

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2017

REGARDING: APPROVING HRA GRANT AND LOAN FOR THE VICTORIA THEATER ARTS CENTER PROJECT LOCATED AT 825 UNIVERSITY AVENUE WEST, DISTRICT 7, WARD 1.

Requested Board Action

Two actions are being requested of the HRA Board: 1) approve a \$200,000 HRA grant (the “Stabilization Grant”) to Land Bank Twin Cities Inc. (the “Owner”) for the Victoria Theater Arts Center located at 825 University Avenue West (the “Property”) in order to repair the roof and stabilize the building (the “Stabilization Project”); and 2) approve a \$412,000 HRA loan (the “Rehabilitation Loan”) to the Victoria Theater Arts Center for the acquisition and rehabilitation of the Property for use as a community arts center (the “Rehabilitation Project”).

Background

The Property, vacant since 2006, is a structure with historic significance, designated by the city as a heritage preservation site. It was purchased by the Owner in 2014. The Victoria Theater Arts Initiative (“VTAI”) – a community organization interested in renovating the Property for use as a community space for multiple pursuits including theater production, and event and space rentals – has been working for the last several years to acquire and renovate the Property. The Owner has to date been holding the Property for this theater initiative.

The Property is in poor condition, and roof replacement and other building-shell repairs have been identified as an immediate area of focus to stabilize the building and prevent further deterioration. The estimate for repairs is \$200,000. The \$200,000 grant to the Owner is intended to cover these costs in order to preserve the Property until the Rehabilitation Project can proceed.

VTAI received \$63,000 in grant funding from the Central Corridor Funders Collaborative to hire consultants to create market feasibility, financial, and fundraising plans. In late 2016, a 501c3 was formed – the Victoria Theater Arts Center (the “Developer”) – to undertake the

Rehabilitation Project. Julie Adams Gerth was hired as executive director. She brings years of experience operating a community theater. In addition, two experienced fundraising consultants – Peter Pearson and Patrick DeWane – were hired to begin raising funds for the Project.

The Rehabilitation Loan is requested for acquisition, which includes the purchase price of \$250,000 plus the additional holding costs. The remaining balance would go to the project. Although the Rehabilitation Loan will not be disbursed until the Rehabilitation Project is fully-funded and determined ready to proceed, the HRA commitment bolsters the Developer’s capacity for fundraising.

Budget Action

The entire amount of \$612,000 would be funded from the HRA Loan Enterprise Fund, of which \$150,000 was previously budgeted from Lofts sales proceeds. The budget will be amended per the attached financial analysis.

Future Action

No further action by the HRA Board is required provided the HRA Executive Director determines that all conditions required for disbursement of the Stabilization Grant and Rehabilitation Loan have been satisfied.

Financing Structure

The complete financing structure for the acquisition and rehabilitation is unknown at this time because the Developer is in the early stages of its fundraising. In 2015, estimates by Miller Dunwiddie Architecture and Flannery Construction determined the approximate costs of the Rehabilitation Project:

Project	Cost
Acquisition	\$450,000
Professional Consultant	\$273,000
Fixture, Furniture, & Equipment	\$100,000
Construction	\$1,340,000
Contingency (10%)	\$216,300
Total	\$2,379,300

The proposed terms and conditions of the Stabilization Grant and Rehabilitation Loan are as follows:

1. Disbursement of the \$200,000 Stabilization Grant to the Owner is contingent on execution of a purchase agreement with the Developer for the Property. If the Owner does not complete the sale to Developer within three years, and sells or transfers to a new developer, the Owner must repay the HRA a pro-rata amount of the net sales proceeds based on the ratio of the Stabilization Grant to the documented acquisition and holding costs incurred by the Owner.
2. The \$412,000 Rehabilitation Loan to the Developer will be forgivable over a 15-year term at 0% interest. The closing on the Rehabilitation Loan is contingent on the Developer having all its funding in place, including the following:
 - a. Letters of Intent from Theater Groups, Artists, and potential Renters for Event and Performance Space;
 - b. Adjusting “Revenue Earned and Contributed” in pro forma to reflect industry norm (40% Earned, 60% Contributed) with calculated Sewer Access Charges (currently not included);
 - c. Provide conservative, modest, and optimistic earned revenue ranges for pro forma; and
 - d. Evidence of Construction Financing – Sources & Uses.

The principal amount of the Rehabilitation Loan will be forgiven 1/15 each year beginning with the issuance of the Certificate of Occupancy, based on operations and a minimum number of 12 events per year. If the Developer falls short of the minimum number of events, a pro-rata portion will be forgiven, with the balance then due deferred until maturity. If the Property is sold or transferred to another entity, all outstanding principal will be due immediately.

PED Credit Committee Review

The Credit Committee reviewed the project on November 7, 2017. The Rehabilitation Loan will be risk rated as Forgivable.

Compliance

The Developer and the Owner will sign the compliance letters regarding the Stabilization Project and Rehabilitation Project, respectively. Both Projects will comply with the following programs and/or requirements: Vendor Outreach Program, Green Policy, Two Bid Policy, Living Wage, Affirmative Action, and Local Labor Standards.

Green/Sustainable Development

The Stabilization and Rehabilitation Projects will comply with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

N/A

Historic Preservation

In April 2011, the City Council (ORD 11-23) approved the designation of the Victoria Theater as an individual heritage preservation site. Heritage Preservation Commission suggested resubmission for further consideration for National Register of Historic Places designation, which would make the building eligible for state and federal historic tax credits.

Public Purpose/Comprehensive Plan Conformance

The following public purposes will be met:

1. A building that has been vacant since 2006 will be renovated and used.
2. Investment will be made in a historic resource along a transit corridor as part of a larger neighborhood revitalization and reinvestment strategy.
3. A community theater space will be created in an underserved neighborhood.

Statement of Chairman (for Public Hearing)

N/A

Recommendation:

The Executive Director recommends approval of the resolution providing: 1) a \$200,000 HRA grant to the Land Bank for the Stabilization Project; and 2) a \$412,000 forgivable HRA loan to VTAC for the Rehabilitation Project located at 825 University Avenue West.

Sponsored by: Council Member Dai Thao

Staff: Marcq Sung – 651.266.6615

Attachments

- **Budget Amendment**
- **Map**
- **Public Purpose**
- **District 7 Profile**