

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 14, 2016

REGARDING: RESOLUTION AUTHORIZING APPROVAL OF A CONDITIONAL PURCHASE AGREEMENT FOR THE SALE AND CONVEYANCE OF REAL PROPERTY LOCATED AT 217 CHESTNUT STREET, SAINT PAUL, MN TO SR DEVELOPMENT, LLC, DISTRICT 9, WARD 2

Requested Board Action

Requesting approval of the attached resolution to enter into a Conditional Purchase Agreement with SR Development, LLC a related entity to Schafer Richardson, Inc. to allow the HRA to move forward with selling the parcel of land located at 217 Chestnut Street (Property) for the purpose of developing a new multi-unit, market-rate apartment building.

Background

On April 11, 2016, the City of Saint Paul's Director of Planning and Economic Development (PED) received a proposal from Schafer Richardson, Inc. to purchase a City-owned surface parking lot for redevelopment. The parking lot is located in the southerly portion of the Saint Paul central business district, and has been owned and operated by the City as a surface parking lot for many years. The site totals 1.31 acres and is adjacent to the Historic Irvine Park Neighborhood and within one block of West 7th Street and Kellogg Boulevard (**Attached HRA Property**).

Per the "Policy and Procedures for Disposition of HRA Owned Real Estate", if the HRA receives an unsolicited proposal from a third party or entity to acquire and redevelop a parcel of land owned by the HRA/City, the proposal is first evaluated by PED staff to confirm that it meets the criteria listed in the land disposition policy. If the proposal meets the policy criteria, then a written notice is submitted to the affected district council and made available to the general public via the City's web page at least 45 days prior to a proposal being presented to the HRA Board for its consideration for approval. This notice was given on April 22, 2016, one other

written proposal was received, and based on PED staff review; it is recommended that the Schafer Richardson proposal best meets the objectives and goals of the land disposition policy.

The proposal from Schafer Richardson, Inc. (Developer) consists of purchasing the Property for \$2,960,000 which is more than the appraised fair market value. They will be constructing a 175-unit market rate, six-story apartment building with 168 enclosed parking spaces (**Attached Site Plan**). The apartments will consist of studio, one, two, and three bedroom units, including some two-story townhome-style units. It will also include a small public plaza at the intersection of Chestnut Street and Eagle Parkway to provide a space for public gathering and a connection to the neighborhood. Schafer Richardson, Inc. is an award-winning real estate developer with 20 years of experience in developing commercial and residential projects in the Minneapolis/Saint Paul metro area. This will be their first multi-family rental development in Saint Paul.

The Conditional Purchase Agreement between the HRA and the Developer will contain the following terms and conditions related to the sale of the Property:

- In addition to 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 structure on this site.
- The Developer acknowledges that the HRA will, prior to Closing, be working with the City of Saint Paul Real Estate Department to re-plat the property and identify the exact locations of easements on the Property to be granted to the City for street right-of-way.
- PED staff will have final approval of the plans and specifications for the Project.
- The Developer will be required to complete the Project within two years of Closing.
- The City of Saint Paul will transfer and convey the Property to the HRA, and the HRA in turn will agree to sell and convey the Property to the Developer under the Conditional Purchase Agreement.

All contingencies of the Purchase Agreement will be met or waived within 90 days from the fully executed Purchase Agreement (the Contingency Period). However, upon mutual agreement between the Developer and HRA and assuming both are working in good faith, there are two 60-day extension periods. Each 60-day extension requires an additional earnest money payment

from the Developer. Closing on the sale of the Property will be scheduled within 30 days of the Contingency Period.

Budget Action

Not Applicable. All proceeds of the land sale will be returned to the City's General Fund.

Future Action

The Property is currently owned by the City of Saint Paul and is going through a re-platting process. Prior to closing of the sale, a City Council Resolution and Public Hearing will be required to transfer the Property from the City to the HRA.

PED Credit Committee Review

No Credit Committee action is required since the Property is being sold at or above appraised market value.

Compliance

The following compliance requirements are applicable to this project: Vendor Outreach Program, Chapter 84.01; and Affirmative Action, Chapter 183.04.

Green/Sustainable Development

The project will comply with the Saint Paul / HRA Sustainability Initiative.

Environmental Impact Disclosure

Not applicable.

Historic Preservation

Not Applicable.

Public Purpose/Comprehensive Plan Conformance

This project will:

- create approximately 175 new housing units;

- return tax-exempt property to the tax rolls, create new construction jobs;
- receive sales proceeds that can be used by the City for other activities.

This project is consistent with the District 9 Plan, which calls for medium-density housing in the Chestnut/Exchange area, adjacent to Irvine Park.

The Land Use chapter of the Comprehensive Plan shows the site as part of Downtown. The proposed development is consistent with the Comprehensive Plan’s direction for the site, including high-density housing.

The Developer has met with both the Historic Irvine Park Neighborhood and representatives from District 9 West Seventh/Fort Road Federation and will continue to meet to discuss design concepts.

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 Parcel of land located in District 9 West Seventh /Fort Road Federation 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 September 3, 2016. 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 District 9 West Seventh/Fort Road Federation:

Property Description	Purchaser/Developer	Purchase Price
217 Chestnut Street	SR Development, LLC	\$2,960,000

The property will be conveyed for the development of market rate multi-family housing.

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 approval of the attached Resolution authorizing approval of the Conditional Purchase Agreement with the Developer to sell the HRA-owned property located at 217 Chestnut Street.

Sponsored by:

Commissioner Noecker

Staff:

Diane Nordquist 651-266-6640

Attachments

- **Attachment – HRA Property**
- **Attachment – Site Plan**
- **Attachment – Map**
- **Attachment – Public Purpose**
- **Attachment – District 9 Profile**