



Legislation Text

File #: RES 16-738, **Version:** 1

Approval of a Subordination Request in Connection with a Partial Payment of Claim Transaction for University Dale Apartments, District 8, Ward 1

WHEREAS, the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "Authority") has issued Multifamily Tax Exempt Revenue Bonds (the "Bonds") and provided other subordinate secured financing (the "HRA Financing"), all described in the accompanying staff report, to fund the University Dale Apartments (the "Project"), which Project serves the public purpose of providing affordable housing opportunities for families and individuals at or below 60 percent of area median income; and

WHEREAS, the completed Project, which is owned by University Dale Apartments Limited Partnership ("Owner"), has encountered financial distress due to higher than projected vacancy rates and lower than projected rents, to the point of insufficient cash flow to service the existing first mortgage, which is insured by the United States Department of Housing and Urban Development ("HUD"); and

WHEREAS, in order to achieve financial stability, the Owner intends to request HUD approval of a partial payment of claim ("PPC") transaction, in which (a) HUD would pay a certain portion (the "PPC Amount") of the claim of the insured first mortgage lender and take a second-position lien against the property to secure the Owner's obligation to repay to HUD the PPC Amount, (b) the Bonds would be redeemed, and (c) the first mortgage loan terms would be modified to reduce the principal amount by the PPC Amount and reduce the interest rate to the then-current market rate; and

WHEREAS, in order to approve the PPC transaction, HUD requires all subordinate mortgage lenders to agree to subordinate their debt to the new second-position HUD debt and the modified first-position debt; and

WHEREAS, the staff has reviewed the Owner's request and supports the proposed PPC transaction, including the proposed subordination of the HRA Financing, to restore financial stability to the Project and enable it to continue to fulfill its public purpose,

NOW, THEREFORE BE IT RESOLVED that the Board of Commissioners of the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota hereby:

1. Approves the Owner's request for a PPC transaction to be submitted to HUD;
2. Approves the subordination of the HRA Financing as described herein and in the staff report; and
3. Authorizes the proper HRA officials to execute all appropriate documents in support of this request and to memorialize the PPC transaction if and when approved by HUD.