CITY OF WEST ST. PAUL

EDA Action Item

Subject: Resolution approving the execution of a subordination agreement and extension of purchase price not for maturity date for the Roers/Savor Project.

Meeting Date: Monday, May 8th, 2023

Submitted/Presented by/Department: Ben Boike - Community Development

Action Type

☐ Consent Item	☐ Discussion/Direction
☐ Public Hearing	☐ Informational Only
☒ Action/Motion	☐ Report
☒ Resolution	☐ Other: Closed Session

Action

City Staff requests that the EDA approve the attached resolution.

Background

On December 16, 2020, the City executed a Purchase Price Promissory Note with Roers in an amount of $1,180,000 at 4% interest (maximum interfund loan rate per statute). This Note was for the net purchase price of the City-owned parcels (they paid $20,000 at closing so total of $1.2M). The Note is to be paid with 10% of cashflow from the project commencing on March 31, 2023, and every March 31st through 2030 (7 years), with a balloon payment in 2030 if any principal is outstanding. The March 31, 2023, payment was $4,873.54 (future payments should be higher since 2022 was their first year of leasing).

Roers is seeking to place their permanent financing through Fannie Mae. A requirement of Fannie Mae is that any subordinate debt, which the Note is, cannot have a maturity date earlier than Fannie Mae's loan. As a result, they are requesting the City extend the Note date out 3 years to November 28, 2033.

When the Roers project was approved, total development costs (TDC) were approximately $45.5 million. They programmed $8.125 million in equity in the project. When they entered into their construction contracts and received final estimates on other costs, TDC went up by nearly $600,000 to $45.590 million. This, along with a lower construction mortgage required them to increase their equity to $11.825 million. Roers is able to increase their 1st mortgage with their permanent financing which allows them to "take out" approximately $2 million in proceeds to buy down their equity to $9.24 million.

In exchange for the 3-year extension on the City's Note, Roers will buy down the City Note by $200,000, which is 10% of the $2 million they are receiving in proceeds from the refinancing (their equity would now be $9.44 million). This would reduce the principal amount of the Note to $980,000 with the same payment terms moving forward (10% of annual cash flow).

CITY OF WEST ST. PAUL

EDA Action Item

Subject: Resolution approving the execution of a subordination agreement and extension of purchase price not for maturity date for the Roers/Savor Project.

Staff is of the opinion that prepayment on the Note of $200,000 is fair since it is 10% of the refinancing proceeds and equates to the City's proportionate share of cash in the project (10% of total equity of the City's Note and Roers equity combined).	
Attachments	
Resolution	
Previous Relevant Actions	
N/A	
Alternatives	
N/A	
Financial	
Budgeted: ☐ Yes	☐ No Financial Impact
Fund:	City to receive $200,000 in cash in prepayment of the Note
Department: Click or tap here to enter text.	
Account:	
Amount:	