

May 23, 2024

VIA E-MAIL

Ms. Joanna Zimny
Legislative Hearing Executive Assistant
City of St. Paul, Office of the City Council
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**RE: 455 Robert Street South (the "Property")
Our File No. 33799.01**

Dear Ms. Zimny:

In preparation for the Legislative Hearing scheduled at 9:00 am on Tuesday, May 28, 2024, I am providing an update on the progress of the sale of the property at 455 Robert Street South, St. Paul, Minnesota ("Property"). My updated information is in **BOLD**.

FACTUAL BACKGROUND

On November 27, 2023, Allstate BK Real Estate Holdings, Ltd., the owner of the Property ("Allstate" or "Owner") entered into an Earnest Money Contract to sell the Property to Hosannah, Inc., which is owned and operated by Hye Young Shin, CEO/Owner ("Ms. Shin" or "Purchaser"). Ms. Shin, who owned and operated another local restaurant, commenced her due diligence efforts to allow her to close on the sale of the Property. Since my last report, Ms. Shin has accomplished the following:

1. Ms. Shin had retained a contractor to provide a bid package to make necessary improvements and correct code compliance deficiencies. That contractor was largely unresponsive and provided an untimely and an inadequately supported bid package. Ms. Shin dismissed that contractor.
2. Ms. Shin then retained a second contractor to provide a detailed and factually supported bid package. That contractor provided a bid package and estimate to make necessary improvements and correct code compliance deficiencies. Ms. Shin now believes she has a remodeling plan that will allow her to fulfill her vision for her restaurant at this location.

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3. Ms. Shin has shared the completed bid package and estimate with her financing source, Sunrise Bank. Sunrise Bank reaffirmed its commitment to finance the purchase of the building, make the necessary improvements and modifications, and correct anticipated code compliance deficiencies. The lender and Ms. Shin are aware that an occupancy permit will not be granted for the property and its operation as a restaurant if the previously identified code compliance deficiencies are not corrected to the City's satisfaction.
4. Ms. Shin and her representatives have continued to communicate with the Allstate representatives about maintaining the Property in its current safe and secure condition and maintaining the current fencing until the construction is completed and the building has been granted a certificate of occupancy and all other permits required by the city.
5. Under the terms of the Earnest Money Contract, Ms. Shin had until January 12, 2024, to complete her due diligence and proceed to closing, or she could extend that time period for another 30 days, upon payment of an additional \$10,000. Because of the details still to be worked out, and her commitment to purchasing this Property, Ms. Shin paid the \$10,000 to extend the due diligence period to February 16, 2024.
6. Ms. Shin, through her broker, advised me that a Phase I environmental review is necessary for her to complete her due diligence. The parties had assumed incorrectly that this work had been done. Otherwise, the due diligence issues have been investigated and will be the subject of negotiations with Allstate. The consultant for the Phase I environmental review has been retained but the scheduling remains difficult. The parties anticipate the due diligence period will need to be extended to allow this investigation to be completed.
7. Ms. Shin has closed on the sale of her successful restaurant near the University of Minnesota campus. Information about the sale and its proceeds have been shared with Sunrise Bank, which only confirmed and strengthened its commitment to finance the purchase and remodeling of the restaurant at 455 Robert Street South.
8. Ms. Shin has expressed to her broker that the current structure is an essential element of the sale and if it is demolished the sale will likely not proceed.

STATUS UPDATE (NEW ITEMS IN BOLD)

1. Since the last report, the parties have continued their efforts to complete due diligence items, including environmental reviews, and addressing remedial costs.
2. The parties have amended the purchase agreement as follows:

- a. A \$40,000 reduction in the Sale Price in consideration of repair costs due to frozen pipes.
 - b. A 40-day Extension on Due Diligence for completion of environmental review.
 - c. Seller and Buyer to split the cost of the Phase II work on a 50/50 basis.
3. Allstate remains confident that Ms. Shin will close on the sale of the Property and is pleased that the property will be transferred to a local owner who is committed to establishing and operating a successful business that will add to the richness, vibrancy, diversity, and development of the neighborhood.
4. The parties are continuing the environmental Phase II analysis and expect to be completed by April 29, 2024.
- 5. The environmental Phase II analysis was completed on or before April 28, 2024. The analysis did reveal contamination 28 feet below the surface, which likely migrated from the adjoining auto repair/gas station. The Minnesota Pollution Control Agency requires two different core samples: one in a “warm” season and another one in a “cold season.” The second core sample will be done in late fall 2024. The Purchaser is aware of this situation and still wishes to proceed with the purchase.**
- 6. This contamination was disclosed to Purchaser’s lender and Purchaser was waiting to hear from the lender as to special terms, if any, it will require now that the site has been found to have some contamination.**
- 7. On or about May 9, the lender finally responded to Purchaser with its terms, but requested an additional 60 days to close. The current high interest rates are making the market difficult for sellers and purchasers. Purchaser still wishes to purchase the property and does not wish to cancel the sale.**
- 8. To facilitate completion of the financing, the Purchaser and Seller entered into a Fifth Amendment to Earnest Money Contract to extend the due diligence period for financing to July 8, 2024.**
- 9. Unless directed otherwise, I will attend the Legislative Hearing in person but will also be available remotely for the hearing.**

If you have any questions or concerns, please contact me.

Ms. Joanna Zimny
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Very truly yours,

FELHABER LARSON

/s/ Thomas J. Radio

Thomas J. Radio

TJR/ope

cc: Mr. Scott Owen (sowen@gulshaninc.com)
Mr. Jeff Houge (jeff@wakota.com)