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

REPORT TO THE COMMISSIONERS **DATE: APRIL 26, 2023**

REGARDING: APPROVING A $49,000 CDBG LOAN MADE TO CRASQUI RESTAURANT, LLC FOR CREATING NEW JOBS, 84 WABASHA STREET SOUTH, SAINT PAUL, MINNESOTA DISTRICT 3, WARD 2.

Requested Board Action

Approve a $49,000 CDBG loan to Crasqui Restaurant, LLC (the "Borrower") for a project to rehabilitate an existing and leased restaurant space for a new restaurant business. Alternatively, in the event that the Borrower is unable to obtain a federally issued UEI number necessary to borrow CDBG funds, then, in such case, HRA staff recommends that the HRA be authorized to loan to the Borrower $49,000 in funds from the Business Assistance Fund upon the loan terms as described below.

Background

Crasqui Restaurant plans to open in the summer of 2023. It will be located at 84 Wabasha Street South and will occupy over 2,600 SF on the main floor of the West Side Flats luxury apartment building. The loan funds will be used to rehabilitate the space. This new business is taking over a former Catrina's, and the interior rehabilitation will include updating the electrical system to be more energy-efficient; installing new floor, installing a bar for alcohol service, and other aesthetic updates to fit the high-end restaurant concept. The total project scope includes construction costs, a 30% contingency, equipment, supplies, and working capital. The new business will create at least 9 new low- to moderate-income jobs.

Crasqui Restaurant, LLC is a new venture by Soleil Ramirez, who currently operates Arepa Bar out of Minneapolis' Midtown Global Market. Ms. Ramirez was denied an SBA loan in late 2022 and immediately sought support from the City of Saint Paul, Neighborhood Development Center, Latino Economic Development Center, and Next

Stage. Each of these partners have approved funding., contingent on the City of Saint Paul's financial support.

CDBG was identified as the most suitable source for this project. HUD requires that recipients of CDBG meet one of three national objectives. The objective being met for this project is creation and retention of Low-to Moderate-Income jobs. This allows for up to $35,000 of assistance per qualifying job retained, and Crasqui Restaurant, LLC can attribute two such jobs to this categorization.

If the Borrower is unable to obtain a federally issued UEI number necessary to borrow CDBG funds or the project does not otherwise qualify for CDBG, PED Staff recommends that the loan of $49,000 be made from Business Assistance Fund resources to meet the funding gap.

Budget Action

This loan is proposed to be funded with CDBG funds, however if federal requirements cannot be met, HRA Business Assistance Funds will be utilized instead, with terms matching the proposed CDBG funded loan. CDBG funds will go through City Council for approval via an Administrative Order after approval by the HRA; otherwise, 2023 budgeted HRA Loan Enterprise – Business Assistance funds will be utilized and no budget amendment is required.

Future Action

Upon approval of the loan by the HRA Board of Commissions, HRA Staff will prepare an appropriate CDBG loan agreement, promissory note, and other supporting loan and security documents, containing the terms described in this report and will submit it to the City Attorney's Office for review and approval before the loan agreement is submitted for execution.

Financing Structure

Owner equity is structured to cover 10% of total project costs, with the CDBG loan of $49,000 covering 13% of total project costs. Sources and uses are as follows:

Sources and Uses of Funding:

Sources		Uses	
NextStage	$75,000	Construction + 30% cont.	$139,926
LEDC	$75,000	Furniture and equipment	$109,481
NDC	$75,000	Start-up costs	$77,572
HRA - CDBG loan	$49,000	Working capital	$53,321
Landlord TI	$66,300		
Owner cash	$40,000		
Total Sources	$380,300	**Total Uses**	$380,300

$49,000.00 loan terms for CDBG or BAF

The CDBG loan will be structured with a 3% annual interest rate and a term of 6 years, with the first year deferred. The remaining amount will be paid in monthly installments over the next 5 years. If the CDBG funds do not qualify for this project, a Business Assistance Fund loan will be provided under the same terms.

PED Credit Committee Review

On April 18, 2023, the PED Credit Committee reviewed and approved the terms of the $49,000 loan on the terms provided in this report.

Compliance

Compliance requirements include Vendor Outreach, Labor Standards, and the 2-Bid Policy.

Environmental Impact Disclosure

The HUD Part 58 Environmental Review has been completed for CDBG funding.

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

This Project meets several public purpose objectives, including:

- Job retention
- Investments in low- to moderate-income areas
- Positive tax base impacts through capital investment in real property

And will further several goals in the 2040 Comprehensive Plan in the Land Use Chapter under Policy LU-6, including:

- facilitating business retention and expansion
- supporting family-sustaining jobs
- growing Saint Paul's tax base
- proactively directing new development to high-priority geographies, such as Neighborhood Nodes, ACP50 Areas and Opportunity Sites;
- supporting business, real estate and financial models that keep more money locally

Recommendation:

The HRA's Executive Director recommends adoption of the attached Resolution, approving a partially forgivable loan to Crasqui Restaurant, LLC in the amount of $49,000.00 from CDBG funds to fund, in part, the interior rehabilitation for new business, Crasqui Restaurant, per the terms and conditions set forth herein and related documents to be executed. Alternatively, in the event that the Borrower is unable to obtain a federally issued UEI number necessary to borrow CDBG funds, then, in such as case, the HRA staff recommends that the HRA be authorized to loan to the Borrower $49,000 in funds from the Business Assistance Fund upon the terms as described above.

Sponsored by: Commissioner Rebecca Noecker

Staff: Rachael Weiker, 651-266-6571

Attachments

- **Map**
- **Public Purpose**
- **D2 West Side Neighborhood Profile**