

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 25, 2025

REGARDING: RESOLUTION APPROVING THE EXTENSION OF TERMS AND INCREASING RENTS FROM 50% AMI TO 60% AMI OF AN HRA DEFERRED LOAN AND ASSUMING AND SUBORDINATING EXISTING HRA DEBT TO NEW OWNERS AT 1068 RAYMOND AVENUE, DISTRICT 12, WARD 4

Requested Board Action

Requesting the Saint Paul Housing and Redevelopment Authority (HRA) Board of Commissioners to approve:

- **Extension of an HRA deferred loan and an increase in rent restrictions from 50% AMI to 60% AMI;**
- **Assumption of the HRA loan by the new building owners and subordination to a new first mortgage lender; and,**
- **Entrance of a declaration of covenants that will continue to keep the building affordable to tenants at or below 60% AMI; and**
- **Entrance into a Relocation Agreement with the current owner for the project at 1068 Raymond Avenue**

Background

The Park Crossing Project, located at 1068 Raymond, is a 19-unit apartment building consisting of 5 three-bedroom units, 11 large two-bedroom units and 3 one-bedroom units. The low-income housing tax credit project was constructed in 1991 by Project for Pride in Living (PPL). The HRA provided PPL with a \$525,000 HRA Loan Enterprise Fund deferred loan with a 2% interest rate through July 10, 2021 to help construct the building. All units have been restricted to 50% of area medium income (AMI) under the executed loan agreement.

Since the building's construction in 1991, PPL has owned and operated the property at 1068 Raymond. In recent years, the project has been operating at a loss and the project has expended all available reserves. PPL has funded the operating shortfalls and invested \$350,000 to replace the roof, siding, windows and add a new camera security system. PPL has modeled a 15-year proforma with rents at 50% AMI and has shown that the project will not be able to cashflow at current rent restrictions.

PPL desires to sell the property and has entered into a purchase agreement with a new ownership entity. The new ownership entity is a tenant-in-common agreement (TIC) between Joseph Hughes and JF Development LLC. Mr. Hughes will be 60% owner of the building. JF Development is owned by Judd Fenlon and will be 40% owner of the property. Josephs Hughes' company, Union Park Management, will be the property manager. Mr. Hughes and Mr. Fenlon own several properties in Saint Paul that are considered naturally occurring affordable housing, and this will be the first project with affordability restrictions for either owner.

The buyers have reviewed the project financials and also concluded they would not be able to make the project cashflow with rents at 50% AMI. Therefore, PPL and the buyers are requesting to increase rents from 50% AMI to 60% AMI for the property to remain financially viable under new ownership. Also, the buyers have proposed to assume the HRA deferred loan through September 2029 and have requested a subordination to a new first mortgage lender. The HRA will add a declaration of covenants on the property to be coterminous with the loan extension.

PPL appreciates that increasing rents could adversely impact current tenants. PPL is offering to relocate tenants that are in good standing and are unable to pay the increased rents to other nearby PPL-owned properties. Currently, five units at Park Crossing are vacant and intentionally being held offline so that the sale and rent increase would not negatively impact a new household. Three households have Tenant-Base Section 8 vouchers and will not be economically impacted by an increase in rent. There are up to 11 households that could be impacted by a rental increase.

On August 23, all households received the Notice of Sale and Tenant Election form. If the tenant chooses to relocate PPL staff will work closely with the tenants to choose a property from PPL's

portfolio. An internal working group consisting of property management, asset management and resident services staff is meeting weekly to better assist tenants. This group will also assist residents in finding alternative housing outside of PPL’s portfolio and arrange for movers and moving supplies, if needed.

Tenants will have 45 days to make an election if they are interested in relocating to a different property within PPL’s property portfolio, which is October 7th. Tenants will need to be moved by December 31, 2024. The buyers have agreed to hold rents at current levels for existing households through December 31, 2024. This condition was written into the purchase agreement. There is a relocation agreement that defines these terms that the HRA and PPL would enter into. The buyers also agree existing tenants in good standing that desire to lease at 1068 Raymond Avenue after the sale will be honored and defined in the assumed mortgage, note and loan agreement.

Budget Action

NA

Future Action

NA

Financing Structure

The \$525,000 HRA loan has an interest rate of 2% and a term of 30 years deferred. The loan matured on July 10, 2021. Interest has continued to accrue. The current balance with accrued deferred interest is \$878,266.69 as of September 5, 2024. With the proposed extension, the loan would mature in September of 2029.

The first priority lender is Platinum Bank. The loan amount is \$997,405 at 7.25% for the first 5 years and then the rate will reset to federal home loan bank + 3.5% for the remaining 5 years. The loan will mature in ten years.

Sources and Uses

Below is a look at the sources and uses for the buyers to acquire the building:

Sources	
Bank Note	\$ 997,405
HRA debt	\$ 878,267
Equity	\$ 1,957
Total Sources	\$1,877,629

Uses	
Acquisition	\$1,850,000
Starting Cash	\$ 5,000
Financing	\$ 9,379
Appraisal	\$ 3,500
Appraisal Review Fee	\$ 750
Legal	\$ 2,500
Title & Closing	\$ 6,500
Total Uses	\$1,877,629

PED Credit Committee Review

The Credit Committee reviewed the proposed loan extension, assumption of the loan to the new owners and subordination to new first position lender at their September 10, 2024 meeting and approved the loan in the second lien position behind the first position lender. The Risk Rating of the loan will remain Substandard.

Compliance

This action will not influence Compliance areas.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

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 supporting the preservation of publicly-assisted and private affordable housing.

Recommendation:

The HRA Executive Director recommends approval of the resolution to extend the loan terms and increase rents from 50% AMI to at or below 60% AMI, and for the buyers to assume and subordinate to the first priority lender the existing HRA deferred loan with the addition of a declaration of covenants, and the entrance into a relocation agreement with PPL.

Sponsored by: Commissioner Jalali

Staff: Angela Riffe

Attachments

- **Map**
- **D12 St. Anthony Park Neighborhood Profile**