

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

REPORT TO THE COMMISSIONERS

DATE: JANUARY 12, 2022

REGARDING: RESOLUTION AUTHORIZING AND APPROVING THE EXTENSION OF TERMS FOR THREE LOANS, FINANCING OF A \$750,000 CDBG LOAN AND ENTRANCE INTO A LOAN AGREEMENT, AND AN EARLY START FOR THE AMERICAN HOUSE /352 WACOUTA LLC PROJECT, WARD 2, DISTRICT 17

Requested Board Action

The following actions are requested of the Board:

1. Approval of the extension of the maturity date for 30 years with no interest of three existing loans; and
2. Authorizing financing for a new Community Development Block Grant (CDBG) loan in the amount of \$750,000 and entrance into a Loan Agreement; and
3. Authorizing an Early Start.

Background

American House is a 70-unit single room occupancy building located in Saint Paul's Lowertown neighborhood that was acquired by Beacon Interfaith Housing Collaborative/352 Wacouta Street, LLC (Beacon) in May of 2010 from Amherst H. Wilder Foundation. The property houses single adults who have experienced homelessness, and for many of whom chemical dependency and or/mental illness is an ongoing challenge. The staff working at American House is dedicated to ensuring that this much needed housing resource remains available to very low income persons.

Loan Extension

The project is highly-leveraged but has no debt service and all existing debt is deferred. Current funders, which includes Minnesota Housing (MHFA), Family Housing Fund and the City, intend to extend the terms and deferment of the existing debt to be coterminous with new debt being provided by MHFA and the City.

The city has the following three loans in place (listed below in highest to lowest lien priority):

HOME Loan #1

HOME loan in the amount of \$250,000 originated on November 7, 2002. The Declaration of Covenants, Conditions and Restrictions that accompanied this loan set a 30-year period of affordability that is set to expire in 2032. There are no provisions for forgiveness on this loan and the loan matures on November 7, 2032 or if the project ceases to serve very low income individuals.

City Loan #2

Loan Agreement dated December 22, 1997 between the HRA and Wilder Foundation in the amount of \$325,000 and Amended and Restated on December 22, 2007 with a balance of \$162,500. The original amount of \$325,000 was reduced annually by \$16,250 for 10 years provided that the property remains single room occupancy (SRO) and affordable to very low income persons. The maximum amount of forgiveness has been reached and on May 13, 2010, the note was assumed by 352 Wacouta, LLC with a balance of \$162,500. The property came under the ownership of the city via a deed in lieu of foreclosure and was sold to Wilder Foundation in 1997; this loan represents debt that was restructured at that time and not funding that was provided to the project.

HOME Loan #3

HOME Promissory Note dated April 21, 2000 was executed by Wilder Foundation in the original amount of \$100,000. The balance was reduced annually by \$5,000 for 10 years provided the property remains SRO and affordable to very low income persons. The maximum forgiveness on this loan was \$50,000; the maximum amount of forgiveness has been reached and on May 13, 2010, the note was assumed by 352 Wacouta, LLC with a balance of \$50,000.

\$750,000 CDBG Loan

The American House building was initially a factory and warehouse space and was converted to residential on floors 2 through 5 with a first-floor commercial space in the 1980s. A renovation in

2002 converted the first floor commercial and lower-level to program space and common areas for the residents and service providers. The current renovation plans include reconfiguring the ground floor office space to better accommodate on-site supportive service staff and adding a front desk. Additional work will be done to improve the HVAC system, install energy-efficient lighting, renovate the basement community space, replace flooring, paint, and upgrade the security camera system and reconfiguring the front entry to improve safety and security. Minor exterior work such as tuck-pointing, and window repairs and a new roof are also going to be completed.

The building currently has 69 SRO units and 1 one-bedroom unit for a caretaker. The planned renovation will reduce the number of units to 69 total SRO units. There are currently 13 units in the building under a HOME period of affordability that extends to 2032.

Early Start

Beacon has requested authorization for an early start. The purpose of the request is to purchase select materials for the rehabilitation prior to closing. The advanced purchase request is due to several factors including long lead times for material procurement in the current market, and management of construction costs and schedules.

The city's CDBG funds can be used to fund material purchases and construction, however, according to 2 CFR § 200.407, the reimbursement of expenses incurred due to an early start require United States Department of Housing and Urban Development (HUD) approval, which request has been forwarded to HUD for approval. **In the event that HUD does not approve the early start and CDBG cannot be used to reimburse Beacon for these expenses, there are other project sources that can be used to cover these costs. No reimbursements from any source will occur prior to closing, which is anticipated to take place in February or March 2022.**

Budget Action

The current action will require a concurrent City Council administrative order action for the \$750,000 in CDBG funds.

