



City of Grand Forks
Staff Report

Committee of the Whole – October 11, 2021
City Council – October 18, 2021

APPROVED & ACCEPTED
by City Council

10/18/2021

Maureen Storstad
Maureen Storstad
City Auditor

Agenda Item: Mortgage Assumption Request – Architectural Properties, LLP

Submitted by: Meredith Richards, Community Development Director

Staff Recommended Action: Authorize execution of a mortgage assumption agreement, subject to review and approval by the City Attorney

Committee Recommended Action:

Motion by Weber, second by Vein to approve. Motion carried unanimously

Council Action:

Motion by Sande, second by Kvamme, to approve. Motion carried unanimously.

BACKGROUND:

A significant amount of CDBG disaster recovery assistance was allocated to the rehabilitation of downtown properties, including those comprising the former City Center Mall on S. Third Street. In 1999, \$1,150,000 was awarded to Architectural Properties, LLP (Bill Schoen), to assist with the development of “Third Street Market,” the multi-building mixed-use project that occupies the east side of S. Third Street between Town Square and Kittson, plus the adjoining parking lot to the south. Funds were provided in the form of a 35-year forgivable loan, secured by a mortgage. Under the terms of the loan, no payments are required and beginning in Year 6, 3.333% of the principal is forgiven annually if 1) the project was completed as proposed, 2) the property remains current on taxes and special assessments.

The project was completed as specified, and Mr. Schoen has been an excellent steward of the property in terms of its use and maintenance over the past 20+ years. A group of Grand Forks and Fargo investors recently approached Mr. Schoen about acquiring this property. Mr. Schoen has requested that this buyer be allowed to assume the remaining balance of the loan under similar terms. Mr. Schoen and Mike Sather, representing the potential purchaser, will be available to answer questions.

ANALYSIS AND FINDINGS OF FACT:

- Approximately 13.3 years remain on the original mortgage, representing an unforgiven loan balance of approximately \$511,000. Any proceeds would revolve into the City’s CDBG program.
- While mortgages were not attached to all downtown properties that received CDBG disaster assistance, they did secure large investments such as the subject property and the former Metropolitan Opera House. In this case, CDBG assistance represented

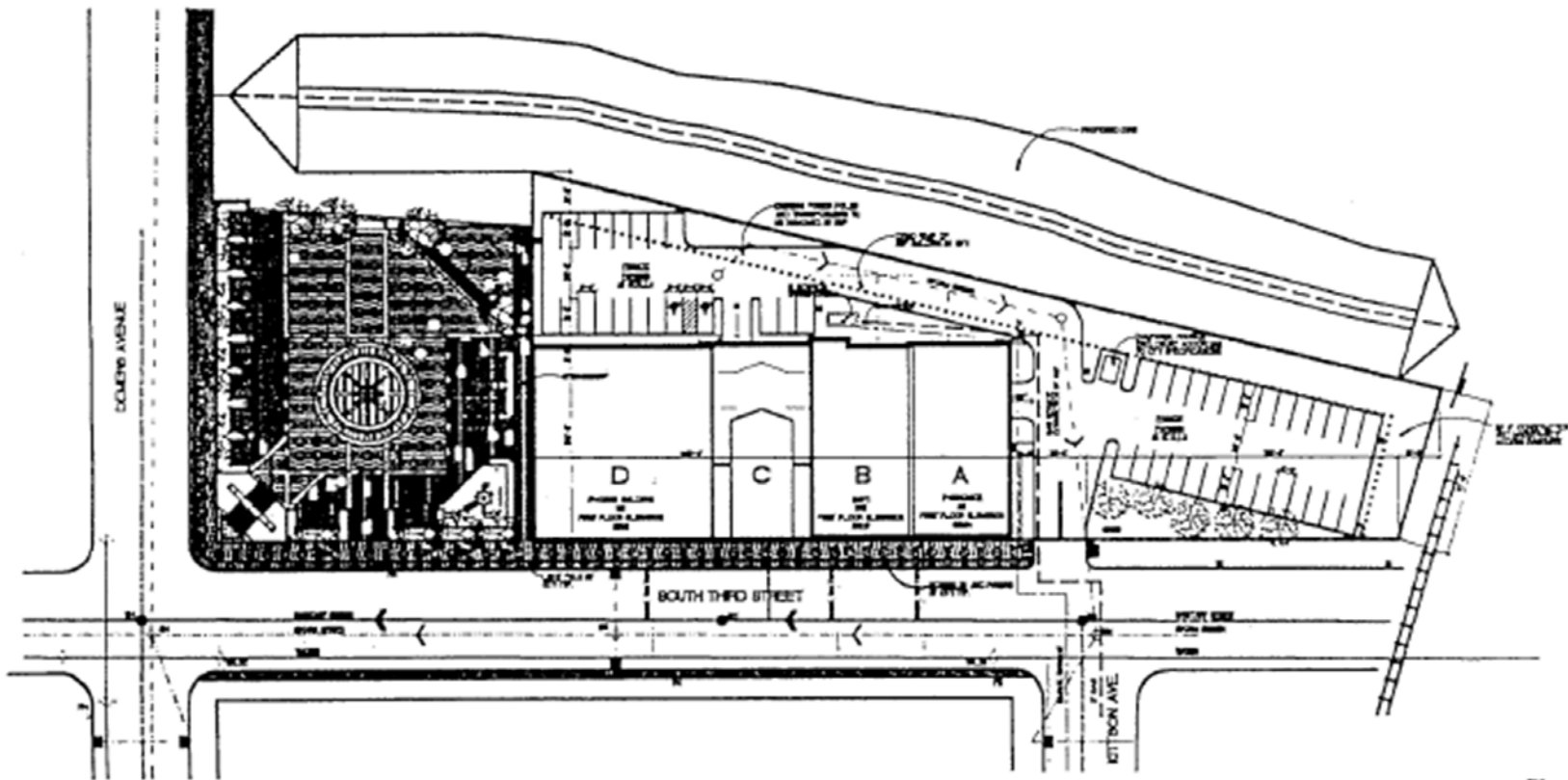
approximately 43% of the total estimated project cost (in 1999) of \$2.7 million; actual cost was over \$3 million.

- The intent of the mortgage was to ensure the City's significant CDBG investment would result in a project that would make a long-term contribution to downtown Grand Forks' economic viability and architectural heritage. This has been accomplished under Mr. Schoen's ownership, and he represents his confidence that the new owner will continue to do so.

SUPPORT MATERIALS:

- Views of property





PROPOSED GROUND FLOOR SITE PLAN

N SQUARE IS NOT PART OF THIS PROJECT, IT IS SHOWN FOR COORDINATION PURPOSES ONLY.

