

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2023

REGARDING: RESOLUTION AUTHORIZING A LOAN UP TO \$70,000 FROM THE HRA BUSINESS ASSISTANCE FUND TO SIR CERRESSO FORT BOXING AND FITNESS, LLC, 965 ARCADE ST; DISTRICT 17, WARD 2

Requested Board Action:

Request the Saint Paul Housing and Redevelopment Authority (HRA) Board of Commissioners to approve a loan of \$70,000 of HRA Business Assistance Loan Funds to SIR Cerresso Fort Boxing and Fitness, LLC for the building renovation project at 965 Arcade St.

Background

SIR Boxing was started by Cerresso Fort and a business partner in 2015 at 1440 Arcade St in a sublevel rental space along Arcade and Wheelock Pkwy. In 2018, Mr. Fort became sole owner of the business and began searching for properties to acquire for permanent relocation of the business. In February 2021, SIR Boxing acquired the building at 965 Arcade St and began a renovation project to improve the building and customize it for use as a boxing gym. In addition to owner equity and fundraising, the project's sources included a commercial loan from Hiway Credit Union, Year-Round STAR funding, and Community Development Block Grant (CDBG) funding from two unique subrecipients of the City of Saint Paul: East Side Neighborhood Development Company (ESNDC) and Historic Saint Paul (HSP).

Each of the CDBG contributions were required to meet discrete national objectives set by the Department of Housing and Urban Development (HUD). The CDBG contribution from ESNDC targeted a clientele service area objective while the CDBG from HSP targeted a job creation objective. Using the job creation objective unlocks up to \$35,000 of funding per Full Time Equivalent (FTE) job that is to be created, so the HSP contribution of \$70,000 of CDBG required 2 FTE jobs to be created (and made available to Low- to Moderate-Income persons). Although one job was created for a portion of the first year of operation, and other jobs have been created in the building by a nonprofit related to the business, it was determined that qualifying jobs were not created within the allotted timeframe and so the loan went into default. HUD has given the City

until January 10, 2024, for the CDBG loan in default to be cured. The national objective related to the ESNDC funds was met.

SIR Boxing explored options for paying back the HSP CDBG loan, including applying for a \$70,000 loan from a bank, but the efforts were unsuccessful. It was determined that SIR Boxing would be eligible to apply for a Business Assistance Fund loan which could be applied to the original, recently completed construction project, and used to pay off the CDBG loan.

Budget Action

This loan is funded from the fiscal year 2023 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 \$361,200.

Future Action

N/A

Financing Structure

Private and nonprofit financing totals \$514,536, including owner equity and private debt. Public financing totals \$237,000 including \$70,000 from the proposed HRA Business Assistance Loan Fund. The proposed HRA Loan will have an 8-year term, with no principal or interest due for the first 12 months and fully amortizing over the remaining 84 months at a 3% interest rate.

<u>Sources</u>		<u>Uses</u>	
Owner Equity	\$ 76,536	Acquisition	\$ 185,000
Nexus TBLM grant 1	\$ 49,000	Hard Construction	\$ 361,536
Nexus TBLM grant 2	\$ 31,000	Design Contingency	\$ 49,000
Take Action MN	\$ 30,000	Construction Contingency	\$ 60,000
We Love St Paul / Midway CC	\$ 15,000	Operations & Developers Fee	\$ 75,000
Indigenous Roots	\$ 5,000	Relocation, Storage & Equipment Costs	\$ 21,000
African America CDC Grant	\$ 5,000		
Private Investor	\$ 10,000		
Go Fund Me	\$ 3,000		
CDBG - ESNDC BIF	\$ 137,000		

HRA Business Assistance Loan Funds	\$ 70,000		
Year-Round STAR W6	\$ 15,000		
Year-Round STAR W7	\$ 15,000		
LISC Dev. Of Color Grant	\$ 50,000		
Hiway Credit Union loan	\$ 240,000		
TOTAL	\$ 751,536	TOTAL	\$ 751,536

PED Credit Committee Review

The Credit Committee is scheduled to review the proposed HRA Business Assistance Loan Funds at their December 5, 2023 meeting and will have decided on the recommended terms and Risk Rating prior to the December 13, 2023 HRA Board of Commissioners meeting.

Compliance

Because the Business Assistance Loan Funds would not be changing the Total Project Cost nor the amount of public funding in the project, no new compliance areas would apply. Compliance areas that have already been satisfied for the project include Vendor Outreach Program, Federal Davis-Bacon, Affirmative Action / Equal Employment Opportunity, and Two-bid Policy.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

An environmental review was conducted and it was determined that the project would have no significant impact on the human environment, therefore, an environmental impact statement under the National Environmental Policy Act of 1969 is not required.

Historic Preservation

The project was reviewed by the Minnesota SHPO pursuant to the National Historic Preservation Act, the Minnesota Historic Sites Act, and the Minnesota Field Archaeology Act. No impacts or concerns were found.

Public Purpose/Comprehensive Plan Conformance:

The building renovation project at 965 Arcade St introduced positive tax base benefits through capital investments in real property, renovated a formerly vacant space on an important commercial corridor on Saint Paul’s East Side, provides a permanent home for a Black-owned business, helps that business promote health and fitness to an underserved community population, and allows the business to continue growing and create jobs.

Recommendation:

The HRA Executive Director recommends approval of the attached resolution, authorizing \$70,000 of HRA Business Assistance Loan Funds to SIR Cerresso Fort Boxing and Fitness, LLC for the renovation project at 965 Arcade St.

Sponsored by: Commissioner Prince

Staff: Jonathan Reisetter, 266-9119

Attachments

- **Map**
- **Public Purpose**
- **D5 Payne Phalen Neighborhood Profile**