

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

**REPORT TO THE COMMISSIONERS**

**DATE: FEBRUARY 22, 2017**

**REGARDING:        APPROVING \$400,000 CDBG LOAN FOR THE BUSINESS INCUBATOR  
PROJECT LOCATED AT 809 7TH STREET EAST, DISTRICT 4, WARD 7.**

**Requested Board Action**

Approve a \$400,000 CDBG loan (“Loan”) for the acquisition and rehabilitation of the building at 809 7th Street East (“the Property”) by Dayton’s Bluff Neighborhood Housing Services (“DBNHS”) for the Dayton’s Bluff Business Incubator Project (the “Project”).

**Background**

The DBNHS purchased the Property on July 28, 2016 and will rehabilitate the 13,057 square foot building in 2017. On August 3, 2016, by Resolution 16-1229, the City Council authorized a STAR Grant up to the amount of \$350,000 to provide financing for the building’s rehabilitation.

DBNHS will serve as the property manager while Neighborhood Development Center (“NDC”) will provide business technical assistance to tenants. The Property will serve a combination of start-up and existing businesses in retail and professional services. The Property will provide 8,000 square feet of retail and/or professional office space for graduates of NDC training programs and other local entrepreneurs. The DBNHS will lease the building’s back 5,000 square feet to tenants for warehouse, storage, or other needed space.

NDC has a strong history of developing business incubators and supporting and training existing business owners including Mercado Central, Frogtown Entrepreneur Center, Frogtown Square, Midtown Global Market, and Plaza Verde. The DBNHS is also working with City Academy, a public charter school in Saint Paul, to provide educational or career pathways for its students. The school focuses on students between 17 and 21 years old who have experienced challenges in traditional academic settings.

### **Budget Action**

No budget action is required. If all the resolutions are passed today allocating CDBG dollars (Jamestown, Business Incubator, and Weyerhauser) we will have \$562,890 CDBG funds remaining uncommitted. This amount reflects the addition of \$1,200,000 of program income approved on February 15, 2017 in CC RES PH #17-44.

### **Future Action**

N/A

### **Financing Structure**

	<u>Sources</u>		<u>Uses</u>
City of St Paul CDBG Loan	\$ 400,000	Pre-development Costs	\$ 60,400
Bank Loan	\$ 769,624	Purchase Price	\$ 400,000
NENDC CDBG Deferred Loan	\$ 100,000	Construction Costs	\$ 1,052,720
Neighborhood STAR Grant	\$ 350,000	Professional Fees	\$ 241,504
NeighborWorks Grant (Pending)	\$ 190,000	Reserve Fund	\$ 175,000
Legislature/DEED Grant	\$ 200,000	Working Capital	\$ 80,000
	\$ 2,009,624		\$ 2,009,624

### **PED Credit Committee Review**

On September 19, 2016, the PED Credit Committee reviewed and recommended approval of the Loan. The Loan will be split into two parts: 1) \$200,000 will be a deferred loan with a term of seven years, or a term matching the first lender, at an interest rate of 1%. No payments will be required and the principal and accrued interest will be deferred until maturity date; and 2) \$200,000 will be forgiven at the end of seven years if the following goals for job creation are met:

- Create 15 jobs; or,
- Place 30 teens from City Academy into postsecondary institutions or begin employment, where each placement would equal half a job; or,

- Create an equivalent of 15 jobs through a combination of jobs and teen placements.

The deferred loan will be risk rated Originated as Loss (O) because of the requested deferral period and limited cash flow available for debt service. The risk rating of the forgivable loan will be risk rated as Forgivable (F).

### **Compliance**

The 1st Developer Letter was signed with the application request for assistance. The project will comply with the following programs and/or requirements: Vendor Outreach, Affirmative Action, Labor Standards, Two Bid Policy, Business Subsidy, Section 3, Living Wage, Sustainable Building Policy, and Project Labor Agreement.

### **Green/Sustainable Development**

N/A.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

N/A

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

The Project will: 1) eliminate the Property's blighting influence by improving its physical condition and visual appearance; 2) return the Property to the tax rolls; and 3) promote entrepreneurial activity.

The Project also addresses the following item in the Comprehensive Plan:

2.31 Implement the City's Economic Development Strategy to focus resources effectively in a coordinated series of initiatives and programs intended to secure and retain industries and commerce, and the jobs both create.

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

N/A

**Recommendation:**

HRA Executive Director recommends approval of the attached Resolution, authorizing the \$400,000 CDBG loan to DBNHS to assist in the acquisition and rehabilitation of the property at 809 7th Street East.

**Sponsored by:** Commissioner Prince

**Staff:** Marcq Sung 651.266.6615

**Attachments**

- **Attachment – Project Summary**
- **Attachment – Map**
- **Attachment – Public Purpose**
- **Attachment – District 4 Profile**