

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

**REPORT TO THE COMMISSIONERS**

**DATE: JULY 25, 2018**

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING PARTIAL DEBT  
FORGIVENESS FOR 4RM+ULA, DISTRICT 13, WARD 4**

## **Requested Board Action**

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners consider approval of debt principal forgiveness for 4RM+ULA, LLP in the amount of \$125,000 with approximately \$109,197 in interest and late fees, in exchange for a lump-sum payment of \$40,000 (the amount of the HRA's original predevelopment loan to the project).

## **Background**

In 2003, the HRA created the Housing 5000 Small Developer Ownership Construction Program. The purpose of the program was to increase participation of small for-profit (including minority and women) developers and/or general contractors in the production of small market-rate ownership projects. The program was intended to be a joint venture between a small developer, the HRA, local banks, and Fannie Mae. Eligible projects included market-rate ownership projects of 3-12 units, with a Total Development Cost not to exceed \$3 million. The HRA would provide a guaranty of up to 20% of TDC.

The first and only project approved under this program was 4RM+ULA's James Griffin Garden Rowhouses Project, a 5-unit ownership project to be developed on a vacant lot on the NE corner of St Anthony Ave and Fry St. On October 27, 2004 the HRA approved a \$40,000 predevelopment loan to the project and a waiver to permit up to a 25% guaranty of their construction loan. The predevelopment loan was disbursed, and the developer secured a construction loan from Western Bank and started drawing funds.

The project did not proceed to construction, and Western Bank called their construction loan in September 2006. Per the guaranty, the HRA assumed Western Bank's loan and

paid off the balance of \$126,165 (the principal disbursed along with interest and late fees).

Since 2006, the developer has pursued a number of development concepts for the site, including townhouse units and a small multi-family building, but has not been able to proceed with construction. The developer has stated they have paid approximately \$71,000 in property tax payments and maintenance costs over the past 18 years.

On June 29, 2018 the developer submitted an offer of \$40,000 to the HRA, in exchange for the HRA's satisfaction of the two mortgages, release of the related assignment of rents and leases, and removal of James Garrett and Erick Goodlow (4RM+ULA's principals at the time the loans were made) from the HRA's Adverse Lending List.

### **Public Purpose**

As noted above, the original intent of the Small Developer Ownership Construction Program was to increase participation by small developers (including minority- and women-owned firms) in the Saint Paul market. The fact that only one project was approved through the program, and it was not successful, shows that the program did not meet its original goals. The HRA's experience with this program should help inform other, similar programs should they be proposed in the future.

### **Recommendation:**

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which approves debt principal forgiveness for 4RM+ULA in the amount of \$125,000 with approximately \$109,197 in interest and late fees.

**Sponsored by:** Commissioner Samantha Henningson

**Staff:** Amy Geisler, 651-266-6602

## **Attachments**

- **Map**
- **District 17 Profile**