

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

REPORT TO THE COMMISSIONERS

DATE: JULY 10, 2013

**REGARDING: RESOLUTION AUTHORIZING THE EXECUTIVE DIRECTOR TO EXECUTE
VARIOUS DOCUMENTS IN CONNECTION WITH SPARC'S WESTLAND
COMMONS HRA LOAN, DISTRICT 6, WARD 5**

Requested Board Action

The specific action being requested of the HRA Board is to authorize the Executive Director to enter into the "Covenant Not to Sue" agreement and all other required documents regarding Sparc's Westland Commons loan.

Background

On August 10, 2005, the HRA Board approved a \$600,000 loan to Sparc to assist in the purchase of the Larson Greenhouse site located at 391 -425 West Maryland Avenue. On August 30, 2005, PED staff executed a Mortgage, Loan Agreement and a Promissory Note for this \$600,000 HRA loan. At the same time, Greater Metropolitan Housing Corporation (GMHC) also executed a Mortgage, Loan Agreement and a Promissory Note for \$650,000 with Sparc for this project. The HRA and GMHC executed a Parity Agreement on August 30, 2005; this agreement puts both the HRA and GMHC mortgages in first position. The agreement also notes that any net sale, or other, proceeds from the project will be divided between the HRA and GMHC on a pro rata share.

At the time of their purchase of the land, Sparc proposed to construct 36 townhomes on the site for owner-occupancy. Because of the downturn of the housing market, construction never occurred. PED has since amended the HRA loan three times (through March 1, 2012), providing Sparc additional time to develop the property.

In 2011, Sparc stopped paying the property taxes. The property taxes are delinquent from 2011 through the first half of 2013. In March, 2013, with the encouragement of PED Staff, Sparc

entered into a Confession of Judgment Agreement (“Agreement”) with Ramsey County. Even though Sparc had the resources to do so, Sparc chose to not make the May, 2013 payment required under the Agreement. The current outstanding property tax delinquency is \$54,030.

Community Development Block Grant (CDBG) funds, along with HRA funds, were the source of the \$600,000 acquisition loan. Because of lack of progress with the redevelopment of the property, the property tax delinquency, and CDBG development requirements, under the advice and counsel of the City Attorney’s Office, the HRA Executive Director decided to proceed with a “Deed in Lieu of Foreclosure” to gain control of the property and pursue other development strategies. Staff plans to issue a Request for Proposals for the site in an effort to meet CDBG obligations.

In exchange for signing the Deed in Lieu of Foreclosure, Sparc is requesting the HRA to execute a Covenant Not to Sue. The Covenant Not to Sue would restrict the HRA from pursuing Sparc for any further delinquencies regarding the HRA \$600,000 loan. The HRA and GMHC loans, however, will remain as liens on the property.

Budget Action

No budget action is required from the HRA Board.

Future Action

No further action will be required from the HRA Board.

Financing Structure

N/A

PED Credit Committee Review

N/A

Compliance

N/A

Green/Sustainable Development

N/A

Environment Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose

Development of the site that is consistent with HUD national objectives under the CDBG program.

Recommendation:

The Executive Director recommends approval authorizing execution of a “Covenant Not to Sue” Agreement and all other required documents regarding Sparc’s Westland Commons loan.

Sponsored by: Commissioner Brendmoen

Staff: Report prepared by: Daniel K. Bayers, (266-6685)

- Attachment A -- Resolution
- Attachment B - Map