

City of Minneapolis

Request for Committee Action

To: Community Development & Regulatory Services
Date: 8/23/2016
Referral: N/A
From: Community Planning & Economic Development
Lead Staff: Scott Ehrenberg
Presented by: Scott Ehrenberg
File Type: Action
Subcategory: Loan

Subject:

Proposed Restructuring of existing NRP Loan and Grant Agreement with the Town Oaks Association

Description:

Authorizing restructure of existing \$380,000 NRP loan and grant to the Town Oaks Association involving a maturity date extension, revised loan payment schedule, and potential forgiveness in an amount up to \$126,666.66.

Previous Actions:

In 1997, the City authorized a CDBG loan in an amount of \$68,600 and a NRP grant in an amount of \$380,000 which are cumulatively referenced in a Loan and Grant Agreement between the City and Town Oaks Association dated May 2, 1997.

Ward/Address:

Ward 8
4300 4th Ave S

Background/Analysis:

The Town Oaks Association is a homeowner's association responsible for the operation and maintenance of the common property of the Town Oaks Townhomes. The Association is comprised of 112 residential units located at 4300 4th Ave S in the Regina Neighborhood of Ward 8.

Pursuant to a Loan and Grant Agreement dated May 2, 1997 (the "Agreement"), the City of Minneapolis provided financial assistance to the Association to pay for emergency repairs and upgrades to the Association's water lines and meters. This financial assistance consisted of a \$68,600 CDBG loan and \$380,000 NRP loan/grant.

Pursuant to the terms of a CDBG Promissory Note dated May 8, 1997, the \$68,600 CDBG loan was subject to semi-annual payments in the amount of \$5,716.67 from January, 1998 thru July, 2003. The Association made all of the scheduled CDBG loan payments and this loan was repaid in full per the terms of the contract.

The \$380,000 NRP loan/grant was made available to the Association through the City of Minneapolis by the Field Regina Northrop Neighborhood Group (FRNNG). Pursuant to the terms of a NRP Promissory Note dated May 8, 1997, the \$380,000 NRP loan/grant was subject to semi-annual payments of \$12,666.67 from January, 2005 through July, 2019. Additional contract

provisions stipulated that the Association could pursue forgiveness or deferral in the event it was unable to make any semi-annual payments. The Association previously requested forgiveness of all NRP loan/grant payments scheduled from January, 2005 through July, 2015 due to financial hardships exacerbated by the economic recession and foreclosure crisis. The City of Minneapolis agreed to defer these semi-annual payments.

In 2015 the Association contacted the City to discuss restructuring options, and City staff organized meetings with the Association and FRNNG. As a condition to any proposed restructuring, the City and FRNNG required the Association to begin making good faith efforts on its' semi-annual payments per the NRP Promissory Note. The Association has made both scheduled payments in 2016 in the cumulative amount of \$25,438.60. After additional meetings, the Association, FRNNG, and City staff have reached an agreement on the following restructuring.

Refinancing Terms

NRP Phase I loan and grant amount - \$380,000

CPED loan administration fee - \$2,000

Total amount - \$382,000

Annual interest rate – 0%

Maturity date extension from July 15, 2019 to July 15, 2030

Semi-annual payments beginning January, 2016 with corresponding forgiveness potential for each payment made by the Association (see schedule below):

	<u>Payment</u>	<u>Forgiven</u>	<u>Balance</u>
			\$382,000.00
Jan-16 (PAID)	\$12,666.67	\$6,333.34	\$362,999.99
Jul-16 (PAID)	\$12,771.93	\$6,333.34	\$343,894.72
Jan-17	\$12,771.93	\$6,333.34	\$324,789.45
Jul-17	\$12,771.93	\$6,333.34	\$305,684.18
Jan-18	\$12,771.93	\$6,333.34	\$286,578.91
Jul-18	\$12,771.93	\$6,333.34	\$267,473.64
Jan-19	\$12,771.93	\$6,333.34	\$248,368.37
Jul-19	\$12,771.93	\$6,333.34	\$229,263.10
Jan-20	\$12,771.93	\$6,333.34	\$210,157.83
Jul-20	\$12,771.93	\$6,333.34	\$191,052.56
Jan-21	\$12,771.93	\$6,333.34	\$171,947.29
Jul-21	\$12,771.93	\$6,333.34	\$152,842.02
Jan-22	\$12,771.93	\$6,333.34	\$133,736.75
Jul-22	\$12,771.93	\$6,333.34	\$114,631.48
Jan-23	\$12,771.93	\$6,333.34	\$95,526.21
Jul-23	\$12,771.93	\$6,333.34	\$76,420.94
Jan-24	\$12,771.93	\$6,333.34	\$57,315.67
Jul-24	\$12,771.93	\$6,333.34	\$38,210.40
Jan-25	\$12,771.93	\$6,333.34	\$19,105.13
Jul-25	\$12,771.93	\$6,333.20	\$0.00
Jul-30	Final maturity date if NRP loan/grant not retired sooner.		
	\$255,333.34	\$126,666.66	\$382,000.00

Missed \$12,771.93 NRP loan/grant payments along with corresponding \$6,333.34 forgiveness amounts occurring during years 2016 – 2025 will remain due and payable in full and paid down by semi-annual payments of \$12,771.93 each January and July during years 2026 – 2030 as necessary to retire any remaining loan amount. Final maturity of the loan will occur July 30, 2030 with remaining loan amount, if any, payable in full at that time. Monies received by the

City on the repayment of this loan/grant will be placed into the NRP fund account and held by the City for the benefit of the Field Regina Neighborhood NRP plan and program.

Financial Review:

Select financial statement.

- Future budget impact anticipated.**
- Approved by the Permanent Review Committee.**
- Meets Small and Underutilized Business Program goals.**

Attachments:

1.