

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 9, 2015

**REGARDING: RESOLUTION APPROVING A MODIFICATION OF A \$1,000,000
LOAN TO JAMESTOWN HOMES, LLLP, WARD 1, DISTRICT 8.**

Requested Board Action

Approval of an amendment to convert an existing loan to permanent financing for the Jamestown Homes project by extending the terms.

Background

Jamestown Homes (aka Malcolm Shabazz Apartments) is an existing four-building, 73-unit affordable rental housing complex located at 564 Central Avenue. The property is zoned RM2 – medium-density, multiple-family residential and is located three blocks from the Green Line’s Dale Street Station. The buildings were constructed in the 1970s, and all units are currently under a Department of Housing and Urban Development (HUD) Section 8 assistance contract.

Jamestown Homes, LLLP (the “Partnership”), a partnership formed by Twin Cities Housing Development Corporation (TCHDC), purchased the property on July 1, 2014 with the assistance of a \$1,000,000 loan from the HRA using CDBG funds. The Partnership will rehabilitate the structures and retain the project’s Section 8 status. Due to the property’s current condition, the scope of work is extensive and includes updates to HVAC and mechanical systems, a new roof, window and siding replacement, addressing deferred maintenance items, fire code issues, asbestos abatement and cabinet/appliance replacement. Additional external improvements will include retaining wall replacement, site grading, storm water management plan implementation, parking lot enhancements, and ensuring connections within the site and to the Dale Street Station.

The Partnership has secured Low Income Housing Tax Credit 9% allocations from both the HRA and MHFA, and first mortgage financing through HUD. Initial negotiations with TCHDC regarding the HRA funded acquisition loan included the intent to convert the acquisition loan to

permanent financing in the event that the Partnership was able to secure funding for the rehabilitation. Now that the financing has been secured, the Partnership is requesting the modification.

In addition, the Partnership is pursuing an adjustment of common boundary to divide the site into two parcels. Parcel A contains the four buildings as well as the majority of the site improvements. Parcel B is located along Dale Street and is unimproved except for a portion of a small parking lot at the northeast corner. The purpose of the adjustment is to preserve the opportunity to develop the site should the appropriate market conditions be present, as the first mortgage lender is unlikely to release the security interest in the future. In order to protect the HRA's initial investment in the acquisition of the property (both Parcel A and Parcel B), a promissory note for the proportionate value of the HRA investment in Parcel B will be executed.

Budget Action

No further budget action is required. Budget actions for the existing loan were approved under Resolutions 14-846 and 14-1109.

Future Action

No future Board action is required.

Financing Structure

USE	\$	SOURCE	\$
<i>Acquisition</i>	\$ 4,387,892	<i>First Mortgage</i>	\$ 4,100,000
<i>Construction</i>	\$ 8,670,000	<i>HRA Loan</i>	\$ 1,000,000
<i>Contingency</i>	\$ 957,000	<i>Syndication Proceeds</i>	\$13,551,526
<i>Contractor Fees</i>	\$ 900,000	<i>General Partner Cash</i>	\$ 715,000
<i>Professional Fees</i>	\$ 1,044,142	<i>Sales Tax Rebate</i>	\$ 100,000
<i>Developer Fee (net)</i>	\$ 1,185,000	<i>Interim Property Income</i>	\$ 134,968
<i>Developer Fee to Project</i>	\$ 715,000		
<i>Financing Costs</i>	\$ 1,000,729		
<i>Reserves and Non-Mortgageable</i>	\$ 741,731		
TOTAL USES	\$19,601,494	TOTAL SOURCES	\$19,601,494

*Developer Fee to Project is to be returned to the project in the form of GP cash at closing.

Parcel A: The current \$1,000,000 loan is for a five year term with 1% accrued annual interest; interest and principal payments are deferred. The modification would simply involve the extension of the maturity date to be coterminous with the first mortgage financing, which is estimated to be December 31, 2058.

Parcel B: The proportionate value of the land, and the promissory note, is \$25,730. The note will be deferred for 15 years at 1% interest. Payment of the note will be triggered upon sale, transfer or improvement of Parcel B, with the exception of a transfer to the Partnership in which case the note will be forgiven. This transaction is intended to ensure a security interest and is not a financial transaction.

PED Credit Committee Review

The Credit Committee reviewed the proposed terms of the loan modification and security interest in Parcel B at their November 9, 2015 and November 23, 2015 meetings and recommended approval.

Compliance

The following compliance requirements may apply to this project: Vendor Outreach Program, Affirmative Action, Section 3, Labor Standards, Project Labor Agreement and Two-Bid Policy.

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Building Policy. While the project is a rehabilitation project, new square footage will be added in the form of enclosed stairwells, which triggers the policy application.

Environmental Impact Disclosure

CDBG funding requires an environmental review which has been completed and approved.

Historic Preservation

A HUD 106 review is required on this project and has been completed. SHPO has determined that no historic resources will be affected by this project.

Public Purpose/Comprehensive Plan Conformance

This project meets the public purpose objectives of preserving high density, affordable rental housing with access to transit, and conforms to the following plans:

Land Use Chapter of the Comprehensive Plan (2010), Strategy 3: Ensure the Availability of Affordable Housing Across the City

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

b. Support the application of LIHTC, historic tax credits and other appropriate funding sources to maintain existing low-income units. The City/HRA should work with Minnesota Housing, community development corporations, and property owners to continue the provision of low-income housing units in these developments and to use LIHTC on the rehabilitation of existing affordable units.

The project will be a highly-visible gateway development to the Dale Street Station from the south, the existence of which is supported by the Dale Street Station Area Plan. Further, housing goals supported by the Summit-University neighborhood include the provision of a housing mix that provides lifelong options for residents and to maintain the diversity of neighborhood residents.

Recommendation:

The Executive Director recommends approval of the modification in accordance with the attached resolution.

Sponsored by: Commissioner Dai Thao

Staff: Sarah Zorn, 651-266-6570

Attachments

- **Attachment B – Map**
- **Attachment C – District 8 Profile**