Future Action

No future action is anticipated.

Financing Structure

The developer has proposed the following sources and uses to complete the project:

Sources		Uses	
MHFA HIB Loan	\$2,313,000	Rehab	\$2,056,502
MHFA PARIF Loan	\$100,000	Contractor Fees	\$247,324
City CDBG Loan	\$750,000	Contingency	\$230,383
Met Council LHIA grant	\$335,000	Professional Fees/Soft Costs	\$494,190
Owner Equity	\$350,000	Developer Fee	\$420,000
Sales Tax Rebate	\$54,428	Financing Fees	\$78,890
Energy Rebates	\$5,100	Reserves	\$381,000
Existing Replacement Reserves	\$760		
TOTAL	\$3,908,288		\$3,908,288

The \$750,000 CDBG loan will be at 0% interest (which is the same as the other three City/HRA loans), fully deferred for a period of 30 years. The loan will be subordinate to MHFA's Housing Infrastructure Bonds (HIB) Loan and an existing MHFA Preservation Affordable Rental Investment Fund (PARIF) Loan.

Beacon also received a Local Housing Incentives Account grant from the Metropolitan Council in the amount of \$335,000. The City Council authorized acceptance of this grant by Resolution RES PH 20-43 on February 19, 2020.

The lien priorities will be as follows:

Priority	Source	Principal	Interest	Maturity
1	MHFA Housing Infrastructure Bonds (new)	\$2,313,000.00	0%	Feb 2052
2	MHFA PARIF Loan	\$1,669,540.00	0%	May 2040
3	City CDBG Loan (new)	\$750,000.00	0%	Feb 2052
4	City HOME Loan #1	\$ 250,000.00	0%	Nov 2032
5	Ramsey County Endowment Fund Loan	\$ 250,000.00	0%	Nov 2032
6	MHFA HTF Loan #2	\$ 218,506.00	0%	May 2040
7	Family Housing Fund Loan	\$ 200,000.00	0%	Nov 2032
8	City Loan #2	\$ 162,500.00	0%	Nov 2032
9	MHFA HTF Loan #2	\$ 130,000.00	0%	May 2040
10	MHFA PARIF Loan (new)	\$100,000.00	0%	Feb 2052

11	City HOME Loan #3	\$ 50,000.00	0%	Nov 2032
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The maturity date of all existing financing will be extended to be coterminous with the new loans.

PED Credit Committee Review

On December 14, 2021, the Credit Committee reviewed and approved the terms of the \$750,000 CDBG loan and the extension of maturity dates on the existing loans, and recommended approval of the early start subject to HUD and HRA Board approval.

Compliance

The project will comply with the following compliance programs/requirements:

1. Affirmative Action/Equal Economic Opportunity
2. Vendor Outreach Program
3. Federal Labor Standards
4. Two Bid Policy
5. HUD Section 3
6. Project Labor Agreement
7. Living Wage

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development Ordinance.

Environmental Impact Disclosure

An Environmental Review was completed and resulted in a Finding of No Significant Impact (FONSI). The FONSI was published in the Saint Paul Pioneer Press on July 18, 2020.

Historic Preservation

This project will not require PED's HPC Staff review, but an Historic Review was completed as part of the Environmental Review.

Public Purpose/Comprehensive Plan Conformance:

This project, and the continued support of American House, fulfills a public purpose and is consistent with the 2040 Comprehensive Plan. Policy H-18 in the Housing Chapter of the Comprehensive Plan encourages fostering “the preservation and production of deeply affordable housing (housing affordable to those at 30% or less of AMI), supportive housing and housing for people experiencing homelessness” (p. 132), and Goal 6, Improved access to affordable housing, lists policies that are supportive of the preservation and maintenance of affordable housing (p. 137). See attached Public Purpose form.

Recommendation:

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

1. Approval of a CDBG loan in the amount of \$750,000 and entrance into a Loan Agreement; and
2. Approval of the extension of terms on three existing city loans to be coterminous with MHFA’s first mortgage financing and the CDBG loan; and
3. Approval of the Early Start request, subject to approval by HUD.
4. Authorizing the Executive Director or her designees to finalize all documents for execution by the appropriate HRA Officers in connection with the American House project.

Sponsored by: Commissioner Noecker

Staff: Sarah Zorn, 651-266-6570

Attachments

- **Map**
- **Public Purpose**
- **D17 Downtown Neighborhood Profile**