

Thomas J. Radio
Direct: (612) 373.8420
Email: tradio@felhaber.com

August 27, 2024

VIA E-MAIL

joanna.zimny@ci.stpaul.mn.us

Ms. Joanna Zimny
Legislative Hearing Executive Assistant
City of St. Paul, Office of the City Council
310 City Hall
15 West Kellogg Boulevard
St. Paul, Minnesota 55102-1615

**RE: 455 Robert Street South (the "Property")
Our File No. 33799.01**

Dear Ms. Zimny:

In preparation for the City Council Public Hearing scheduled at 3:30 pm on Wednesday, August 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**.

At the end of this letter, I will also specifically reply to the items requested by the Legislative Hearing Officer as part of her recommendation.

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

220 South Sixth Street
Suite 2200
Minneapolis, MN 55402-4504

Phone: 612-339-6321
Fax: 612-338-0535

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.

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 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 it to be completed by April 29, 2024.
5. The environmental Phase II analysis was completed on or before April 28, 2024. The analysis revealed 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 the 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. Since the last hearing, there has been vandalism and theft of electrical equipment and wiring.
10. Despite this damage, Buyer and her lender remained committed to buying the property and are ready to close as soon as the vandalism damage can be addressed through an assignment of any insurance proceeds or other means.
11. The Seller remains committed to selling the property as well and has committed resources to maintaining security. The Seller is seeking quotes to address the damages. The sooner the closing is held, and the property can be transferred to the buyer, the sooner remodeling can begin with more security to deter vandalism and theft.
12. **The Seller took immediate steps to comply with a recent Abatement Order.**
13. **In view of the theft of electrical equipment and wiring, the parties negotiated a reduced purchase price of \$300,000, on a cash basis, and are working on a closing with the next two weeks and before September 30, 2024.**

RESPONSE TO REQUESTS FOR INFORMATION FROM BUYER

1. **The Buyer, Hye Young Shin, remains fully committed to purchasing the property with her own cash of \$300,000, for remodeling it as a primarily Korean food restaurant. Ms. Shin is a local entrepreneur who owned and operated a restaurant for many years near the University of Minnesota. After selling that restaurant, she has been seeking a location nearer to her home. She drives by the restaurant on a regular basis and has reported vandalism to the Seller, further indicating her commitment to this site. Ms. Shin will attend the Council meeting on August 28th.**
2. **EVIDENCE OF FINANCING SUFFICIENT TO COMPLETE THE REHABILITATION:** Ms. Shin will personally finance the purchase price and through her broker is pursuing financing for the rehabilitation through loans and grants. He is working with Sunrise Bank and other funders of this type of project.
3. **AFFIDAVIT INDICATING FINANCES WILL BE DEDICATED TO COMPLETING THE PROJECT:** Once the funding for the remediation is finalized, Ms. Shin will be in a position to provide that affidavit. With \$300,000 of her own funds in the property, the City can be assured that she will complete the remediation and open for business as soon as possible.

4. **WORK PLAN, SWORN CONSTRUCTION STATEMENT, OR SCOPE OF WORK:** Attached is an early version of the floor plan and Sworn Construction Statement. Ms. Shin is obtaining an updated Sworn Construction Statement to reflect the additional work to repair the damaged electrical wiring and components. Once the updated Sworn Construction Statement is obtained, it can be provided to the City.
5. **TITLE/CLOSING DOCUMENTS:** Once the closing occurs, these documents can be provided.
6. **PROPERTY MAINTENANCE:** Once Ms. Shin owns the building and commences rehabilitation work, she and her team will secure and maintain the property.
7. **POST A NEW \$5,000 PERFORMANCE DEPOSIT:** Once Ms. Shin owns the building, she will in a position to provide this deposit.

The current owner and Ms. Shin fully support the recommendation of Legislative Hearing Officer Marcia Moermond to grant 180 days to rehabilitate the property and will provide the requested documentation and information in a timely and complete manner. Her recommendations and the parties' efforts to date and to be completed in the near future will result in a new and vibrant addition to this neighborhood. The alternative of a demolished building and a vacant lot can be and will be avoided.

