

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 9, 2022

REGARDING: RESOLUTION APPROVING LOAN MODIFICATIONS ASSOCIATED WITH THE SELBY COMMONS AND WILKINS TOWNHOMES PROJECTS AND ASSIGNMENT AND ASSUMPTION OF LOANS BY SELBY WILKINS LLLP - DISTRICT 8, WARD 1.

Purpose

The purpose of this report is to request the Housing and Redevelopment Authority Board of Commissioners to approve the attached Resolution that approves:

1. Loan modifications for several existing loans associated with the Selby Commons and Wilkins Townhomes projects including the release and mortgage satisfactions for six Selby Commons properties: and
2. Assignment and assumption of the remaining loans by a new limited liability limited partnership associated with the Selby Wilkins Project.

Background

In 2021, Twin Cities Housing Development Corporation (TCHDC) received an allocation of 9% Low Income Housing Tax Credits (LIHTC) from both the City of Saint Paul and Minnesota Housing to renovate and refinance 53 units of scattered site affordable rental housing made up of 30 units from the project currently known as Selby Commons and 23 units from the project currently known as Wilkins Townhomes. Upon the combination of these properties and formation of a new limited partnership to finance the project will now be called the Selby Wilkins Project (the “Project”). The new financing will allow for much needed renovation to the properties in order to preserve the Project so it can remain affordable for another 30 years. Due to increased construction and interest costs, TCHDC has a supplemental application in for additional 9% LIHTC that will be considered for approval by the HRA Board at this November 9, 2022, meeting.

WILKINS TOWNHOMES AND SELBY COMMONS

Wilkins Townhomes is a 23-unit scattered-site affordable townhome community located in three separate buildings with 100% of the units assisted with Project Based Section 8. The project is attractive to families due their large townhome layout. The property was constructed in the early 1980s and has had no substantial improvements to date. TCHDC purchased the property in 2020 in anticipation of combining it with another scattered site development they own called Selby Commons. TCHDC has owned and operated Selby Commons since the early 1990's. It consists of 12 buildings located along a 5 block stretch of Selby Avenue and has a total of 38 units with two, three, and four-bedroom units in single-family, duplex, and triplex buildings and one apartment building with 10 two-bedroom units and 11,000 sq. ft. of commercial space. The scattered site design of both developments individually is inefficient and challenging to remain financially feasible. Combining the two developments will increase the efficiencies of operating these scattered site units.

TCHDC has requested the modification of existing City of Saint Paul and HRA debt associated with the properties in anticipation of the assignment and assumption of the loans by the new Selby Wilkins Limited Liability Limited Partnership. In addition, TCHDC is selling 6 of the 12 original Selby Commons properties for affordable home ownership opportunities. These 6 properties consist of 4 duplexes and 2 single-family homes. TCHDC currently has an executed Purchase Agreement with Land Bank Twin Cities ("Land Bank"), who will own and operate these as rental properties until the current tenants choose to move out, and then will seek out a partner development entity that can help complete needed renovation and find a Low/Mod income home buyer.

The Land Bank will also partner with Family Housing Fund (FHF) to work with potentially Low/Mod income buyers interested in participating in their homebuyer education program for the acquisition and operation of duplex properties. They have also consulted with Rondo Community Land Trust who may be interested in purchasing one or more of the properties. As part of the purchase agreement, TCHDC plans to loan \$300,000 to the Land Bank (and/or their development partner) to help fund needed rehabilitation work on these

properties. As long as there is a qualified Low/Mod income buyer, the loan will be forgiven if the Low/Mod buyer remains in the property for at least 5 years.

The 6 properties that will remain from Selby Commons after the sale of the 6 properties identified above to the Land Bank will be part of the included in the new Selby Wilkins Project. These remaining properties are made up of 3 duplexes, 2 triplexes, and a multi-unit building with first floor commercial space. The commercial space will be converted into an additional 8 units of housing for a total of 18 units in that multi-unit building. These 6 properties have a total of 30 units and combined with the 23 units in Wilkins Townhomes will make up a total of 53 units which will assume the outstanding City/HRA debt as part of the new financing.

Housing Rents

Of the 53 units, 23 are assisted with Project-Based Section 8 and will be affordable to households earning 30% Area Median Income (AMI) and less. The Section 8 HAP contract was recently renewed and is in place until 2052. The remaining 30 units will be affordable to households earning 60% AMI and less and will remain affordable for 30 years.

