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

REPORT TO THE COMMISSIONERS **DATE: MAY 14, 2025**

REGARDING: RECOMMENDING THE AUTHORIZATION AND APPROVAL OF THE PURCHASE OF A $150,000 PARTICIPATION INTEREST IN THE LISC CAT FUND FOR THE ACQUISITION OF 964-968 PAYNE AVE, DISTRICT 5, WARD 6

Requested Board Action

Authorize and approve the purchase of a $150,000 participation interest in the LISC CAT Fund for the acquisition of 964-968 Payne Ave.

Background

Launched in 2021, Local Initiative Support Corporation (LISC) Twin Cities' Community Asset Transition (CAT) Fund combines LISC debt with mission-driven investments to secure key properties and support community-led transformation and ownership. Projects eligible for the CAT Fund can be located anywhere citywide with priority areas in recognized cultural districts in the city including Hamline-Midway (Little Africa); Frogtown-Rondo; Little Mekong; and East 7th cultural districts. To date, the LISC CAT fund has provided funding to these Saint Paul projects: 30,000 Feet at 1351 Arcade ($369,704), New Verticals (Kali Terry) at 8 Winter St. ($540,000), and WalkerWest Music Academy at 650 Marshall ($2,475,000).

On December 9, 2021, the HRA approved Resolution 21-1775 which allocated $500,000 of Civil Unrest Funding to support the LISC CAT Fund via a Master Participation Agreement (MPA). LISC and the HRA entered into a MPA for the original CAT Fund 1.0 guidelines on October 2, 2023, with funds encumbered in the 2024 HRA budget. The MPA specifies that HRA funding per project is not to exceed $250,000 or 50%, whichever is less, of the total acquisition cost, and that LISC will underwrite projects while the HRA provides approvals for its participation. Eligible projects include commercial, mixed-use or residential properties that produce healing, ownership,

and/or generational wealth for those impacted by the civil unrest following the death of George Floyd and/or the economic fallout of the COVID-19 public health emergency.

Per the MPA, funding is are structured as a participation loan, where the HRA investment at 0% interest would create a blended interest rate for the total loan. The blended interest rate results in a rate that is lower than if the HRA had not participated in the deal. HRA's right to repayment on loaned funds is subordinated to LISC.

MPA Amendment

To accommodate the needs of a broader range of borrowers and simplify program access, an amendment to adopt the more flexible "CAT Fund 2.0" guidelines will broaden eligibility to include both non-profit and mission-aligned for-profit developers and offer extended loan terms of up to ten years. The changes will allow more flexibility and more readily meets project needs.

This Project

Georgia Fort, through her wholly owned entity 968 Payne LLC, is under contract to acquire 964-968 Payne Ave for $400,000. She has exercised an extension under the Purchase Agreement to close by May 28, 2025. The acquisition would be for both parcels, which consist of the 4,439 square foot building at 968 Payne Ave and the 10,242 square foot, L-shaped parking lot at 964 Payne Ave. Both parcels are currently owned by the owners of Anderson Shoes, who are looking to sell their longtime business location as they seek retirement.

Ms. Fort's proposal is to improve and update the building's main floor to house the for-profit BLCK Press LLC and the non-profit Center for Broadcast Journalism. A second-floor room would be used in the first two years as a business suite and in the third year, another part of the second floor would be renovated to house a broadcast studio. The acquisition and pre-development costs are anticipated to be $481,000 with LISC, the HRA (CAT Fund), and borrower's equity providing financing for the project.

The project will support the activation of a vacant building and the revitalization of one of the most prominent intersections on the East Side of St. Paul, which is one of the most culturally diverse

communities in Minnesota and a priority area for LISC-Twin Cities. It is also a Building Sustainable Communities neighborhood, a Creative Placemaking cultural district, and an area of historic investment.

Budget Action

None

Future Action

None

Financing Structure

The acquiring entity is 968 Payne LLC, an entity wholly owned by Georgia Fort. The loan will be guaranteed by Ms. Fort and her for-profit media company BLCK Press LLC. Sources and Uses for acquisition and pre-development were reviewed as part of LISC's underwriting and are shown below:

	SOURCES		**USES**	
Phase	**Type**	**Amt.**	**Type**	**Amt.**
Acquisition / Pre-development				
	LISC	$ 275,000	Acquisition	$ 400,000
	City	$ 150,000	Phase 1 & Phase 2 Financial Consulting	$10,000
	Borrower Equity	$ 56,000	Legal	$15,000
			Architect	$10,000
			Appraisal	$2,500
			Legal- Easement and Contract review	$15,000
			Environmental	$2,000
			Loan Origination	$4,250
			Interest Reserve	$7,500
			Operating Reserve	$11,500
			Misc	$3,250
Total		**$ 481,000**		**$ 481,000**

