

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

**REPORT TO THE COMMISSIONERS**

**DATE: APRIL 12, 2017**

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING \$50,000.00 IN HRA LOAN  
ENTERPRISE FUNDS TO LULU'S FOOD MART & DELI #1 FOR THE BUILD-  
OUT OF 1552 SAINT CLAIR AVENUE, DISTRICT 14, WARD 3**

**Requested Board Action**

Approve and authorize a \$50,000 loan to Lulu's Food Mart & Deli #1 for the build-out of a commercial space at 1552 Saint Clair Avenue.

**Background**

Lulu's was a popular neighborhood restaurant successfully owned and operated by Rouzbeh Toliati for five years on Selby Avenue (near Snelling), but was priced out by rising rent rates and squeezed out by inadequate space. Their food and hospitality were much-loved by Macalester College and the surrounding neighborhood. The owner has been working on a new location on Saint Clair Avenue (near Snelling), but needs additional funding to complete the project.

Lulu's will help stabilize a neighborhood commercial district by occupying a space that has often been vacant over the years. In addition, Lulu's has a history of hiring and promoting students from Central High School, launching a number of careers in the restaurant business. Lulu's on Saint Clair is located on the 70 line and near the A line, accessible for workers throughout Saint Paul seeking entry-level jobs in the retail food industry.

**Budget Action**

No budget action is required.

**Future Action**

No future action required.

## **Financing Structure**

### **Lulu's On Saint Clair Build-Out Budget**

Sources:		Uses:	
Owner's Equity	\$60,000.00	Build-Out	\$50,000.00
Loan Enterprise Fund	\$50,000.00	Decorating	\$15,000.00
Year-Round STAR	\$10,000.00	Equipment	\$25,000.00
		Working Capital	\$30,000.00
<b>Total Sources</b>	<b>\$120,000.00</b>	<b>Total Uses</b>	<b>\$120,000.00</b>

Mr. Toliati exhausted his available funding (\$228,000) after initially moving and re-installing equipment from the original business and creating a full kitchen in the former sandwich shop at 1552 Saint Clair Avenue. To build out the dining room and open the restaurant for business \$120,000 of additional work is needed, including fixtures, flooring, decorating, painting and signage. Mr. Toliati raised \$60,000 of additional equity from family and friends, and approached the city to help fund the remaining balance. In addition to the HRA loan, Mr. Toliati is seeking \$10,000 from the Year-Round STAR program.

The proposed term of the HRA loan will be five years with an interest rate of 1%. The loan will be secured by a security interest in fixtures and equipment, and personally guaranteed by Mr. Toliati.

### **PED Credit Committee Review**

The PED Credit Committee will review this loan on April 10<sup>th</sup>, 2017, with a recommended Risk Rating of Vulnerable.

### **Compliance**

The project will meet all applicable compliance requirements (e.g. Vendor Outreach, Affirmative Action, Little Davis Bacon, Project Labor Agreement, Two Bid, etc.).

### **Green/Sustainable Development**

N/A

## **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

N/A

## **Public Purpose/Comprehensive Plan Conformance**

This project is consistent with the Comprehensive Plan. 1552 Saint Clair is located on the block included with the portion of Snelling Avenue guided as a Mixed Use Corridor.

Primary public purposes are the creation of a new business and new jobs. Secondary public purposes include generation of private investment, an increase in minority-owned businesses, and increase of tax base.

## **Statement of Chairman (for Public Hearing)**

### **Recommendation:**

The HRA Executive Director recommends approval of the attached resolution, authorizing \$50,000 of Loan Enterprise Funds to Lulu's Food Mart & Deli #1 for the project at 1522 Saint Clair Avenue.

**Sponsored by: Commissioner Tolbert**

**Staff: Ross Currier, 651-266-6611**

## **Attachments**

- **Attachment –Resolution**
- **Attachment – Map**
- **Attachment – Public Purpose**
- **Attachment – District 14 Profile**