

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 12, 2016

**REGARDING: AUTHORIZATION OF A LOAN UNDER THE STRATEGIC INVESTMENT FUND
PROGRAM TO THE ORIGINAL CAKERIE CO. 30 EAST 7TH STREET.
DISTRICT 17, WARD 2**

Requested Board Action

Approval of a \$40,000 forgivable Strategic Investment Fund (“SIF”) loan to The Original Cakerie, Co.

Background

The Original Cakerie, Co. was founded in 1979 in British Columbia, Canada. They produce and sell high quality, premium frozen desserts across North America. The primary products are layer cakes and cheesecakes. The company also sells specialty desserts such as brownies, tiramisu, and gourmet pies. They have production facilities in Vancouver, British Columbia and London, Ontario. The company has seen steady growth as it has expanded into the retail industry and increased production capacity to meet demand.

The Original Cakerie corporate entity is now serving as a holdings company for both The Original Cakerie operations, as well as Lawler’s Desserts, which was acquired in 2016. The combined company has approximately 940 existing staff. Lawler’s Desserts also produces in the frozen desserts industry and was established in 1976. Lawler’s has manufacturing facilities in the Houston, Texas area. The combined operations sell products to chain restaurants, in-store bakeries, grocery store chains, club store chains (e.g. Sam’s Club, Costco), distributors, packaged food companies, and convenience stores.

The Original Cakerie is considering spaces in either downtown Saint Paul or Bloomington to serve as the corporate headquarters for the combined operations. With the approval of Strategic Investment Funds, the company would plan to lease approximately 5,000 square feet at Wells

Fargo Place at 30 East 7th Street in Saint Paul. They will hire 20 new employees to staff the Saint Paul office.

30 East 7th Street is located in a B-4 zoning district, with all of The Original Cakerie's proposed land uses permitted. See attached demographic profile of District 17, the Saint Paul planning district where 30 East 7th Street is located. No existing businesses will be displaced or relocated as a result of this project, and there was no land acquisition that took place as a result of eminent domain.

Budget Action

This loan is funded from the fiscal year 2016 budgeted funds in the HRA Loan Enterprise – Strategic Investment Fund. No budget amendment is required.

Future Action

N/A

Financing Structure

Uses:		Sources:	
Equipment / Furniture	<u>\$40,000</u>	SIF Loan	<u>\$40,000</u>
Total:	\$40,000		\$40,000

SIF guidelines define eligible uses as “capital expenses, leasehold improvements or other renovation of the space they will occupy, and parking and transit costs.” The Original Cakerie does not plan to undertake any construction activities with this SIF loan, but will use the proceeds for the purchase of furniture and equipment related to its relocation.

The term of the loan would be five years. The interest rate would be 4.5% (prime plus one percent). Each scheduled yearly payment on the loan would be forgiven if The Original Cakerie maintains at least 20 full-time (or full-time equivalent) jobs on site. The loan will be a full-recourse obligation of The Original Cakerie, and the HRA will have a separate security interest in the firm's fixtures, equipment, and other business assets.

PED Credit Committee Review

The PED Credit Committee reviewed and approved this loan on October 3rd, 2016, with a recommended Risk Rating of Forgivable – Strategic Investment.

Compliance

Due to the amount of the HRA assistance, and the fact that there is no construction activity associated with this loan, the only compliance requirement is the Vendor Outreach Program. The Original Cakerie has acknowledged that this compliance requirement may apply.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

This project does not need to be reviewed by either HPC PED staff or the HPC Commission.

Public Purpose/Comprehensive Plan Conformance

Along with bringing at least 20 new employees to Saint Paul, this action will help to stabilize the downtown tax base by allowing the utilization of commercial space currently vacant and underutilized. This action complies with the statement in the “Working” chapter of the *Saint Paul Downtown Development Strategy* that encourages “all employers needing office space to meet their needs within the existing supply of vacant office space.” The Original Cakerie will also add to the growing list of companies with a national presence that are choosing to have significant facilities located in Saint Paul, thereby enhancing the City’s reputation as a great place to do business.

Statement of Chairman (for Public Hearing)

N/A

Recommendation:

The Executive Director and staff recommend approval of the attached Resolution authorizing the loan to The Original Cakerie, Co.

Sponsored by: Commissioner Noecker

Staff: Andrew Hestness, 266-6577

Attachments

- **Attachment – Map**
- **Attachment – Public Purpose**
- **Attachment – District 17 Profile**