

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 26, 2020

**REGARDING: RESOLUTION AUTHORIZING AND APPROVING THE
RESTRUCTURING OF TWO LOANS FROM HRA LOAN ENTERPRISE
FUND TO FROGTOWN ENTREPRENEUR CENTER AT THE
NORTHWEST CORNER OF UNIVERSITY AVENUE AND DALE STREET
TO SUPPORT THE NORTHWEST UNIVERSITY DALE PROJECT;
DISTRICT 7, WARD 1**

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

1. Restructure two existing HRA loans from the HRA Loan Enterprise Fund to Frogtown Entrepreneur Center, LLC (“FEC”), in the amounts of \$50,383 and \$44,547 (representing outstanding principal and interest as of November 30, 2019), into one loan in the amount of \$94,930 with a term of 20 years, at 0% interest rate, and a seven-year deferral. Any interest accrued since November 30, 2019 will be waived.
2. Release the HRA mortgages on 625 and 627 University Avenue and obtain a new mortgage on 501 Dale Street North.
3. Authorize the Executive Director of the HRA to finalize the loan amendments.

Background

FEC executed an HRA loan in the amount of \$65,000 on January 7, 1997 to help purchase and renovate the property located at 501 North Dale Street. They also executed an HRA loan in the amount of \$49,000 on April 30, 1999 to help purchase and renovate the property located at 625/627 University Avenue. Together, as of November 30, 2019, these two loans had an outstanding principal and interest balance of \$94,930.

FEC, whose sole member is the Neighborhood Development Center (“NDC”), wants to extend the loan terms of its existing debt to the HRA, as well as have the HRA release its mortgage interest in the University Avenue property, in order to: 1) facilitate a new housing and commercial development project on University Avenue by NDC Entrepreneur Training Center, whose sole member is NDC; and 2) facilitate renovation of 501 Dale Street North by FEC. By extending the terms of the two loans, both of which would otherwise be due, and releasing the

mortgage interest in the University Avenue property, NDC will not have to seek additional funding for its new project in order to pay off this pre-existing debt to the HRA.

See the attached **Map** of the Property, and attached **District 7 Profile**, a Saint Paul Planning District in which the Project is located.

Budget Action

No budget action required.

Future Action:

A companion resolution for this project will be brought to the City Council in March. The Council resolution will approve a similar restructuring of existing STAR loans that were made to FEC in conjunction with the HRA financing.

Financing Structure

The \$94,930 loan will have a term of 20 years, at a 0% interest rate, with no payments due for the first seven years. The HRA will have a first mortgage position on 501 Dale Street North in parity with the City STAR loan. There will be a \$400 origination fee associated with restructuring the two HRA loans.

PED Credit Committee Review

On January 21, 2020, the Credit Committee reviewed and approved the restructuring of the existing HRA loans held by FEC with a risk rating of Evolved to a Loss. The Credit Committee also approved releasing the mortgage on 625 and 627 University Avenue and obtaining a new mortgage on 501 Dale Street North.

Public Purpose/Comprehensive Plan Conformance

The proposed rehab project is located at the intersection of University Avenue and Dale Street. There are three applicable plans that guide development at the subject location: The Comprehensive Plan; the District 7 Neighborhood Plan; and the Dale Street Station Area Plan. The Comprehensive Plan Land Use Chapter defines the intersection of Dale and University as a

mixed-use corridor and neighborhood center. The proposed density, scale, and the mix of uses within the project are consistent with the mixed-use corridor and neighborhood center land use designations. The proposed project is also consistent with the District 7 Neighborhood Plan, specifically policy L5 which calls for intensifying development on major transportation corridors in order to bring more jobs and housing units. The architectural expression and proposed public realm design are consistent with the Dale Street Station Area Plan. Overall the project is generally consistent with all applicable plans.

Recommendation:

The Executive Director recommends approval of the attached resolution which approves the following actions:

1. Merging and restructuring two existing HRA loans to Frogtown Entrepreneur Center into a new \$94,930 loan with a 20-year term, 0% interest rate, and 7-year deferral. Any interest accrued since November 30, 2019 will be waived.
2. Releasing the mortgages on 625 and 627 University Avenue.
3. Obtaining a new mortgage on 501 Dale Street North.

Sponsored by: Commissioner Dai Thao

Staff: Vong Thao, (266-8557)

Attachments

- Map
- District 7 Profile