

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

REPORT TO THE COMMISSIONERS

DATE: April 26, 2017

**REGARDING: AUTHORIZATION TO DESIGNATE SR DEVELOPMENT II, LLC, AS
TENTATIVE DEVELOPER OF 844, 848 AND 856 PAYNE AVENUE AND 0
WADENA, DISTRICT 5, WARD 6**

Requested Board Action

Staff is requesting the Housing and Redevelopment Authority of the City of Saint Paul (HRA) Board of Commissioners approve the designation of SR Development II, LLC (Schafer Richardson) as tentative developer of 844, 848 & 856 Payne Avenue along with three parcels on Wadena (Aquirre) Street (commonly known as 848 Payne Avenue) from May 1, 2017 to December 31, 2018 in order to finalize financing, construction costs and approvals to construct a mixed-use development on the property.

Background

The HRA acquired 848 Payne (29.29.22.42.0263) and 844 Payne (29.29.22.42.0346) from Richard A Wybierala Trust on April 24, 2007 for purchase price of \$525,000 (Fund 117). In 2012, a portion of 844 Payne Avenue was split off from the full parcel and sold to Kendal Ace Hardware for \$380,000. He used this portion of land to help construct Kendall Ace Hardware store at Payne Avenue and Phalen Boulevard.

The HRA acquired 856 Payne Avenue (29.29.22.42.0238) from L & D Metz on April 12, 2007 for \$135,000 (Fund 117).

The HRA acquired three parcels on Wadena (Aquirre) Street (29.29.22.42.0246, 29.29.22.42.0247 and 29.29.22.42.0349 (Lots 35-41) from Janice Timmers on February 23, 2006 for \$60,000. (Fund 100).

In February 2015, The HRA entered into an Exclusive Sales Listing Agreement with ESND Real Estate Brokerage, LLC to list the property. ESND Real Estate Brokerage, LLC received three inquiries regarding the purchase of the HRA owned property. PED staff reviewed the initial proposals and requested formal applications from each developer. In February 2017, staff received a proposal from Schafer Richardson and a proposal from Commonwealth Development Corporation. Both developers would like to purchase the property and construct a mix-use building on the site.

After reviewing both proposals, staff is recommending Schafer Richardson for tentative developer status. Schafer Richardson has extensive experience in rehabilitation of historic properties and construction of new multifamily and mixed used buildings and has completed 580 new construction units, 74 historic rehabilitation units and 32,000 square feet on new commercial space in the last three years. Also, Schafer Richardson currently manages 361 multifamily units and 162,000 sq. ft. of commercial space. On September 14, 2016, the HRA Board approved the purchase agreement with Schafer Richardson to develop 175 unit market rate units at 217 Chestnut Street (Ryan Lot).

Schafer Richardson proposes to construct a four story building with 97 housing units, 7,500 sq. ft. of commercial space and 92 parking spaces. The proposed housing will consist of 47 efficiency, 32 one-bedroom and 18 two-bedroom units. The projected rents and income restrictions are proposed to be affordable at 50% and 60% AMI.

The property is currently zoned T2 – Traditional Neighborhood and the proposed project is permitted in this district.

Budget Action

No budget action is needed at this time.

Future Action

Future possible actions by the HRA Board would include approval of a Development Agreement to include public financing and hold a public hearing to sell 848 Payne Avenue to Schafer Richardson.

Financing Structure

Tentative developer status will allow Schafer Richardson time to pursue financing for the project to include low income housing tax credits. Securing low income housing tax credits is a lengthy process, and without the tax credits, the proposed project would not be financially feasible. The estimate total development cost for this project is \$17,457,629. The current estimated financial gap for the project is \$1,530,000. Schafer Richardson will be requesting financial assistance from the HRA, MHFA and other funding partners to help fill this gap. Schafer Richardson is also requesting that the HRA sell the property for \$500,000. The November 2014 appraisal indicates the market value of the property at \$452,000.

PED Credit Committee Review

PED Credit Committee will review this project prior to any future HRA Board action for financial assistance from the HRA.

Compliance

The following compliance requirements will apply to this project: Vendor Outreach Program, Affirmative Action, Federal Davis Bacon Labor Standards, Affirmative Fair Housing Plan, Two-Bid Policy, Project Labor Agreement, Living Wage Ordinance, Sustainability Policy, Business Subsidy and Section 3.

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development Policy.

Environmental Impact Disclosure

N/A

Historic Preservation

This project will not require HPC Staff review. However, a HUD 106 review will be completed.

Public Purpose/Comprehensive Plan Conformance

Housing

This project conforms to the adopted Saint Paul Comprehensive Plan (2010), particularly Land Use Strategy 1: Target growth in unique neighborhoods. It meets the goals of increasing density where appropriate, particularly along Mixed-Use Corridors, and supporting a mix of uses in those corridors. This project also meets the stated goals of Housing Strategy 1: Build upon Saint Paul's strengths in the evolving metropolitan housing market, particularly regarding increasing housing choice (H-1.1), meeting market demand for transit-oriented housing (H1.2).

The project also meets the stated goals and objectives of the Phalen Corridor Development Strategy Summary (2001), and the Phalen Corridor Development Strategy Middle Section Summary (2004), specifically the strategy/implementation step: "Create new mixed use development at the intersection of Payne Avenue and the new Phalen Boulevard. The mix will include new housing and commercial opportunities and infill housing where appropriate."

Recommendation:

The Executive Director recommends approval of the attached resolution designating SR Development II, LLC as tentative developer for a period commencing on May 1, 2017 to December 21, 2018 to allow them time to secure financing, complete a scope of work, and finalize construction costs.

Sponsored by: Commissioner Dan Bostrom

Staff: Daniel K. Bayers, Principal Project Manager, 651-266-6685

Attachments

- **Attachment – Project Summary**
- **Attachment – Map**
- **Attachment – Site Plans**
- **Attachment – Sources and Uses Summary**
- **Attachment – Public Purpose**
- **Attachment – District 5 Profile**