

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

REPORT TO THE COMMISSIONERS

DATE: APRIL 12, 2017

REGARDING: APPROVAL OF THE EXTENSION OF THE MATURITY DATE OF CERTAIN MODEL CITIES FAMILIES FIRST No. 1 LLC LOANS, APPROVAL OF A CDBG LOAN OF UP TO \$249,000 TO MODEL CITIES FAMILIES FIRST No. 1 LLC, APPROVAL OF RE-SUBORDINATION OF SOME MODEL CITIES FAMILIES FIRST No. 1 LLC LOANS, AND APPROVAL OF THE ASSIGNMENT AND ASSUMPTION FOR 833 UNIVERSITY AVENUE TO MODEL CITIES FAMILIES FIRST NO. 1 LLC, DISTRICT 7, WARD 1

Requested Board Action

1. Approval of the extension of the maturity date of the CDBG loan for 914 Thomas and a HOME loan for 833 University Avenue, to a new maturity date of June 30, 2047.
2. Approval of a loan of up to \$249,000 of CDBG funds to Model Cities Families First No. 1 LLC for the rehabilitation of 515 N Dale Street.
3. Approval of the transfer of the assignment of assumption for 833 University from Model Cities to Model Cities Families First No. 1 LLC.
4. Approval of the subordination of the HRA loans to a new MHFA first mortgage loan.

Background

Model Cities of Saint Paul is a private nonprofit corporation that has been involved in neighborhood development since 1986.

In 1992, the HRA approved a \$155,000 loan (deferred with 2% interest of HRA Loan Enterprise Funds) to Model Cities for the acquisition and rehabilitation of a 5-unit property located at 515 North Dale to be used as permanent housing for women and their children who are participating in the Model Cities Family First Program. The Loan will be repaid (including accrued interest) in full on the date of closing.

In 2002, the HRA approved a \$25,000 loan (deferred with 0% interest of CDBG funds) to Model Cities for the acquisition of a 10-unit property located at 914 Thomas to be used as permanent

housing for women and their children who are participating in the Model Cities Family First Program.

In 2004, the HRA approved a \$300,000 loan (deferred with 2% interest of HOME funds) to Model Cities for the new construction a 6-unit apartment building located at 833 University as part of their supportive housing program for chronically homeless families and their children.

These properties have critical repair needs including systems replacement. Minnesota Housing (MHFA) and Federal Home Loan Bank have committed funds in the respective amounts of \$1,007,064 and \$350,000 to Model Cities to correct deferred maintenance, replace worn out items, and improve energy efficiency in the properties located at 914 Thomas, 515 Dale, and 833 University. MHFA requires the new PARIF 30-year loan to be placed in the first mortgage position, with subordinate loans to be coterminous.

Model Cities Families First No. 1 LLC is the fee owner of 914 Thomas Avenue N and 515 Dale Street. Currently, Model Cities of St. Paul, the nonprofit parent corporation, is the sole member of Model Cities Families First No. 1 LLC. To simplify the project structure by consolidating properties and asset management, an existing Model Cities subsidiary corporation, Model Cities Supportive Housing LLC, will be appointed as the sole member of Model Cities Families First No. 1 LLC. In addition, 833 University (currently owned by Model Cities of St. Paul) will be transferred to Model Cities Families First No. 1 LLC, the single-asset entity. The sole member of Model Cities Supportive Housing LLC is Model Cities of St. Paul. This change has been approved by the Model Cities of St. Paul Board of Directors.

Budget Action

None. The funds for the loan are already budgeted in the CDBG rehabilitation Program.

Future Action

None

Financing Structure

The project is scattered on three different addresses located at 515 North Dale (5 units), 914 Thomas Avenue (10 units), and 833 University Avenue (6 units), for a total of 21 Units.

MHFA will be providing \$1,007,064 in new funding and all the existing debt will be subordinated (assuming HRA Board approval). The Federal Home Loan Bank has awarded a \$350,000 grant to assist with the rehabilitation.

HRA will be loaning up to \$249,000 of CDBG funds to be used to pay costs associated with the rehabilitation of 515 N Dale.

Other current loans (including Family Housing Funds and MHFA loans) will be extended until 2047 to be coterminous with the new MHFA PARIF loan.

PED Credit Committee Review

On April 10, 2017, the PED Credit Committee reviewed the proposed terms of the request.

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, Strategy 3: Ensure the Availability of Affordable Housing Across the City.

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

Recommendation:

The Executive Director recommends adoption of the attached Resolution as detailed in this report.

Sponsored by: Commissioner Thao

Staff: Jules Atangana 6-6552

Attachments

- **Attachment A– Map**
- **Attachment B– District 7 Profile**