

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 11, 2024

REGARDING: RESOLUTION RECOMMENDING THE AUTHORIZATION AND APPROVAL OF AN AMENDED SUBORDINATION OF THE \$400,000 CDBG LOAN TO THE DAYTON'S BLUFF CONSTRUCTION TRAINING CENTER, DISTRICT 4, WARD 7.

Requested Board Action:

Requesting the Saint Paul Housing and Redevelopment Authority (HRA) Board of Commissioners approve subordination of the \$400,000 CDBG loan to Sunrise Banks National Association for the Dayton's Bluff Construction Training Center, in relation to the creation of a training facility located at 809 7th Steet East.

Background

The Dayton's Bluff Construction Training Center (DBCTC) is a non-profit organization created by Dayton's Bluff Neighborhood Housing Services (DBNHS) in 2017 to develop and manage an incubator and training center located at 809 7th Street East ("Property"). In February 2017, a \$400,000 CDBG loan was provided to DBNHS to renovate the Property.

Dayton's Bluff Neighborhood Housing Services transformed what had been a vacant building into a revitalized commercial destination in partnership with the Neighborhood Development Center (NDC). City Academy High School operates the YouthBuild Construction Training Center. The Property leases approximately 2,000 square feet of space to NDC, 5,000 square feet to local businesses, and 3,600 square feet to the City Academy Highschool for training and education programs.

Dayton's Bluff Construction Training Center also received two New Markets Tax Credit (NMTC) loans from Sunrise New Markets Fund XIV, LLC (SNMF), totaling \$855,000. A Mortgage and Subordination Agreement was effective as of April 5, 2018 for the loans with the HRA and City

of Saint Paul as the Subordinate Lender and Sunrise New Markets Fund XIV, LLC as the Senior Lender. Due to the SNMF loan restructuring, Sunrise Banks requested the HRA sign a Amended Subordination Agreement to move the Subordination from SNMF to Sunrise Banks National Association.

The CDBG loan of \$400,000 included a promissory note for \$200,000.00 with deferred payments for a period of seven years, (“Deferred Note”) and a promissory note and mortgage for \$200,000.00 of CDBG funds with annual payments for a period of seven (7) years; annual payments may be forgiven annually by Lender if required Employment Levels are achieved (“Forgivable Note”). A balloon payment on the Deferred Note of the full amount \$200,000 plus interest is due on November 30, 2025. Employment levels have been achieved and forgiveness requests have been submitted each year; the principal balance on the Forgivable Note is \$31,723.97.

The Amended Subordination Agreement does not limit the HRA’s ability to collect on the Deferred Note when it matures.

Budget Action

N/A

Future Action

N/A

Financing Structure

The project has already received funding, secured by mortgage on the property in the following amounts:

- HRA: \$200,000: CDBG Forgivable Loan, matures in November 2025. The current balance is \$31,723.97.
- HRA: \$200,000: CDBG Deferred Loan, matures in November 2025 at which point full principal and interest is due.

Both NMTC loans from the Sunrise New Markets Fund had seven-year terms with interest only payments. Now that the NMTC compliance period is ending, Note A, the larger loan of \$612,493 loan will be reassigned to Sunrise Banks National Association with a seven-year term, amortized for 25 years. This method allows for some cost savings to DBCTC. A condition of this is the City and HRA execute the Amended and Restated Subordination Agreement with DBCTC and Sunrise Banks National Association. The second loan of \$242,507 will be subject to an Option Agreement, through which DBCTC will purchase the note for \$1,000, at which point DBCTC will own the note and presumably forgive the debt.

PED Credit Committee Review

The Credit Committee reviewed the proposed loan subordination at their December 3, 2024, meeting and approved the Amended Subordination under the condition the HRA is not limited in collecting payment on the Deferred Note when it matures in 2025. The Risk Rating for the forgivable note will be forgivable. The deferred note will have a risk rating of a loss. These are the same risk rating as originally set and approved.

Compliance

This action will not obligate the project to meet additional compliance requirements.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

N/A

Recommendation:

The HRA Executive Director recommends approval of the attached resolution, authorizing subordination of the \$400,000 to Sunrise Banks National Association for the Dayton's Bluff Construction Training Center.

Sponsored by: Commissioner Johnson

Staff: Annie Byrne, 651-266-8567