

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

REPORT TO THE COMMISSIONERS

DATE: APRIL 10, 2019

REGARDING: RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A DEVELOPMENT AGREEMENT FOR THE SALE AND DEVELOPMENT OF HRA-OWNED SEVEN CORNERS GATEWAY SITE TO GATEWAY QOZ VENTURES LLC, WARD 2, DISTRICT 17

Requested Board Action

The purpose of this report is to request the Saint Paul Housing and Redevelopment Authority (“HRA”) Board of Commissioners to approve the attached resolution giving approval of a Development Agreement with Gateway QOZ Ventures, LLC an affiliate of Kaeding Management Group (the “Developer”) for the sale and development of an HRA-owned parcel located at 150 Smith Avenue a site across from the Xcel Arena bounded by Smith Avenue, Kellogg Boulevard, West Seventh and Fifth streets (the “Seven Corners Gateway Site”).

Background

The Seven Corners Gateway Site (“Site”) is approximately 2.38 acres in size, zoned B-5, and is currently being used as a public surface parking lot. The Site, which is in the process of being replatted, was created with the completion of the Smith Avenue extension between Kellogg Boulevard and Fifth Street. See the attached **Site Map**.

In accordance with the HRA policy for the disposition of HRA-owned real estate (adopted by the HRA Board on June 11, 2003), a Request for Proposals was issued on July 14, 2014. Two proposals were received: one from Mortenson Development and the other from the Opus/Greco team. A review team unanimously supported granting Tentative Developer status for the Opus/Greco proposal and concluded the proposal (“Proposal”) appeared to be consistent with existing plans and guidelines for the area and best met the Site configuration.

The Proposal includes both a market-rate rental housing development and a hotel development, both with first floor active retail space, and an open plaza space in the center of the site. During

the Tentative Developer status period Opus selected the Kaeding Management Group to be the hotel developer partner. Opus eventually decided to turn the entire project and Site over to Kaeding Management Group to complete the entire Proposal.

The Kaeding Management project is consistent with the original Opus proposal and will include purchasing the property for \$5,000,000, the appraised fair market value. They will be constructing a six-story market-rate rental apartment building with at least 144 units of housing, 137 underground/enclosed parking spaces, and 6,800 square feet of first floor commercial space. The hotel will consist of at least 120 rooms and 5,660 square feet of first floor commercial space. The hotel will also have a long-term lease agreement for up to 84 parking spaces in the HRA owned Smith ramp located across Smith Avenue. In addition, there will be a large plaza area located in between the housing and hotel developments that will provide outdoor space open to the public that can also be made available for private events related to other downtown activities such as events at the Xcel Arena (the “Project”).

The Development Agreement between the HRA and the Developer will contain the following terms and conditions related to the sale of the Site:

1. In addition to the normal contingencies related to environmental, geotechnical, and financial due diligence, the Developer will have contingencies related to its ability to obtain necessary City approvals for building a six-story housing structure, a five-story hotel and the plaza.
2. The Developer acknowledges that the HRA will be selling the Site on an “as is” ”where is” basis and, prior to closing, the HRA will replat the Site into two lots.
3. The Developer has submitted Design Drawings to be approved by the HRA as part of the Development Agreement.
4. The HRA will have final approval of Construction Plans of the project.
5. The Developer will be required to complete the Project within 18 months of closing.

All contingencies of the Development Agreement will be met or waived by the Closing Date, or the Developer will have the option to extend the Closing Date up to 90 days.

Budget Action

All proceeds of the land sale will be initially deposited into the HRA Parking Fund.

Future Action

None

Financing Structure

The property is being sold at its appraised fair-market value. Any write-down of this value would be considered a public subsidy.

PED Credit Review

No Credit Committee action is required since the Site is being sold at appraised value.

Compliance

The following compliance requirements are applicable to this project: Vendor Outreach Program, Chapter 84.0, and Affirmative Action, Chapter 183.04

Green/Sustainable Development

This Project will comply with the Saint Paul/HRA Sustainability Initiative.

Environmental Impact Disclosure

N/A

Public Purpose/Comprehensive Plan Conformance

Redevelopment of the Site will add considerable value to the City's tax base; provide a dynamic public space that acts as a catalyst for retail, hospitality and housing for current and future downtown residents and visitors, adding dynamic vitality to the downtown entertainment district; and create new jobs. The Proposal is consistent with the City of Saint Paul's Comprehensive Plan, Saint Paul Downtown Development Strategy, Saint Paul on the Mississippi Development Framework, Seven Corners Gateway Plan, Seven Corners Gateway Evaluation Tool, and

Prosper: Momentum is Building - Vision SP20/20.

Statement of Chair

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of conveyance of a certain Parcels of land located in the Downtown Planning District, by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA).

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, March 30, 2019. The Affidavit of Publication of the Notice of Public Hearing will be made a part of these proceedings.

The HRA proposes to convey the following property in Downtown District 17:

Property Description

150 Smith Avenue

Purchaser/Developer

QOZ Ventures LLC

Purchase Price

\$5,000,000.00

The above property will be conveyed for the purpose of redevelopment of a surface parking lot into market rate rental housing, a hotel, and open plaza.

Is there anyone who wishes to be heard on this sale? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation

The Executive Director recommends and requests the HRA Board of Commissioners consider the approval of the attached Resolution authorizing approval of the Development Agreement with Kaeding Management Group to sell and develop the HRA-owned Seven Corners Gateway Site located at 150 Smith Avenue.

Sponsored by: Commissioner Rebecca Noecker

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Site Map**
- **Design Drawings plus elevations dated March 27, 2019 showing the percent of exterior material**
- **Public Purpose**
- **District 17 Profile**