

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

**REPORT TO THE COMMISSIONERS**

**DATE: OCTOBER 28, 2020**

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING \$80,000 IN HRA LOAN  
ENTERPRISE FUNDS TO FIVE STAR CAFE, LLC, 2469 WEST SEVENTH  
STREET, DISTRICT 15, WARD 3**

**Requested Board Action**

Approve an \$80,000 loan to Five Star Cafe, LLC for improvements to their business located at 2469 West Seventh Street.

**Background**

Five Star Café is owned by brothers Dawit and Yohannes Tekle. Several other family members also work at the restaurant. The cafe serves East African cuisine that is recognized by a variety of communities as a simple, hearty, tasty, and affordable. The restaurant also serves as a gathering place for a diverse community of immigrants and has a special attraction for and a history of sponsoring events of Ethiopian and Eritrean soccer teams.

The business has been open for seven years and the Tekle brothers have owned it for the past three years. The Five Star Café is in the emerging and designated Cultural Destination Area commonly referred to as Shepard Davern. The café is one of three East African restaurants in the area, and the surrounding neighborhood is home to many East African immigrants. The restaurant is regionally recognized by the East African community.

The Tekle family has been working for over two years to renovate the restaurant. They plan to expand the kitchen, including installing a hood, and upgrade the dining room, including new flooring, ceiling, and lights. They have several goals for the renovation. They want to expand menu options throughout the day (breakfast, lunch, dinner), and continue to meet the substantial demand for take-out/pick-up. They also want to be able to host larger groups for special events.

**Budget Action**

This loan is funded from the fiscal year 2020 budgeted funds in the HRA Loan Enterprise – Business Assistance Program. No budget amendment is required. If this resolution is adopted, the balance in the program will be \$680,000.

**Future Action**

N/A

**Financing Structure**

The total project cost is \$150,000 with all the funds being for commercial rehab. The landlord is investing \$50,000 of equity. Council Member Tolbert has indicated support for a \$10,000 Year-Round STAR grant, and African Economic Development Services has indicated a willingness to contribute a \$10,000 Grant.

<b>USES</b>		<b>SOURCES</b>	
Construction Costs	\$ 150,000	Landlord Equity	\$ 50,000
		HRA Loan	\$ 80,000
		Other Grants	\$ 20,000
<b>Total Uses</b>	<b>\$ 150,000</b>	<b>Total Sources</b>	<b>\$ 150,000</b>

The HRA loan will have a 3% interest rate and a nine-year term, with no principal or interest due the first two years. Loan payments will be amortized over the remaining seven years based on a twelve-year schedule, with all unpaid principal and interest due in full at the end of the nine-year term.

**PED Credit Committee Review**

The Credit Committee reviewed the proposed HRA Loan Enterprise Fund financing on October 13, 2020 and approved a recommended Risk Rating of Vulnerable.

**Compliance**

The size of the project and the public support require developer compliance with Vendor Outreach, Affirmative Action, City Labor Standards, and the Two-Bid Policy.

**Green/Sustainable Development**

The size of the building, scope of the project, and amount of public support are below the minimums that trigger the Sustainable Building Ordinance.

**Environmental Impact Disclosure**

NA

**Historic Preservation**

The building was constructed within the past 50 years, outside of the period evaluated for historic significance.

**Public Purpose/Comprehensive Plan Conformance**

The Project, which is consistent with the Comprehensive Plan, will accomplish a number of public purposes, including:

- Create construction jobs and preserve permanent jobs.
- Enhancing economic activities in the neighborhood commercial district.
- Contribute programming to a designated Cultural Destination Area.
- Strengthen the tax base of Saint Paul.

**Recommendation:**

The Executive Director and staff recommend approval of the attached Resolution authorizing this loan to Five Star Cafe, LLC.

**Sponsored by:** Commissioner Tolbert

**Staff:** Ross Currier, 266-6611

## **Attachments**

- **Map**
- **Public Purpose**
- **District 15 Profile**
- **Photo of Five Star Café interior**