

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 9, 2017

REGARDING: RESOLUTION APPROVING AND AUTHORIZING \$100,000 IN CDBG FUNDS TO ALKA, LLC FOR THE CONSTRUCTION OF 719 PAYNE AVENUE, DISTRICT 5, WARD 7

## **Requested Board Action**

Request the Saint Paul Housing and Redevelopment Authority (HRA) Board of Commissioners to allocate \$100,000 of CDBG Business funds to the construction of a commercial building by ALKA, LLC at 719 Payne Avenue.

## **Background**

ALKA, LLC purchased the property at 719 Payne Avenue in 2015. The former gas station had been vacant since 2012 and the new ownership planned to rehab the building for a coffee shop and deli. The ownership discovered after purchase that the building was a registered Vacant Category 3 commercial building. As limitations to the rehabilitation plan and restrictions to the rehab as a result of the Category 3 status became clear, the planned rehab became plans for new construction. The gas station was demolished in 2016 with the plan to construct a new building in its place for Karibu Deli & Grocery, an independent, immigrant-owned East African grocery store and deli to be owned by ALKA, LLC. The membership of ALKA, LLC is Abdiwali Ali, Ikrim Ali (sister) and Mohamed Jama (cousin.) The family has lived in the Payne-Phalen neighborhood for over 17 years.

The commercial space at 719 Payne Avenue will be leased to Karibu Grocery and Deli, LLC. The principals of ALKA LLC are Abdiwali Ali (34%), Ikrim Ali (33%), and Mohamed Jama (33%). The principals have experience and degrees in business and business management. Abdi will also have certification in restaurant management and food safety. The kitchen operations and menu will be overseen by the matriarch of the family, Khadra Haji, who brings ten years of experience operating a restaurant in Somalia. African Development Center of Minneapolis has

been providing project management and business development assistance to the project since 2015.

The property is currently zoned T2. The proposed one-story building will have 2,600 square feet of commercial space. The site will have nine on-site parking spaces. The project has support of both the District 5 Planning Council and the East Side Area Business Association.

**Budget Action**

There will be an Administrative Order to allocate the budget. If this resolution allocating CDBG dollars is approved today we will have \$725,613 of CDBG funds remaining uncommitted. This balance includes 2017 grant funds.

**Future Action**

No future action is required.

**Financing Structure**

Summary of Sources and Uses:

<u>SOURCES</u>		<u>USES</u>	
CRF	\$ 508,000	Acquisition	\$ 39,000
STAR Grant	\$ 90,000	Environmental	\$ 81,215
STAR Loan	\$ 90,000	Construction	\$ 741,766
Year Round STAR Grant	\$ 15,000	Equipment	\$ 116,000
ESNDC	\$ 50,000	Soft Costs	\$ 84,200
DEED clean-up funds	\$ 39,396	Start-up Costs	\$ 83,500
Ramsey County ERF	\$ 20,035	Contingency	<u>\$ 19,350</u>
PetroFund	\$ 8,600		
LISC grant	\$ 5,000		
HRA CDBG Business fund	\$ 100,000		
Equity	<u>\$ 239,000</u>		
TOTAL	\$1,165,031	TOTAL	\$1,165,031

If funding is approved, the loan agreement will be executed by ALKA, LLC, the owner of the building, as an amortized loan at 2% for 25 years. A third-position mortgage will be placed on the property at 719 Payne Avenue (with Community Reinvestment Fund in the first-position mortgage). A personal guaranty will be executed by ALKA, LLC principals, Abdiwali Ali, Ikrim Ali and Mohamed Jama. Additionally, as approved by City Council Resolution #16-1229 on August 3, 2016 and #16-1705 on October 7, 2016, a \$90,000 STAR loan agreement with a second-position mortgage will be executed along with a \$105,000 STAR grant agreement.

### **PED Credit Committee Review**

The Credit Committee reviewed the project on July 24, 2017 and recommended a \$100,000 loan at 2% interest over 25 years with a two-year deferral period on payments and interest. The Credit Committee also approved the terms of the \$90,000 STAR loan at 2% amortized over 25 years with a two-year deferral period on payments and interest.

### **Compliance**

The applicant has signed the Acknowledgment of Specific Compliance Requirements (2nd Developer Letter) and the project will meet all applicable compliance requirements (e.g. Vendor Outreach, Affirmative Action, Little Davis Bacon, and Project Labor Agreement.) The project has received a waiver from the Executive Director of the HRA for the Two-bid Policy for selection of the general contractor. The minimum of two-bids for any subcontracted work will apply to the project. Vendor Outreach surpasses this requirement with a minimum of three bids for subcontracted work and WBE/MBE/SBE goals.

### **Green/Sustainable Development**

This project will seek a partial waiver from City Council for the Sustainable Building Policy, as applying the entire Sustainable Building Policy to the project will disproportionately increase costs and administrative burden. The City Council resolution will waive the Sustainable Building Policy requirement regarding certification through one of the allowable "green" building rating standards, and requires that Karibu Grocery comply only with the "Saint Paul Overlay" portion of the Sustainable Building Policy.

## **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

N/A

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

The primary public purpose is removing blight and pollution, increasing goods and services availability, and increasing the tax base. Secondary public purposes include creating local business, encouraging entrepreneurship, supporting commercial activity and increasing women/minority businesses.

This project is consistent with the Comprehensive Plan and other plans:

Comprehensive Plan (2010) Land Use Chapter policies:

- LU 1.45 Enhance retail commercial areas throughout the city by promoting standards that make them vital and attractive including access to a broad range of goods and services, an anchor for surrounding residential neighborhoods, safety for pedestrian and architectural elements that add interest at the street level
- LU 1.46 encourages the expansion of compact commercial areas of a variety of retail establishments in proximity to each other
- LU 1.50 encourages the City's effort to assist redevelopment of existing buildings that are no longer considered functional to accommodate viable retail and businesses

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

N/A

## **Recommendation:**

The HRA Executive Director recommends approval of the attached resolution, authorizing \$100,000 of CDBG Business Assistance loan funds to ALKA, LLC for the Karibu Grocery & Deli project at 719 Payne Avenue.

**Sponsored by: Jane Prince**

**Staff: Hilary Holmes, 651-266-6612**

**Attachments**

- **Attachment – Project Summary**
- **Attachment – Map**
- **Attachment – Sources and Uses**
- **Attachment – Public Purpose**
- **Attachment – District 5 Profile**