, located at 300 Broadway. TCHDC and Artspace Projects, Inc have been partners (51% and 49% respectively) in this development since it was converted in 1993 from a vacant warehouse in to a 66-unit artist community designed for artist live work housing. The unit mix includes 5 studios, 16 one-bedrooms, 38 two-bedroom, and 7 three-bedroom units. Rents and incomes are currently restricted to tenants with income at 60% area median income or below. The building is in an historic district, was eligible for, and received both historic tax credits and low-income housing tax credits. In 2000, the project received a second allocation of tax credits to perform a comprehensive brick tuckpointing project. The extended use Land Use Restrict Agreement (LURA) for the second allocation ends in December 2029.

Budget Action

None.

Future Action

None.

Financing Structure

There are several existing loans associated with the Tilsner Artist Lofts:

Loan	Source	Total	Rate	Loan Type	Maturity Date
1 st Mortgage	US Bank	\$73,364	7.75%	Amortizing	08/10/2024
2nd	Limited Partnership	\$562,533	3.57%, compounded annually	Cashflow Payment	04/01/2019
3rd	Family Housing Fund	\$1,037,292	2%	Deferred until Maturity	12/31/2023
4th	CDBG	\$650,066	2%	Deferred until Maturity	12/31/2023
5th	HRA	\$2,402,002*	6.95%, compounded annually	Deferred until Maturity	12/31/2023
6th	CDBG	250,000	0%	Deferred until Maturity	12/31/2023

*Original principal amount of \$320,000

Staff received a request from TCHDC to extend the HRA/City loans associated with the project: The CDBG loan in the current total principal and interest amount of \$650,066; the HRA loan in the current principal and interest amount of \$2,402,002; and the CDBG loan in the current total principal and interest amount of \$250,000. If approved, these loans will be extended to be coterminous with the LURA in December 2029. There is also a Limited Partnership loan payable to TCHDC and Artspace matured in 2019, and this loan will be extended through December 31, 2023. Staff reviewed financials, the cash flow and projections and determined that the project is unable to pay off the HRA and City loans, in addition to the Family Housing Funds loan all due in December 2023. In addition, the building needs renovation work, including a reconfiguration of the 7 three-bedroom units that are not well suited to house families in this specific location and have been challenging to find tenants. The extension of the loans will allow TCHDC to put together a financing plan to undertake the renovation work and preserve the affordability of the units.

PED Credit Committee Review

On October 31, 2023, the Credit Committee reviewed and approved the terms of the loan modifications and the waiver of HRA loan modification fees above \$500. The HRA fees are 0.5% on outstanding principal balance, or a maximum fee of \$500 for an affordable rental housing project that extends the affordability for at least 15 years. The waiver of fees above \$500 was recommended by the Credit Committee, because the TCHDC is a non-profit, the project has limited cashflow, and the organization intends to keep the units affordable for at least 15 years.

Compliance

None.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

This Project meets several public purpose objectives and will further several planning strategies and goals such as the following:

1. One of the 2040 Comprehensive Plan major housing strategies is to ensure the availability of affordable housing across the city.
2. Comprehensive Plan policy H 3.1. calls for support the preservation of publicly-assisted and private affordable housing.
3. Comprehensive Plan policy H 1.1 calls for increasing housing choices across the city to support economically diverse neighborhoods.
4. Comprehensive Plan policy LU 1.41 calls for promoting the development of a range of housing types and housing values in each of the 17 planning districts.

Recommendation:

The Executive Director recommends approval of the attached resolution which approves the following actions:

1. Recommend approval of the extension of the maturity dates for the three HRA/City loans associated with Tilsner Artist Lofts until December 31, 2029; and
2. Recommend waiving the HRA loan modification fee above \$500; and
3. Upon approval by the City Council, authorizing the Executive Director or her designees to finalize all documents for execution by the appropriate HRA Officers in connection with the Tilsner Artist Loft project.

Sponsored by: Commissioner Noecker

Staff: Angela Riffe, 651-266-8524

Attachments

- **Map**
- **D17 Downtown Neighborhood Profile**