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

Very truly yours,

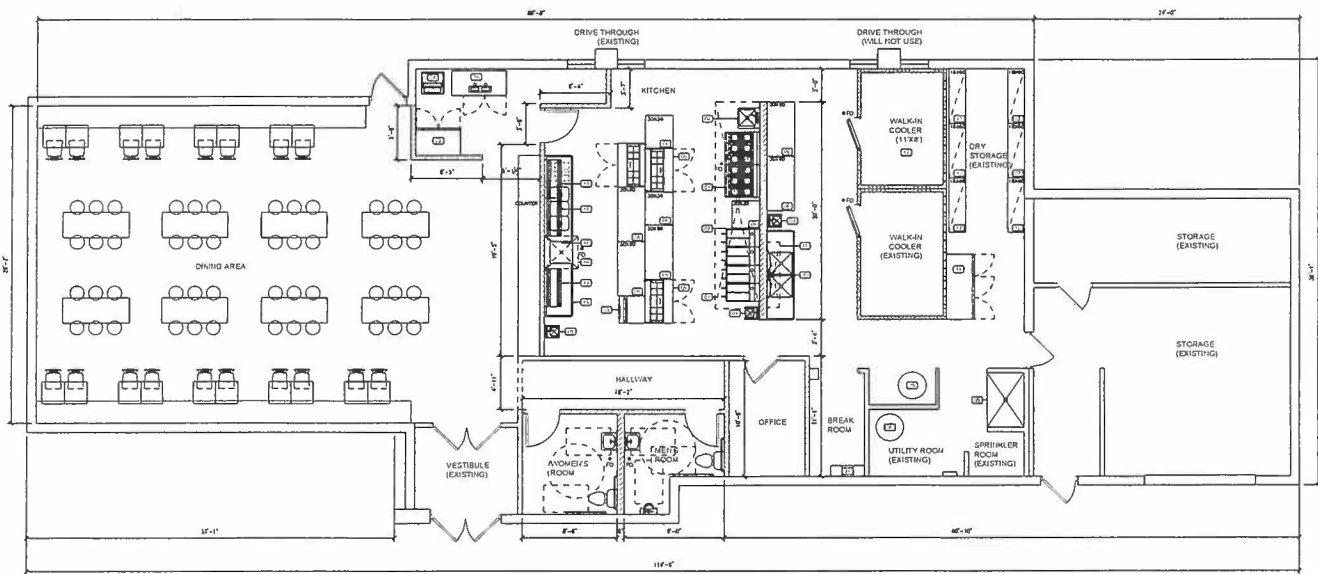
FELHABER LARSON

/s/ Thomas J. Radio

Thomas J. Radio

TJR/ope

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



EQUIPMENT LIST

NO.	EQUIPMENT
1	EXHAUST HOOD 1 (11'x4')
2	DEEP Fryer
3	COUNTERTOP HOT PLATE
4	1 COMPARTMENT SINK
5	MOP SINK
6	HOT WATER HEATER
7	MEGA SANDWICH COOLER
8	SSL WORK TABLE
9	HAND SINK (WITH SPLASH GUARD)
10	2-COMPARTMENT SINK
11	WALL SHELVING
12	SSL SHELVING UNIT
13	WALK-IN COOLER
14	3-DOOR REACH-IN FREEZER
15	CLEAN DISH TABLE
16	EXHAUST HOOD 2
17	DISH WASHER
18	DRY DISH TABLE w/ 3-COMP. SINK
19	PORTABLE SPRINKLING WALL SHELF
20	ICE WAGON
21	GRABBER
22	EMPLOYEE LOCKER
23	2-DOOR REACH-IN COOLER
24	DRINK DISPENSER
25	DIRECT DRAW BEER DISPENSER
26	
27	
28	
29	
30	
31	
32	
33	
34	

1 FLOOR PLAN
1/4"=1'-0"

Sworn Construction Statement

File Number: _____
 Borrower Name(s): Korean Fried Chicken
 Lender: _____
 Disbursing Agent: _____
 Property Address: 455 Robert St S, Saint Paul, MN 55107