Size and Income /Rent Limits of Units:

Size	# of units	Gross Rent	Rent Limit	Income Limit	Rent Assistance
2 BR	17	\$1,617	50%	30%	Section 8
3 BR	6	\$1,940	50 %	30%	Section 8
2 BR	10	\$1,429	60%	60%	
2 BR	8	\$1,345	60%	60%	
3 BR	9	\$1,556	60%	60%	
4 BR	3	\$1,740	60%	60%	
Total	53				

Developer Experience

TCHDC was formed in 1984 with the intent to create affordable family rental housing options throughout the metro area. They intend to maintain high quality and the affordability for a long term. To date they have built or renovated 2,800 units of housing and 17,000 square feet of commercial space. Recent Saint Paul projects include St. Albans Park, St. Phillips Gardens, East Side Commons and Jamestown Homes. They do seek to link housing with supportive services and job opportunities whenever possible.

Budget Action

None.

Future Action

None

Financing Structure/Loan Assumption

There are several existing loans associated with both the Selby Commons and Wilkins Townhome projects. These loans will be consolidated and refinanced and then assumed by the new Selby Wilkins Limited Liability Limited Partnership as follows:

	New loan modifications						
				Accrued			
	Loan #	Source	Principal	Interest	Total	Rate	Term
2nd Position							
	37170-1	HRA Funds	\$ 327,660.00	\$ 85,635.90	\$ 413,295.90		
	37225-3	HRA Funds	\$ 1,054,456.50	\$ 278,669.40	\$ 1,333,125.90		
	20036-2	HRA Funds	\$ 40,000.00	\$ 69,892.76	\$ 109,892.76		
Sub-Total			\$ 1,422,116.50	\$ 434,198.06	\$ 1,856,314.56	1.00%	30 yrs
3rd Position	20036-1	CDBG	\$ 210,000.00	\$ 115,500.00	\$ 325,500.00		
	37225-2	CDBG	\$ 1,054,456.50	\$ 278,669.40	\$ 1,333,125.90		
	11093-1	CDBG	\$ 119,500.00	\$ 31,084.34	\$ 150,584.34		
	11072-2	CDBG	\$ 120,156.81	\$ 31,225.08	\$ 151,381.89		
	11073-3	CDBG	\$ 122,000.00	\$ 30,277.00	\$ 152,277.00		
	38657-1	CDBG	\$ 1,300,000.00	\$ 34,552.90	\$ 1,334,552.90		
Sub-Total			\$ 2,926,113.31	\$ 521,308.72	\$ 3,447,422.03	1.00%	30 yrs
Total Debt Assumed			\$ 4,348,229.81	\$ 955,506.78	\$ 5,303,736.59	1.00%	30 yrs

The newly consolidated loans will have a 1% interest rate and term of 30 years to be coterminous with the first mortgage loan. The HRA loan will be in second collateral position behind the new first mortgage loan and the CDBG loan will be in third collateral position.

Sources and Uses of Funding:

The following is to show the anticipated new financing related to the Selby Wilkins project:

Sources and Uses for New Financing of 9% LIHTC for Selby Wilkins:

USE	\$	SOURCE	\$
Acquisition	\$ 6,089,869	First Mortgage	\$ 2,244,000
Rehabilitation	\$ 10,453,838	Syndication Proceeds	\$ 14,464,620
Contractor Fee	\$ 1,314,925	<i>GP Cash</i>	\$ 250,000
Contingency	\$ 1,177,000	Sales Tax Rebate	\$ 155,450
Professional Fees	\$ 1,540,000	Energy Rebate	\$ 22,500
Financing Costs	\$ 665,053	Assumed HRA debt	\$ 3,818,000
Replacement Reserves	\$ 303,000	Assumed City Debt	\$ 1,300,000
		Selby Wilkins Cash	\$ 675,383
TOTAL USES	\$22,930,513	TOTAL SOURCES	\$22,930,513

PED Credit Committee Review

On October 25, 2022, the PED Credit Committee reviewed and approved the terms of both the loan modifications and the assignment and assumption of HRA/City loans by Selby Wilkins LLLP.

Compliance

There will be no contract compliance requirements for the newly consolidated loans because the loans are simply being refinanced. The Project will need to comply with Vendor Outreach, Affirmative Action, Labor Standards, Project Labor Agreement, and the 2-Bid Policy.

Green/Sustainable Development

The Selby Wilkins Project will comply with Saint Paul Sustainable Building Ordinance.

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. The Summit University Neighborhood policy 24 calls for preserving the existing housing stock with special commitment to the preservation of affordable housing.
5. Comprehensive Plan policy LU 1.8 calls for encourage the development of townhouses and smaller multi-family developments, compatible with the character of Established Neighborhoods.
6. 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 and requests the HRA Board of Commissioners consider adoption of the attached Resolution which will:

1. Approve the proposed loan modifications and terms as described in this report and release of six properties as collateral from these loans: and
2. Approve the assignment and assumption of two modified loans by the new Selby Wilkins Limited Liability Limited Partnership.

Sponsored by: Commissioner Russel Balenger

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Map**
- **Public Purpose**
- **D8 Summit University Neighborhood Profile**