

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

REPORT TO THE COMMISSIONERS

DATE: July 27, 2016

**REGARDING: AUTHORIZATION TO DESIGNATE ST. PAUL EUCLID, LLC, AS TENTATIVE
DEVELOPER OF 234-238 BATES AVENUE, DISTRICT 4, WARD 7.**

Requested Board Action

Staff is requesting the HRA Board of Commissioners approve the designation of St. Paul Euclid, LLC as tentative developer of 234-238 Bates Avenue from August 1, 2016 to February 1, 2017 in order to finalize financing, rehabilitation costs and approvals to rehabilitate the property.

Background

The Housing and Redevelopment Authority of the City of Saint Paul (HRA) acquired the bank foreclosed 234-238 Bates Avenue property in July 2011 from First National Community Bank of Hudson, WI for \$346,000. The property, which had been heavily vandalized, has been vacant since 2010.

In May of 2013, the HRA issued a Request for Proposals for rehabilitation of the historic 12-unit property known as Euclid Flats. Three proposals were received. The HRA Board awarded Sand Companies, Inc. tentative developer status in August 2013 and full developer status in December 2014. The development agreement between the HRA Board and Sand Companies, Inc. expired on July 2015.

In March 2016, St Paul Euclid, LLC (Sand Companies) updated their original proposal to include historic rehabilitation requirements and increased construction costs as a result of their work with a historic consultant and securing the property on the Historic National Register which resulted in a gap request of up to \$750,000 and the sale of the property for \$1.00. This request required staff to issue a notification through the ENS which was sent out on March 24, 2016. On May 5, 2016, an additional proposal was received by staff from BB Housing Associates.

PED staff has reviewed both proposals and is recommending Sand Companies as tentative developer. Sand Companies has extensive experience with historic tax credits and has completed 72 construction projects to date with construction figures of approximately \$30 to \$40 million. Sand Companies currently manages 1,200 units across six states. In Saint Paul, they have completed the historic rehabilitation of the Minnesota Building, Lower Town Lofts and the former Old Home property.

Sand Companies proposes to renovate the existing building as a 12-unit building but will reduce the number of bedrooms in each unit from three bedrooms down to two bedrooms by altering the interior configuration of each unit to allow for a more open floor plan. The reconfigured interior space will also allow for a larger kitchen and a bathroom that can accommodate a washer and dryer.

The property is currently zoned RM2 – Medium Density Multifamily Residential District and the proposed project use 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, public financing and a public hearing to sell 234-238 Bates Avenue to St. Paul Euclid LLC.

Financing Structure

Tentative developer status of Sand Companies will allow them time to secure financing for the project. A major portion of the financing will be proceeds from tax exempt Housing Revenue Bonds/4% low income housing tax credits and historic tax credits in order to be financially feasible. The estimated total development cost for this project is \$4,502,000 with a gap of up to \$750,000. Sand Companies is requesting funds from the HRA to help finance rehabilitation of the building and to sell the property for a \$1.00 in order to facilitate quality rehabilitation. The project will be affordable to tenants at 50% and 60% AMI.

PED Credit Committee Review

Credit Committee will review this project prior to full developer status and sale of the property.

Compliance

The following compliance will be required: Section 3, Vendor Outreach, Affirmative Action, Federal Davis Bacon Labor Standards, Affirmative Fair Housing Plan, and Two-Bid Policy, Project Labor Agreement. The Living Wage ordinance, Business Subsidy, and Sustainability Policy compliance is not required.

Green/Sustainable Development

Saint Paul Sustainable Development Policy is not required for this project. However, the building renovation will go through Xcel Energy's Design Assistance and Energy Efficient Buildings Programs with The Weidt Group and will be in compliance with Minnesota Green Communities standards.

Environmental Impact Disclosure

N/A

Historic Preservation

The property is located in the Dayton's Bluff Heritage Preservation District and is categorized as pivotal to the character of the district. The Saint Paul Historic Preservation Commission will review and approve the proposed rehabilitation plan prior to the HRA closing on the sale of the property. On December 23, 2013, Sand Companies secured National Register designation of the property in order to access Federal and State historic tax credits. A HUD 106 review will be required.

Public Purpose/Comprehensive Plan Conformance

Constructed in 1888, 234-238 Bates Avenue is a rare example of a historic multi-family property in the traditionally single-family neighborhood of Dayton's Bluff. As previously noted, the property is located in the locally designated Dayton's Bluff Heritage Preservation District. Renovating the building will return a vacant, blighted property into an active, attractive use for the neighborhood. In addition, the project will return 12 units of affordable rental housing back

to the City's inventory of housing stock and add to the mix of housing choices available to residents in the Dayton's Bluff neighborhood.

Saint Paul Comprehensive Plan

Housing

Strategy 2: Preserve and Promote Established Neighborhoods.

2.13 Continue to assess vacant housing conditions with City/HRA partners such as community development corporations, nonprofit organizations, private developers, district councils, and block groups and prioritize City/HRA revitalization assistance to areas with less vibrant housing markets.

Strategy 3: Ensure the Availability of Affordable Housing Across the City.

3.1 Support the preservation of publicly-assisted and private affordable housing by supporting the application of historic tax credits and other appropriate funding sources to maintain existing low-income units.

Historic Preservation

Strategy 1: Be a Leader for Historic Preservation in Saint Paul

1.10 Give equal consideration to historic preservation factors when City action, involvement, or funding is requested or required.

1.12 Prioritize the retention of designated historic resources over demolition when evaluating planning and development projects that require or request City action, involvement or funding.

Strategy 3: Identify, Evaluate and Designate Historic Resources

3.10 Forward properties that appear to be potentially eligible for listing on the NRHP to the SHPO for an official determination of eligibility.

Strategy 4: Preserve and Protect Historic Resources

4.5 Acquire key threatened historic properties until a suitable owner can be found.

Recommendation:

The Executive Director recommends approval of the attached resolution designating St Paul Euclid, LLC as tentative developer for a period commencing on August 1, 2016 to February 1, 2017 to allow them time to secure financing, complete a scope of work, and finalize construction costs.

Sponsored by: Commissioner Jane Prince

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

Attachments

- **Attachment -- Project Summary**
- **Attachment -- Map**
- **Attachment -- Sources and Uses Summary**
- **Attachment -- Public Purpose**
- **Attachment -- District 4 Profile**