

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 14, 2020

**REGARDING: AUTHORIZATION OF A LOAN UNDER THE JOB OPPORTUNITY FUND
PROGRAM TO HI HI, LLC, 1079 RICE STREET, DISTRICT 6, WARD 5**

Requested Board Action

Approval of a \$100,000 Job Opportunity Fund (“JOF”) loan to Hi Hi, LLC.

Background

Hi Hi, LLC is a new community event and catering center that will host weddings, graduations, community meetings, birthday parties, and specialize in cultural events for Hmong and Karen communities. Hi Hi is purchasing and improving the 8,000 square foot event space formally known as the Klub Haus at 1079 Rice Street.

The improvements include updating the existing kitchen on the upper floor, expanding the lower level bathroom and adding a restroom on the first floor, a new office space, adding a permanent bar on the upper floor, and additional equipment. Hi Hi plans to create ten new full-time jobs with this project. Additionally, the business will operate at 1079 Rice Street, which is in an ACP50 area. See the attached ACP50 map.

The property is zoned B2 and the project complies with land-use guidelines. No businesses will be displaced or relocated as a result of this project. Eminent domain will not be required for acquisition.

Budget Action

This loan is funded from the fiscal year 2018 budgeted funds in the HRA Loan Enterprise – Job Opportunity Fund. No budget amendment is required. The balance in the JOF program after this investment is made will be \$0. There are no additional dollars proposed for the JOF program in the Mayor’s 2021 budget proposal.

Future Action

N/A

Financing Structure

SOURCE OF FUNDS		USE OF FUNDS	
Bank Loan - Citizens Bank	\$516,500	Property Purchase	\$675,000
Bank Loan - WBD: SBA 504	361,550	Construction	283,000
City of St. Paul- JOF	100,000	Kitchen & Other Equipment	45,000
North End Neigh Assoc – Grant	50,000	Other Equipment	10,000
AEDA – Grant	25,000	Fees	5,000
Owner's Equity	64,950	Working Capital	125,000
Women Venture – Loan	50,000	Contingency	25,000
TOTAL SOURCES OF FUNDS	\$1,168,000	TOTAL USES OF FUNDS	\$1,168,000

JOF guidelines define eligible uses as “any business-related purpose related to job creation, such as: building/leasehold improvements; professional fees; furniture, fixtures, and equipment purchases; inventory; and working capital.” Hi Hi will undertake construction activities with this JOF loan, and will also use the proceeds to purchase furniture and kitchen equipment related to job creation.

The term of the loan would be for eight years, one year deferred and seven years amortizing. The interest rate would be 2.25% (prime minus one percent). Consistent with the JOF program guidelines, the note is up to 50% principal forgivable: 20% forgiveness for initial job creation of ten jobs created for a five-year period, and an additional 30% forgiveness for hiring ACP50 residents for the new jobs. There will be an annual check-in and the loan would be forgiven if Hi Hi maintains at least ten full-time (32 hours per week and same benefits as a full-time employee) jobs on site. The loan will be a full-recourse obligation of Hi Hi, and the HRA will have a separate security interest in the company’s building mortgage, fixtures, equipment, and other business assets, and a personal guaranty from anyone owning more than 20% of the company.

PED Credit Committee Review

The PED Credit Committee reviewed and approved this loan on September 22, with a recommended Risk Rating of Vulnerable.

Compliance

Based on the amount of HRA assistance, the required compliance includes Labor Standards, Business Subsidy, Vendor Outreach Program, Affirmative Action, and Two-Bid Construction. Hi Hi has acknowledged that these compliance requirements may apply.

Green/Sustainable Development

The project will comply with the Saint Paul/HRA Sustainability Initiative.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance:

Along with hiring at least ten new employees from Saint Paul and an ACP50 area, this action will increase culturally relevant activities in the Rice Street Cultural Destination Area as laid out in the 2030 Comprehensive Plan. The Twin Cities are home to over 80,000 Hmong and Karen people, and this event center will be a benefit to these communities of Saint Paul and the metro who are experiencing a shortage of culturally specific event and catering spaces.

Statement of Chairman (for Public Hearing)

N/A

Recommendation:

The Executive Director and staff recommend approval of the attached Resolution authorizing the loan to Hi Hi, LLC.

Sponsored by: Commissioner Brendmoen

Staff: Angela Riffe

Attachments

- **ACP50 Map**