Line Item	Description	Contractor Name	Contractor Address	Contractor Phone	Contractor Fax	Estimated Cost
Building Site prep and Excavating						
1	Plans & Engineering	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515		\$ 15,000.00
2	Building Permits	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515		\$ 11,750.00
3	Survey	Not applicable				
4	Clearing Building Site(demolition)	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515		\$ 15,000.00
4.1	Silt Fence	Not applicable				
5	Excavating	Not applicable				
6	Fill	Not applicable				
7	Masonry/ Concrete	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515		\$ 7,500.00
8.1	Footings/foundation	Not applicable				
9	Waterproofing	Not applicable				
Framing and Roofing						
10	Lumber	Not applicable				
10.1	Structural Steel	Not applicable				
10.2	Laminated Units, Trusses	Not applicable				
11	Framing Labor	Chan's Consultant LLC	7901 12th Ave S	952.854.9515		\$ 13,000.00
12	Roofing Material	Chan's Consultant LLC.	7901 12th Ave S			
13	Roofing Labor	Chan's Consultant LLC.	7901 12th Ave S			
Utilities						
15	Utility Hookup	Chan's Consultant LLC	7901 12th Ave S	952.854.9515		\$ 4,500.00
17	Well Pump	Not applicable				
18	Septic System	Not applicable				
Building Fundamentals						
19	Insulation Materials	Not applicable				
20	Kitchen Hood	Wencel Service	10350 Jamestown St. NE, Blaine, MN 55449			\$ 116,530.00
21	Plumbing Labor and Material	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515		\$ 46,000.00
22	Ansul System	Nardini Fire Equipmen	405 County Road E., West Saint Paul, MN 55126	888.627.3464		\$ 13,000.00
23	HVAC	Wencel Service	10350 Jamestown St. NE, Blaine, MN 55449			\$ 44,561.00
25	Sprinkler System	Lifesaver Fire Protection LLC	5097 Nathan Lane North, Minneapolis, MN 55442	612.900.5305		\$ 17,500.00
26	Electrical	Brandon Electric Inc.	6330 7th St. NE, Fridley, MN 55432	763.528.5026		\$ 37,000.00
26.1	Light Fixtures					
Exterior						
27	Siding / Stucco Materials	Not applicable				

	10.2	Laminated Units, Trusses	Not applicable				
28		Siding / Stucco Labor	Not applicable				
29		Exterior Stone Materials	Not applicable				
30		Exterior Stone Labor	Not applicable				
31		Painting Exterior	Not applicable				
32		Exterior Door Painting	Not applicable				
33		Garage Doors	Not applicable				
34		Garage Door Installation	Not applicable				
Flooring							
35		Tile work, Ceramic, Plastic/Marble	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515		
36		Linoleum Material	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515		
37		Hardwood Material	Not applicable				
38		Carpet Material	Not applicable				
39		Floor Installation	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515		
	39.1	Tile, ceramic, vinyl	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	23,000.00
	39.2	Wood	Not applicable				
	39.3	Carpet	Not applicable				
Walls / Ceilings							
40		Drywall / Material	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	16,000.00
41		Drywall Labor	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	32,000.00
42		Painting Interior	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	6,700.00
43		Ceiling Spray	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	2,400.00
44		Trim Materials	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	5,400.00
45		Trim Labor	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	8,700.00
Cabinetry							
46		Cabinets/Materials					
47		Cabinets/Installation					
48		Hardware	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	1,500.00
49		Counter Tops	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	6,800.00
50		Glass, Mirrors	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	570.00
Build Finishing							
51		Doors and Hardware	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	800.00
52		Appliances	Not applicable				
53		Sod, Sodding	Not applicable				
54		Landscaping	Not applicable				
	54.1	Irrigation System	Not applicable				
55		Driveway	Not applicable				
56		Dumpsters	Chan's Consultant LLC.	7901 12th Ave S	952.854.9515	\$	13,000.00
57		Interior Cleaning					
58		Miscellaneous					
	58.1	Walk Out (expand if needed)	Not applicable				
	58.2	Basement (expand if needed)	Not applicable				
Construction Costs							
59		Kitchen equipment					

	10.2 Laminated Units, Trusses	Not applicable				
60	Furniture					
61	Lot					
62	Loan					
63	Supervision	Chan's Consultant LLC	7901 12th Ave S	952.854.9515	\$	48,000.00
64	Builder Warranty					
65	Insurance	Chan's Consultant LLC	7901 12th Ave S		\$	21,000.00
66	Closing Costs					
67	Contingency					
68	Temporary Utilities	Chan's Consultant LLC	7901 12th Ave S	952.854.9515	\$	7,500.00
69	Realtor Fees					
70	Specialties					
Total Costs						\$ 534,711.00
71	Sale Price					\$ 534,711.00
72	Builder's Margin					

The undersigned hereby attests and certifies that the information provided herein is true and accurate to the best of his/her knowledge. Further, the undersigned hereby promises to immediately inform Lender and Disbursing Agent of any changes to the above information.

General Contractor Name: Chan's Consulting LLC

Date: _____

Signature: _____
By: _____
Its: _____

State of _____)
County of _____) ss.

The foregoing instrument was acknowledged before me on _____, 20____, by _____, as _____ of _____ a _____ under the laws of _____, on behalf of the _____.

Notary Public