

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

REPORT TO THE COMMISSIONERS

DATE: APRIL 10, 2013

REGARDING: RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A LOAN PAYOFF IN FULL IN THE AMOUNT OF \$25,000, BY HMONG AMERICAN PARTNERSHIP OF THE LOAN TO D & N, INC., DBA MAI VILLAGE RESTAURANT LOCATED AT 394 UNIVERSITY AVENUE, AND TO CHARGE OFF THE HRA LOAN AND ADD BORROWERS TO THE ADVERSE LENDING LIST

WARD 1, DISTRICT 8

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

- 1) Accept \$25,000 From Hmong American Partnership as Payment in Full for the HRA Loan to D and N, Inc., Resolution Approving and Authorizing Execution of a Loan Payoff In Full in the Amount of \$25,000, by Hmong American Partnership of the Loan to D & N, Inc., dba Mai Village Restaurant located at 394 University Avenue, Ward 1, District 8 and to Charge Off the HRA Loan and Add Borrowers to the Adverse Lending List (collectively the “Borrower”), and
- 2) Charge Off the HRA Loan to Borrower and Add Borrower to the Adverse Lending List

Background

In April 2003 the HRA, along with Western Bank and the US Small Business Administration (SBA), provided financing to D & N, Inc. to acquire and construct the Mai Village Restaurant at 394 University Avenue (University and Western). The HRA loan was in the amount of \$400,000. The promissory note terms included a two year deferral of repayment to May 2005 and also allowed the HRA to extend deferrals up to an additional three years to May 2008 which was done. A First Amendment to the loan deferred, but did not forgive, repayment from May 2008 to December 2008 with payments scheduled to begin January 2009. Payments were made for January 2009 through March 2010. The HRA on March 24, 2010 approved a Second Amendment which deferred, but did not forgive, repayment from April 2010 through March 2011.

The Credit Committee in February 2010 approved a) a one year deferral, but not forgiveness, of repayment (the Second Amendment) and b) changed the Risk Rating from Doubtful to Evolved to Loss.

The Second Amendment was part of a 2010 work out plan for the borrower which was in response to the bank initiating foreclosure. As part of the workout plan the bank agreed to stop foreclosure proceedings. Even though D and N, Inc. lowered operating costs as its part of the workout plan, sales have not reached levels sufficient to repay HRA debt scheduled to begin April 2011.

Sales required to break-even are \$1.8 million given the historical operating costs, debt service, and tax obligations. Although some operating cost improvements were made in 2009-2010, sales were approximately \$1,000,000 and the restaurant continued to lose money and is not able to service all debts.

A Third Amendment to the HRA note was approved in December 2011 which deferred payments from April 2011 through June 2015 because of the inability of the restaurant to generate sufficient funds to pay all debt. The SBA loans were not being paid at this time.

Foreclosure was initiated again in September 2012 by the first mortgage holder Western Bank (WB). The redemption period expires April 25, 2013 and if the workout plan described below is not agreed to by that time, the property will revert to WB and the HRA mortgage will be extinguished.

WORKOUT PLAN

Hmong American Partnership (HAP) has proposed to purchase the property and SBA notes and HRA notes in the amount described below:

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose

N/A

Recommendation:

The Executive Director recommends approval of the resolution approving:

- 1) Accepting \$25,000 From Hmong American Partnership as Payment in Full for the HRA Loan to D and N, Inc., My Dung T. Nguyen and Ngoan Van Dang (collectively the “Borrower”), and releasing all HRA collateral and,
- 2) Charge Off the HRA Loan to Borrower and Add Borrower to the Adverse Lending List.

Sponsored by: Commissioner Carter

Staff: Craig O’Brien 266-6695

Attachment A -- Resolution

Attachment B-- Map/Address of Project