

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

REPORT TO THE COMMISSIONERS

DATE: JANUARY 11, 2012

REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE CHARGE OFF OF TWO
LOANS ASSOCIATED WITH THE FARMERS MARKET FLATS PROJECT,
DISTRICT 17

Requested Board Action

The purpose of this report is to obtain approval by the Board of Commissioners of the Housing and Redevelopment Authority (HRA) and the City Council to charge off two loans related to the former Farmers Market Flats condominium project.

Background

In August 2007, the Housing and Redevelopment Authority and City Council approved a Development Agreement with Farmers Market Lofts, LLC (the “Developer”) (with lead principal being Brian Sweeney) to construct a five-story condominium project with 40 units of ownership condominiums and a first floor indoor farmers market (the “Project”). The plan included City ownership/operation of the first floor indoor farmers market along with the Saint Paul Growers Association. The condominiums were to be sold and privately managed. The Development Agreement authorized the City to convey the Project site to the Developer and approved a loan to the project as partial construction financing for the first floor of the project, to be forgiven upon final construction completion. The Project site had a Right of Reverter clause.

In September of 2007, the Developer started construction on the project with Flannery Construction (the “Contractor”). The site was excavated, and partial foundations and the Geopier system were installed. In early 2008, construction stopped due to a dispute between the Developer and the Contractor. Law suits were filed by and among Flannery Construction, Farmers Market Lofts, LLC and the City of Saint Paul. When construction stopped, the City foreclosed the mortgage and regained title to the property. Legal proceedings took place until October of 2009, when a formal mediated settlement between the Contractor and the City/HRA was finalized. No further action was taken against Farmers Market Lofts, LLC. The Farmers Market Flats condominium project did not proceed, but the site now being developed by the

HRA, known as the Lofts at Farmers Market project. This 58 unit rental housing development will open in February 2012.

Budget Action

Charge off two loans.

Future Action

None

Financing Structure

The terms of the two loans made to Farmers Market Lofts, LLC consisted of the following:

1. A \$450,000 loan with the City of Saint Paul was secured with a Promissory Note and a mortgage on the property, 0% interest, to be forgiven upon completion of construction.
2. A \$650,000 Promissory Note from Farmers Market Lofts, LLC to the HRA, for the Project site, 0% interest to be repaid on February 28, 2009 or forgiven upon completion of construction. This note was executed in connection with the conveyance of the land. When the City foreclosed on the above mortgage, the land was returned to City ownership. The site is now owned and being developed by the HRA for the Lofts at Farmers Market project.

PED Credit Committee Review

On December 20, 2010 the PED Committee reviewed and approved the charge off of these two loans. Farmers Market Lofts, LLC, and Brian Sweeney have been added to the HRA/PED adverse lending list.

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

None

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

N/A

Recommendation:

The Executive Director recommends and requests the HRA Board of Commissioners to consider adoption of the attached resolutions which approves the charge off of a loan to the Farmers Market Flats LLC.

Sponsored by: Commissioner Dave Thune

Staff: Diane Nordquist, 651 266-6640

Attachments

- **Attachment A -- Resolution**
- **Attachment B – Loan Charge-Off Documentation**