



Legislation Details (With Text)

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Title: Approving and authorizing the seventh amendment to promissory notes, loan agreements and mortgages with Frogtown Entrepreneur Center, LLC and subordination of mortgages to Twin Cities Community Land Bank, Ward 1, District 7.

Sponsors: Dai Thao

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|------------|------|----------------|---------|--------|
| 12/23/2013 | 1 | Mayor's Office | Signed | |
| 12/18/2013 | 1 | City Council | Adopted | Pass |

Approving and authorizing the seventh amendment to promissory notes, loan agreements and mortgages with Frogtown Entrepreneur Center, LLC and subordination of mortgages to Twin Cities Community Land Bank, Ward 1, District 7.

WHEREAS, in 1997 the City of Saint Paul ("City"), through its STAR program, entered into a STAR loan ("Original Loan") in the amount of \$154,500.00 with Frogtown Entrepreneur Center, LLC ("Frogtown") to provide financing to acquire and renovate 501 N. Dale Street to establish the Frogtown Entrepreneur Center, a business incubator facility ("Facility"); and

WHEREAS, Frogtown also acquired and renovated 625 University Avenue and combined it with 501 N. Dale Street (the "Original Properties") to operate the Facility whose target is minority, women owned and small businesses; and

WHEREAS, to support the operation of the Facility the City has also made two other loans to Frogtown in the amounts of \$86,500 and \$124,000 ("Supporting Loans")(the Original Loan and Supporting Loans are collectively referred to as the "FEC Loans"); and

WHEREAS, the FEC Loans are supported by notes, loan agreements and mortgages; and

WHEREAS, due to various circumstances the FEC Loans have been extended and modified six times and the City has executed six amendments to the FEC Loans; and

WHEREAS, Frogtown desires to acquire two adjacent properties located at 629-631 and 633 University Ave ("Adjacent Properties") and combine them with the Original Properties owned by Frogtown for the purpose of redevelopment at this transit corridor station site but Frogtown does not have the financial resources to close on the purchase of the Adjacent Properties at this time; and

WHEREAS, Twin Cities Community Land Bank ("Land Bank") is willing to provide financing to facilitate the acquisition of the Adjacent Properties and the proposed structure of the transaction is as follows: Frogtown

(through its affiliate/subsidiary Neighborhood Commercial Spaces, LLC) and Land Bank (through its affiliate/subsidiary TCC NWUD LLC) will execute a purchase agreement on terms acceptable to the City ("Land Bank Purchase Agreement") under which Frogtown will assign its purchase agreements for the Adjacent Properties to the Land Bank, the Land Bank will use its own funds (or funds from the Minnesota Housing Finance Agency) to acquire the Adjacent Properties in its own name, and Frogtown will have the right to purchase the Adjacent Properties from Land Bank within four years; and

WHEREAS, the purchase price to be paid by Frogtown to Land Bank under the Land Bank Purchase Agreement is the aggregate of the Seller Acquisition Costs incurred by Land Bank to acquire the Adjacent Properties, an Assignment Fee, and the Land Bank's Holding Costs incurred during the four years (the terms Seller Acquisition Costs, Assignment Fee and Holding Costs will be defined in the Land Bank Purchase Agreement and are collectively referred to as the "Purchase Price" in this Resolution); and

WHEREAS, if Frogtown does not exercise its right under the Land Bank Purchase Agreement to acquire the Adjacent Properties, then under the Land Bank Purchase Agreement Land Bank must first sell the Adjacent Properties to a buyer for its then market value, and then Frogtown must pay to the Land Bank the Purchase Price incurred by Land Bank less: (a) any sums of money realized by Land Bank upon the sale of the Adjacent Properties, and (b) the \$50,000 guaranty by a third person(s); and (c) interest earnings on the 6.5% charged by Land Bank to Frogtown on the Seller Acquisition Costs and Holding Costs less any actual costs of such funds (eg if Land Bank borrows money at 5% and then charges Frogtown at 6.5%, then the interest earnings are the difference of 1.5% (6.5-5.0)) ("Purchase Price Obligation"); and

WHEREAS, to secure payment of the Purchase Price Obligation of Frogtown, Land Bank requires that Frogtown execute a mortgage on the Original Properties in the amount of \$275,000 for each property, for total security of \$550,000, and that Land Bank's mortgage be the first mortgage lien on the Original Properties, and in order for that to occur the City is being requested to subordinate the FEC Loans to the two mortgages of Land Bank on the Original Properties (the "Subordination"); and

WHEREAS, Frogtown is also requesting that the City enter into a seventh amendment to the FEC Loans which will extend the maturity dates to December 31, 2017 and defer, but not forgive, payments of principal and interest until December 31, 2017 (the "Seventh Amendment"); and

WHEREAS, by this Resolution the City approves the Subordination and Seventh Amendment and finds a public purpose for this transaction.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Saint Paul, Minnesota as follows:

1. The City Council hereby approves the Seventh Amendment and Subordination on terms consistent with this Resolution. The appropriate City officials/employees are authorized to execute the Seventh Amendment and Subordination.

2. The PED Director, staff and legal counsel for the HRA are directed and authorized to take all actions necessary to implement this Resolution. The PED Director is authorized to negotiate any agreements, documents and instruments in connection with this Resolution.