

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

REPORT TO THE COMMISSIONERS

DATE: JULY 26, 2023

REGARDING: RECOMMENDING APPROVAL OF A \$64,046.00 CDBG FORGIVABLE LOAN MADE TO V&I BEST STEAK HOUSE, LLC FOR ITS CODE REPAIR PROJECT, 1676 WHITE BEAR AVENUE, SAINT PAUL, MINNESOTA DISTRICT 2, WARD 6.

Requested Board Action

Recommend approval of a \$64,046.00 Community Development Block Grant (“CDBG”) forgivable loan to V&I Best Steak House, LLC for a project to upgrade its kitchen range hood and ventilation system, which are required for code compliance.

Background

V&I Best Steak House, LLC occupies 3,000 square feet of leased space in the Hillcrest Center near the intersection of White Bear Avenue and Larpenteur Avenue. The second-generation restaurant is owned and operated by Viktor Vasileiadis and Irine Katras, a married couple, and has been at this location since 1973. In late 2019, a Department of Safety and Inspections (DSI) fire safety inspection revealed code violations in the kitchen, including two that required improvements by licensed contractors. One requirement was to install fire suppression hoses, the other was to ensure all cooking surfaces were covered by a range hood and proper ventilation. The latter requirement could be met by either adding an extension to the existing range hood or installing a new, larger range hood. Installing a new hood was deemed more practical for the longevity of the improvement and would make it easier to install a commensurate air intake and ventilation system. Initial bids suggested that this project would cost close to \$100,000, more than the owners anticipated they could afford during the initial stages of the pandemic. Given the uncertain times, the owners appealed the code repair deadline through the Legislative Hearing process and received an extension until July 1, 2022. This extension has been extended another 90 days as Planning and Economic Development (PED) Staff have worked with the owners to finalize funding assistance for the project.

A Community Development Block Grant (CDBG) was identified as the most suitable source for this project. When North East Neighborhoods Development Corporation (NENDC), the community development company that assisted businesses in this part of the city, shut down, CDBG funds that NENDC had been managing and using for code repair projects were returned to the City. It is from these funds that this project is being recommended for funding. The U.S. Department of Housing and Urban Development (HUD) requires that recipients of CDBG meet one of three national objectives. The objective being met for this project is retention of Low- to Moderate-Income jobs. This allows for up to \$35,000 of assistance per qualifying job retained, and V&I Best Steak House, LLC can attribute two such jobs to this categorization.

A resolution for this item came before the HRA Board on August 24, 2022, and was adopted. In September 2022, before the project was able to commence, a fire significantly damaged the interior of the restaurant, which was subsequently condemned by the DSI. In addition to the originally required code repairs to the kitchen, the project now includes interior demolition, cleaning, mechanical, electrical, plumbing, walling, flooring, tiling, and adding of fixtures and furnishings. The total project cost, including the range hood, fire suppression system and intake air adjustments, is \$1,093,405. Additional sources for those items have been identified and are listed below in the sources and uses.

Budget Action

City Council Administrative Order

Future Action

Upon recommendation of the approval of the loan by the HRA Board of Commissioners, and upon approval by the City Council, HRA and PED staff will prepare an appropriate CDBG loan agreement containing the terms described in this report and will submit it to the City Attorney's Office for review and approval before the loan agreement is submitted for execution.

Financing Structure

Sources and uses are as follows:

Sources		Uses	
CDBG Forgivable Loan	\$ 64,046.00	Range Hood Installation, Air Intake modification, Fire Suppression	\$ 69,000.00
Owner Equity	\$ 4,954.00		
Insurance Payout	\$641,485.00	Demolition and Cleaning	\$ 62,037.00
DEED Main Street Grant	\$328,022.00	Mech./Elec./Plumb.	\$415,500.00
SPMF Main Street Matching Grant	\$ 54,898.00	Wall./Roof./Floor/Ceiling	\$177,000.00
		FF&E	\$ 94,000.00
		Overhead/PM	\$162,800.00
		Permitting	\$ 1,968.00
		Contingency	\$111,100.00
TOTAL	\$1,093,405.00	TOTAL	\$1,093,405.00

\$64,046.00 CDBG Funds

The CDBG forgivable loan will be structured with a 0% interest rate with a term of 6 years. If, after 5 years or at the end of the term, the HUD national objective has been met, the loan will be forgiven.

PED Credit Committee Review

On June 20, 2023, the PED Credit Committee reviewed and approved the terms of the \$64,046.00 CDBG forgivable loan on the terms provided in this report.

Compliance

Compliance requirements include Vendor Outreach, Affirmative Action, Labor Standards, and 2-Bid Policy.

Environmental Impact Disclosure

The HUD Part 58 Environmental Review has been completed for CDBG funding.

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This Project meets several public purpose objectives, including:

- Job retention
- Investments in low- to moderate-income areas
- Positive tax base impacts through capital investment in real property

And will further several goals in the 2040 Comprehensive Plan in the Land Use Chapter under Policy LU-6, including:

- facilitating business retention and expansion
- supporting family-sustaining jobs
- growing Saint Paul's tax base
- proactively directing new development to high-priority geographies, such as Neighborhood Nodes, ACP50 Areas and Opportunity Sites;
- supporting business, real estate and financial models that keep more money locally

Recommendation:

The HRA's Executive Director recommends adoption of the attached Resolution, recommending the approval of a forgivable loan to V&I Best Steak House, LLC in the amount of \$64,046.00 from CDBG funds to fund the required code kitchen improvements to V&I Best Steak House, LLC, per the terms and conditions set forth herein and related documents to be executed.

Sponsored by: Commissioner Nelsie Yang

Staff: Jonathan Reisetter, 651-266-9119

Attachments

- **Map**
- **Public Purpose**
- **District 2 Greater East Side Neighborhood Profile**