

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

**REPORT TO THE COMMISSIONERS**

**DATE: JULY 25, 2018**

**REGARDING:      APPROVING AND AUTHORIZING CHARGE-OFF OF A HUD 108 LOAN  
TO NEW YORK BINGO PALACE, LLC AT 899 PAYNE AVENUE,  
DISTRICT 5, WARD 6.**

## **Requested Board Action**

Approval of loan charge-off for New York Bingo Palace, LLC, District 5, Ward 6.

## **Background**

The HRA provided a \$450,000 loan with HUD 108 loan funds to New York Bingo Palace, LLC (the “Borrower”) dated February 16, 2001, for the purchase and renovation of 899 Payne Ave. The project was completed in 2001, and operated as a bingo hall run by local nonprofits and an Embers Restaurant. This loan was to allow the improvements and opening of the restaurant. The total project cost exceeded \$2,100,000, and included private debt of \$750,000 as well as equity.

The Borrower operated the business for 8 years before running into multiple challenges, eventually filing for bankruptcy. The private lender had a first position mortgage and experienced a loss on the project during the bankruptcy process. It was determined, after an extensive consultation with the City Attorney’s Office and review of receivership records, that the \$450,000 outstanding principal balance and all accrued interest on the HRA loan was not collectible and should be charged-off, and that there did not exist any additional asset to fulfill the loan. The Credit Committee approved charging off the loan.

Although the Borrower’s loan was funded with HUD 108 loan proceeds, the HUD 108 loan was repaid from tax increment revenues. The original plan was for the tax increment revenue to back-stop the HUD 108 loan repayment if the repayments from the Borrower were insufficient. Staff previously believed that a charge-off was not necessary due to the fact that the HUD 108 loan was paid in full from the approved payment structure. However, review of the loan documents suggested that since the obligation was in the form of a note it needed to go through the formal

process of a charge-off. Because the outstanding balance for the reimbursement note exceeds \$50,000, it was determined the HRA must approve the charge-off. The outstanding principal balance is \$450,000 and the outstanding interest is approximately \$473,000. The building is now currently the Pebmoob Senior Center and an asset to the local Hmong-American community.

**Budget Action-** N/A

**Future Action-** N/A

**Financing Structure-** N/A

**PED Credit Committee Review**

The Credit Committee reviewed and approved the loan charge-off.

**Compliance-** N/A

**Green/Sustainable Development-** N/A

**Environmental Impact Disclosure-** N/A

**Historic Preservation-** N/A

**Public Purpose/Comprehensive Plan Conformance-** N/A

**Recommendation:**

To approve and authorize charge-off of a loan to New York Bingo, LLC.

**Sponsored by:** Dan Bostrom, Ward 6.

**Staff:** David Gontarek 651-226-6674