

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

**REPORT TO THE COMMISSIONERS**

**DATE: OCTOBER 25, 2017**

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING \$75,000 IN HRA BUSINESS ASSISTANCE PROGRAM FUNDS TO CLUTCH BREWING COMPANY, 928 WEST 7<sup>TH</sup> STREET, DISTRICT 9, WARD 2**

## **Requested Board Action**

Request the Saint Paul Housing and Redevelopment Authority (HRA) Board of Commissioners to loan \$75,000 of HRA Business Assistance Program funds to Clutch Brewing Company for the creation of a commercial space at 928 West 7<sup>th</sup> Street.

## **Background**

Clutch Brewing Company (“Clutch”) is a taproom opening in Saint Paul’s historic Schmidt Brewing Company Heritage Preservation District, occupying 5,600 square feet on the new mezzanine space in the Schmidt Keg & Case House. Clutch will initially create 10-15 jobs, eventually growing to 25-35. The co-founders, Jordan Standish and Max Boeke, are long-time Saint Paul residents who have been brewing with several metro area companies.

Clutch has signed a lease with the Schmidt Keg House and will be the brewery overlooking the restaurants, food shops, and artisan market place in this emerging regional attraction. The founders are creating what they call a “higher-caliber taproom”, with a higher-end finish that they describe as retro-classic. Each corner of the taproom will have a theme: the Clutch brewing operations in the northeast; the bar (built by wood and metal artisans) and seating in the southeast; a mini-museum, featuring Schmidt Brewing artifacts and more seating, in the southwest; and a gallery featuring the work of local artists in the northwest.

Building the new mezzanine, which will create 5,600 square feet of additional commercial space in the Keg House, results in above-average construction costs. The developer of the Schmidt Keg House is funding the creation of the mezzanine and related access, but Clutch Brewing is participating in the financing of the structural steel and heavy-duty elevator, as well as the

higher-end “retro classic” finish. Total project costs are anticipated to be \$857,000. Clutch is requesting a \$75,000 market-rate amortizing loan from the HRA to supplement their private debt and equity.

### **Budget Action**

HRA Business Assistance funds are already budgeted. If this resolution is approved today, \$641,377 of uncommitted HRA Business Assistance funds will remain.

### **Future Action**

N/A

### **Financing Structure**

<b>Sources</b>		<b>Uses</b>	
Property Improvements	\$442,000.00	SBA Loan	\$317,000.00
Equipment	\$328,573.00	City Loan	\$75,000.00
F, F & E	\$20,000.00	Equity Raise	\$450,000.00
Initial Inventory	\$16,427.00	Indiegogo	\$15,000.00
Working Capital	\$50,000.00		
<b>Total Uses</b>	<b>\$857,000.00</b>	<b>Total Sources</b>	<b>\$857,000.00</b>

Clutch has been able to raise \$782,000 in private debt and equity. The SBA financing is limited to the equipment, and the loan-to-value calculation provides \$317,000 for the project. MNvest has projected their equity crowd-funding potential at \$450,000. Indiegogo funds are anticipated to bring an additional \$15,000. The \$75,000 HRA loan will amortize over 10 years at an interest rate matching the bank financing (assumed to be 7%), with a one-year deferral of interest accrual and loan payments. The loan will be secured by a security interest in fixtures and equipment, and personally guaranteed by Mr. Standish and Mr. Boeke.

### **PED Credit Committee Review**

The project is scheduled for presentation at the October 23, 2017 Credit Committee meeting.

**Compliance**

The Developer has signed and submitted a letter recognizing the compliance requirements that may apply to this project. These requirements include Vendor Outreach, Affirmative Action, City Labor Standards, and the Two-Bid Policy.

**Green/Sustainable Development**

N/A

**Environmental Impact Disclosure**

N/A

**Historic Preservation**

The Keg & Case House is a contributing property to the locally-designated Schmidt Brewing Company Heritage Preservation District, and is certified for the National Register of Historic Places.

**Public Purpose/Comprehensive Plan Conformance**

The Project, which is consistent with both the District 9 Plan and the Comprehensive Plan, will:

- Create both construction jobs and permanent jobs.
- Occupy a vacant building bringing new commercial activities to West 7<sup>th</sup> Street.
- Increase the tax base in Saint Paul.

**Recommendation:**

The HRA Executive Director recommends approval of the attached resolution, authorizing \$75,000 of Business Assistance Program Funds to Clutch Brewing Company for the project at 928 West 7<sup>th</sup> Street.

**Sponsored by:**

**Commissioner Noecker**

**Staff:**

**Ross Currier 266-6611**

**Attachments**

- **Map**
- **Public Purpose**
- **District 9 Profile**