

STAFF REPORT TO THE CITY COUNCIL OF THE CITY OF SAINT PAUL

REPORT TO THE CITY COUNCIL

DATE: FEBRUARY 16, 2022

REGARDING: AUTHORIZING AND AWARDING A BUSINESS SUBSIDY UNDER THE 27TH CYCLE NEIGHBORHOOD STAR PROGRAM TO WEST INDIES SOUL FOOD INC. AT MODEL CITIES BROWNSTONE LOCATED AT 839 UNIVERSITY AVE W., SAINT PAUL, MINNESOTA

Requested Council Action

The specific action being requested of the Council of the City of Saint Paul is as follows:

- Hold a Public Hearing and authorize and award a \$200,000 subsidy to West Indies Soul Food Inc. for capital improvements located at 839 University Ave W.

Background

Minn. Stat. §§ 116J.993-997 defines “business subsidy” or “subsidy” as a government contribution in most any form to a business that is greater than \$150,000. Section 116J.994(2) defines business subsidies as financial assistance of \$25,000 or more and loans or guarantees of \$75,000 or more.

The City must adopt uniform program criteria (not project specific criteria) after a public hearing, setting forth specific minimum eligibility requirements that must include a specific wage floor (stated as a specific dollar amount or as a formula that will generate a specific dollar amount), and:

1. Number of jobs created and/or retained;
2. Wage goals for jobs created and/or retained; and
3. Wage goals for jobs enhanced through wage increases; and
4. Wage and jobs goals must be met within two years of the benefit date.

In 1999, the Saint Paul City Council formally established uniform criteria for business subsidies. There are 19 delineated exceptions for which a business subsidy would not be required; however, none of the exceptions apply to this business recipient.

Before granting a business subsidy to a recipient, the City must first provide public notice and a hearing on the proposed award of a subsidy and the City and recipient must enter into a business subsidy agreement specifying the obligations of the recipient. The public notice for this matter was published in the *Legal Ledger* on Thursday, February 3, 2022. The public hearing on this matter is requested to be held as of the date of this report.

Business subsidy public hearings rarely come before City Council. For example, there were 24 current-round STAR awards, 22 of which were exempt projects, exempt non-profits, or fell below the threshold requiring a public hearing. This leaves two current-round STAR awards that require a business subsidy public hearing. The City Council adopted a Resolution authorizing a business subsidy to OMG Studios on November 10, 2021. The remaining current-round STAR award requiring a public hearing is for West Indies Soul Foods Inc. which is being presented to the City Council as of the date of this report.

PED Credit Committee will review and approve the terms and conditions of the financing structure. The project will comply with all applicable compliance programs and requirements as reviewed and approved by the Department of Human Rights and Equal Economic Opportunity and the City Attorney's Office.

Recommendation:

Staff recommends approval of a \$200,000 business subsidy to Neighborhood STAR recipient West Indies Soul Food Inc.

Sponsored by: Councilmember Mitra Jalali

Staff: Claudia Klinkhammer