Legislation Text

File #: RES 25-643, **Version:** 1

Approving the partial loan forgiveness of up to $238,949.88 in combined principal and interest on a City mortgage to the Commerce Building Phase I and Commerce Building Phase II projects, 10 4th Street East (District 17, Ward 2).
WHEREAS, the Commerce Building Phase I and Commerce Building Phase II together are a 100-unit affordable, mixed-use development at 10 4th Street East (the “Project”). The Project was converted from office to housing from 2007 to 2011 by CommonBond Communities (CBC) to provide affordable housing for Saint Paul residents at 30-60% area median income (AMI); and

WHEREAS, the City of Saint Paul (City) and the Housing and Redevelopment Authority of the City of Saint Paul (HRA) loaned the Project $563,100 of Metropolitan Council funds with a 0% interest rate, fully deferred, with a maturity date of August 30, 2037, in a subordinate lien position; and

WHEREAS, to avoid foreclosure, CBC intends to sell the property to PAK Properties (PAK); and,

WHEREAS, PAK has submitted an application for transfer of ownership of the Low Income Housing Tax Credits (LIHTC) associated with the Project; and

WHEREAS, to ensure the sale, CBC has requested up to $1,255,384 of combined City and HRA debt be forgiven; and

WHEREAS, on February 11, 2025, the City’s Planning and Economic Development Department Credit Committee reviewed and approved the partial forgiveness of the combined City and HRA debt; and

WHEREAS, on March 12, 2025, the HRA approved the partial loan forgiveness of up to $1,255,384 in Combined Principal and Interest on Three (3) Housing and Redevelopment Authority Loans to the Commerce Building Phase I and Commerce Building Phase II Projects,

WHEREAS, as a condition of the City and HRA debt forgiveness, PAK agrees to keep the property affordable in accordance with all existing affordability requirements except for six (6) long term homelessness (LTH) units which will be transitioned to a 30% AMI restriction; and

WHEREAS, CBC has provided the HRA and MHFA with a transition plan for the six (6) LTH tenants; and

WHEREAS, CBC agrees to provide transition services, cover reasonable moving expenses for LTH residents who are relocated, and report to the HRA the outcome of the transition; and

WHEREAS, CBC will provide the HRA with a transition plan regarding notifications and additional support for all Project residents; and

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Saint Paul, Minnesota takes the following action:

1. Authorizes the forgiveness of up to$238,949.88 of combined principal and interest debt to avoid foreclosure and facilitate the sale of the Project to PAK Properties; and

2. The Planning and Economic Development (PED) Director, staff, and legal counsel for the PED are further directed and authorized to take all actions necessary to implement this Resolution, including finalizing and executing all documents and agreements necessary to effectuate the activities to be undertaken by this Resolution, subject to approval by the City Attorney's Office.