

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 12, 2018

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND
CONVEYANCE OF 754 RANDOLPH AVENUE, SAINT PAUL, MN TO
754 RANDOLPH, LLC; AND AUTHORIZATION TO ENTER INTO A
DEVELOPMENT AGREEMENT, DISTRICT 9, WARD 2**

Requested Board Action

Requesting approval of the attached resolution to enter into a Development Agreement with 754 Randolph, LLC, allowing the Housing and Redevelopment Authority (HRA) to move forward with selling the parcel of land and building located at 754 Randolph Avenue for the purpose of developing a new craft brewery and artisan restaurant.

Background

The City of Saint Paul owns the Fire House #10 building, located at 754 Randolph Avenue in the Fort Road/West Seventh neighborhood (Property). A map of the Property, which consists of a 9,800 sq. ft. two-story building, a storage shed, and a parking lot on a 0.41 acre parcel, is **attached**. The original fire house was built in 1885, and an addition was built in 1911. After Fire Administration Headquarters/Station #1 was built to serve the neighborhood in 2010, Fire House #10 has been used by the Fire Department for storage.

On December 13, 2017, by Resolution # 17-1978, the HRA Board of Commissioners approved the designation of M.O.E. Craft Company, LLC (M.O.E.) as tentative developer for Fire House #10. M. O. E. Craft Company, LLC formed a new entity called 754 Randolph, LLC (“Developer”) to own the Property.

On July 25, 2018, by Resolution # 18-1143, the City Council approved the recommendations of the Neighborhood STAR Board to provide a STAR grant and STAR loan to assist M. O. E. with historic preservation renovations for the Property.

On August 22, 2018, by Ordinance # 18-33, the City Council approved an amendment to Chapter 74 of the Legislative Code, enacting a new section designating Fire Station No. 10 as a Saint Paul Heritage Preservation Site and accepting the Preservation Program for the building.

The proposal from the Developer is to rehabilitate and adapt the former Fire House #10 into a craft brewery and artisan restaurant (see **attached** concept rendering). The Developer has committed to develop the building in conformance with the requirements of the building’s historic designation. The business will create up to 24 new jobs, and the Developer has also committed to working to hire hard-to-employ individuals.

The Developer initially offered \$220,000 as the purchase price of the building, which was the amount the HRA considered when awarding tentative developer status last December. After meeting with Historic Preservation and DSI staff, consulting with their development team, and completing further due-diligence on the Project, the Developer determined that meeting the requirements of code compliance and the Preservation Program would be substantially more costly than originally anticipated and requested a further write-down of the purchase price. Staff has proposed structuring the \$220,000 purchase price as a forgivable “seller’s note” (Note) to be paid upon the earlier of sale of the property or ten years, and with a portion of the principal being forgiven on an annual basis based on performance of hiring hard-to-employ individuals.

The Project’s Sources and Uses are summarized below:

USES		SOURCES	
Acquisition	\$ 220,000	First Mortgage	\$ 1,435,000
Construction Costs	\$ 1,370,000	HTC - State	\$ 365,000
Contingency	\$ 125,000	HTC - Federal	\$ 235,000
Operations Costs	\$ 310,000	Developer Equity	\$ 400,000
Professional Costs	\$ 711,000	Deferred Developer Fee	\$ 96,000
Development Fee	\$ 240,000	Forgivable Seller's Note	\$ 220,000
		STAR Loan	\$ 125,000
		STAR Grant	\$ 100,000
Total Uses	\$ 2,976,000	Total Sources	\$ 2,976,000

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

- The plans and specifications will implement the goals of the Preservation Program.
- The Developer will be required to complete the Project within two years of closing on the sale of the Property.
- 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 Development Agreement.
- The Developer will be required to meet defined standards for hiring hard-to-employ individuals in order to obtain forgiveness of the Note.

The Property is currently zoned RM1 Low-density multiple-family residential, which allows municipal buildings or uses but very limited commercial uses. RM1 zoning does not permit the proposed future use, however a conditional use permit for “Reuse of large structures” allows reuse of the structure for commercial use. The Comprehensive Plan identifies all of Randolph Avenue between West 7th and Fairview as a Mixed-Use Corridor, along which the City supports a broad range of uses served by public transit. On May 17th, 2018 the West 7th/Fort Road Federation provided a letter of support in regards to the proposed Conditional Use Permit.

No businesses will be displaced, and no land acquisition took place because of eminent domain. A profile of the District 9 Planning District is **attached**.

Budget Action

Not Applicable. Any future payments on the Note 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 process of transfer to the HRA. 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

The terms and conditions of the Note will be reviewed and risk-rated by the Credit Committee at their September 11, 2018 meeting.

Compliance

Compliance requirements applicable to this project include the following: Vendor Outreach Program, City Labor Standards, Affirmative Action, Living Wage Ordinance, Project Labor Agreement, and Two Bid Policy.

Green/Sustainable Development

The reuse of an existing structure is a green strategy that reduces waste and energy use. As applicable, the project will comply with the Saint Paul / HRA Sustainability Initiative.

Environmental Impact Disclosure

Not applicable.

Historic Preservation

The Project will preserve a designated Saint Paul Heritage Preservation Site, following a Preservation Program accepted as part of Ordinance # 18-33, approved by the City Council on August 22, 2018.

Public Purpose/Comprehensive Plan Conformance

This project will:

- create approximately 12-16 FTE permanent jobs and support new construction jobs;
- return tax-exempt property to the tax rolls;
- rehabilitate a vacant, historic structure; and
- create space for a local business to provide goods and services.

In addition, the following strategies in the Historic Preservation Chapter of the 2010 *City of Saint Paul Comprehensive Plan* may be applicable:

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

HP 1.13 Designate City-owned properties that include historic resources as a heritage preservation site or historic district prior to sale.

HP 3.11 Make the designation of significant historic resources as heritage preservation sites a priority for the City Council.

The District 9 Area Plan Summary also supports the preservation of the historic character of the community.

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 1, 2018. 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
754 Randolph Avenue	754 Randolph, LLC	\$0.00

The property will be conveyed for the development of a restaurant and taproom. 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 approval of the attached Resolution, authorizing execution of a Development Agreement with the Developer to sell the HRA-owned property located at 754 Randolph Avenue.

Sponsored by:

Commissioner Noecker

Staff:

Ross Currier 651-266-6611

Attachments

- **Attachment – Concept Rendering**
- **Attachment – Map**
- **Attachment – Public Purpose**
- **Attachment – District 9 Profile**