The loan would have the following terms:

- Total Loan Amount from LISC to Borrower: $425,000
- Term: 6 years (with MPA amendment to allow up to 10-year terms)
- Rate to borrower: 1.706% (LISC rate: 2.636%, HRA rate: 0%)
- Amortization: 25 years
- 24 months interest only payments (12 months int. only from int. reserve, 12 months int. only from project cash flow)
- Monthly payment: $1,750
- Balloon at end of term when project is refinanced, or any time property is sold

A loan repayment schedule was also generated for LISC's loan underwriting for the 6-year term of the loan and is shown below:

Loan Repayment Schedule							
	%[6]	**Year 1***	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**
Gross Rental Income(%)[2,3]	2%	$50,400	$51,408	$64,436	$65,725	$67,039	$68,380
Less: Vacancy (%)[4]	10%	$5,040	$5,141	$6,444	$6,572	$6,704	$6,838
Total Effective Gross Rent		**$45,360**	**$46,267**	**$57,993**	**$59,152**	**$60,335**	**$61,542**
Utilities	3%	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796
Maintenance & Repairs	3%	$3,000	$3,090	$3,183	$3,278	$3,377	$3,478
Insurance	3%	$3,500	$3,605	$3,713	$3,825	$3,939	$4,057
Property Taxes	3%	$10,876	$11,202	$11,538	$11,884	$12,241	$12,608
Total Operating Expenses[6]		**$22,376**	**$23,047**	**$23,739**	**$24,451**	**$25,184**	**$25,940**
free and clear cash flow		**$22,984**	**$23,220**	**$34,254**	**$34,702**	**$35,151**	**$35,602**
Interest Only Period (note "NA" as needed)		$0	$7,251				
1st Mortgage				$20,894	$20,894	$20,894	$20,894
2nd Mortgage		n/a	n/a	n/a	n/a	n/a	n/a
Total Debt Service		**$0**	**$7,251**	**$20,894**	**$20,894**	**$20,894**	**$20,894**
Net cash flow		$22,984	$15,969	$13,360	$13,807	$14,257	$14,708
DSCR		**n/a**	**3.20**	**1.64**	**1.66**	**1.68**	**1.70**

Repayment to the HRA of its principal is anticipated at the end of the 6-year loan term. While not anticipated for this loan, the HRA would only receive repayments during the term of the loan if

LISC's portion of the loan is fully repaid before the end of the 6-year term. At loan maturity, the full amount of the HRA loan will be due and remitted to the HRA by LISC according to an order described in the below section, 'Collateral and Conditions.'

PED Credit Committee Review

PED Credit Committee reviewed the project on April 29, 2025, and approved the loan terms with a risk rating of Vulnerable, contingent upon LISC's final approval and provided the loan was guaranteed by Ms. Fort and BLCK Press LLC.

Compliance

The following compliance requirements may apply to this project: Vendor Outreach Program, Affirmative Action, and Business Subsidy.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

Ms. Fort's acquisition and proposed redevelopment aligns with the goals and policies of the City's 2040 Comprehensive Plan in the following areas:

<u>Goals</u>

- HP-2. The preservation of built, cultural and natural environments that express the identity and sense of place of Saint Paul.

- HP-4. City investments in built, cultural and natural environments and in historic and cultural resources that reflect the broader City priorities.

Policies

- LU-6. Foster equitable and sustainable economic growth by:
    - (1) facilitating business creation, attraction, retention and expansion.
    - (2) supporting family-sustaining jobs and enhancing workers' skills to excel at those jobs.
    - (3) growing Saint Paul's tax base in order to maintain and expand City services, amenities and infrastructure.
    - (4) proactively directing new development to high-priority geographies, such as Neighborhood Nodes, ACP50 Areas and Opportunity Sites.
    - (5) encouraging cultural and arts-based businesses…
    - (6) supporting businesses, real estate and financial models that keep more money locally…
    - (9) developing programs and funding sources for site acquisition and parcel assembly.
- LU-10. Activate streetscapes with active first-floor uses, street trees, public art, outdoor commercial uses and other uses that contribute to a vibrant street life.
- LU-33. Promote amenities that support those who live and work in Neighborhood Nodes, including frequent transit service, vibrant business districts, a range of housing choices, and neighborhood-scale civic and institutional uses…

Recommendation:

The Executive Director recommends approval of the resolution authorizing the purchase of a $150,000 participation interest in the LISC CAT Fund for the acquisition of 964-968 Payne Ave by 968 Payne LLC.

Sponsored by: Commissioner Yang

Staff: Jonathan Reisetter, Principal Project Manager 266-9119

Attachments

- **Map**
- **D5 Downtown Neighborhood Profile**