

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 21, 2024

REGARDING: APPROVAL OF LOAN IN THE AMOUNT OF \$315,000 TO NEW VERTICALS DEVELOPMENT LLC TO BE USED FOR ACQUISITION COSTS AT TIME OF CLOSING ON 1749 THOMAS AVENUE, DISTRICT 11, WARD 4.

Requested Board Action

1. Approval of a \$315,000 loan for the acquisition of 1749 Thomas Avenue by New Verticals Development LLC.
2. Approval of loan terms at 0% interest and deferred payment with term of 20 years, specific to acquisition of 1749 Thomas Avenue.

Background

Kali Terry of New Verticals Development LLC currently owns and operates 17 safe, clean, and affordable housing units in the Twin Cities. The developer is proposing the acquisition of real property and existing 7-unit structure located at 1749 Thomas Avenue in the Hamline-Midway neighborhood. All 7 units are currently occupied, and the developer will maintain existing leases when ownership is assumed. Each unit is 1 bedroom, 1 bathroom and 750 square feet. All units will be held affordable at 50% area median income (AMI) for 20 years.

Kali Terry has already made significant investments in Saint Paul. In May, he broke ground on his Inspiring Communities project at 1195 Bush Avenue. Last month, he opened his cold-pressed juice business, Life Juices, in the Frogtown neighborhood which received a Neighborhood STAR grant. Additional housing preservation projects in Saint Paul include 537 Grotto Street and 8 Winter Street. He also completed a multifamily upzoning project at 913-915 St Anthony Avenue. Prior to commercial development, Kali Terry worked as a carpenter and framer for local construction companies. In 2019, he bought the multifamily upzoning project in the Rondo neighborhood and added a studio unit on the 3rd floor to increase density at the site. In 2021, he participated in Local Initiatives Support Corporation's (LISC) Developers of Color (DOC) cohort.

Then in 2022, Kali completed the Urban Land Institute (ULI) Real Estate Diversity Initiative (REDi) cohort.

Kali has an established relationship with RADIAS Health, a non-profit behavioral health provider focused on mental health and substance use disorders services. Through this partnership, Kali works with RADIAS Health to place adults with mental health and substance use challenges when he has vacant units and there is a need for patient housing.

Budget Action

1. Authorize issuance of \$315,000 from the Saint Paul NOAH Preservation Fund to New Verticals Development LLC for acquisition of 1749 Thomas Avenue, to be disbursed to the title company on day of closing.

Future Action

There will not be future HRA actions related to New Verticals Development LLC for 1749 Thomas Avenue.

Financing Structure

The project will be secured by a first mortgage of \$468,000 from Midwest Minnesota Community Development Corporation (MMCDC). The HRA loan of \$315,000 will be in second lien position. Developer is contributing \$61,000 of his own equity. See attached sources and uses table.

PED Credit Committee Review

Credit Committee reviewed this loan on July 9, 2024. Credit Committee has reviewed and approves that the Project is eligible for a \$315,000 loan. The review by the Credit Committee is not a review of the investment value for the purchaser of the property.

The risk rating for the loan should be “Originated as a Loss” due to loan terms of 20 years with 0% interest and deferred payment. The loan will be in 2nd lien position behind the senior lender’s first mortgage.

Compliance

The project will be required to meet applicable City compliance requirements. New Verticals Development LLC is required to submit an Affirmative Action Plan based on HREEO

review. The developer's plan is already approved and valid through August 3, 2025 as part of the existing Inspiring Communities project at 1195 Bush Avenue.

Green/Sustainable Development

The Sustainable Building Ordinance does not apply to this project as the 7-unit structure already exists and is to be acquired for preservation. This project does not include new construction.

Environmental Impact Disclosure

Staff are requiring Phase 1 Environmental Site Assessments (ESA) to ensure any health hazards are addressed.

Historic Preservation

The project does not have any historic preservation requirements.

Public Purpose/Comprehensive Plan Conformance:

The preservation project's goals directly align with the following Comprehensive Plan 2040 policies:

- Policy H-3. Consider the expected lifecycle, market viability and ongoing maintenance needs of residential structures prior to providing public rehabilitation funds to ensure responsible investment of public funds and not overburden future owners with future maintenance costs.
- Policy H-29. Support efforts and/or legislation to discourage renter displacement due to a change in ownership that increases rents and/or eliminates acceptance of Section 8 vouchers.
- Policy H-38. Encourage acquisition, if put up for sale, of naturally-occurring affordable housing by nonprofit organizations, community development corporations, religious institutions, tenants and/or private-sector actors committed to preserving and investing in affordable housing, as well as the long-term upkeep and maintenance of these properties.
- Policy H-40. Prioritize preservation of income restricted and naturally occurring affordable housing in areas with improved/improving transit and/or planned reinvestment to reduce resident displacement.

- Policy H-45: Support the preservation and maintenance of historic housing stock as an affordable housing option.

Statement of Chairman (for Public Hearing)

Public Hearing is not applicable to this project because the assistance is for housing, which is an exception indicated in MN Statutes 116J.993, Subd. 3.

Recommendation:

1. HRA Approval of \$315,000 loan for the acquisition of 1749 Thomas Avenue by New Verticals Development LLC.
2. HRA Approval of loan terms at 0% interest and deferred payment with term of 20 years, specific to acquisition of 1749 Thomas Avenue.

Sponsored by: Commissioner Mitra Jalali

Staff: Dean Porter-Nelson, Danielle Sindelar

Attachments

- **Project Description**
- **Sources and Uses**
- **Map**