

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 8, 2017

REGARDING: **DESIGNATION OF THE ACKERBERG GROUP AS TENTATIVE
DEVELOPER FOR THE PUBLIC SAFETY ANNEX, 100 E 10TH
STREET, DISTRICT 17, WARD 2**

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 The Ackerberg Group as tentative developer for the former Public Safety Annex (“PSA”) at 100 East 10th Street, for a period of 180 days from the date the PSA is vacated, currently assumed to be January 1, 2018, in order to finalize financing, construction costs and approvals needed to redevelop the PSA building and make improvements to the adjacent Pedro Park.

Background

The City of Saint Paul owns the PSA building in downtown Saint Paul, fully occupying a 0.41 acre parcel. A variety of City functions have operated there since the 1950’s. The building was renovated in 1975 for the Saint Paul Police Department. The Police Department will move out of the building by the end of 2017.

The City’s Comprehensive Plan (in the *Fitzgerald Park Precinct Plan Area Plan Summary*) indicates that, for planning purposes only, the preferred future use for the 2.5-acre block where the PSA is located is a full-block City park. The establishment of the park began with a donation of 0.45 acres of land adjacent to the PSA, and the development of the temporary Urban Flower Field installation at this site. This, and any additional park development, is known as Pedro Park. In addition to the two parcels owned by the City of Saint Paul (park space and the PSA), there are six other parcels with four separate private owners on the block.

Over the past several years, the City has sought funding from the Metropolitan Council and the City’s Capital Improvement Budget for design, acquisition, site prep, and construction of

permanent park space. Funding has been awarded for park planning only and no funding for permanent park improvements has been secured to date. Cost estimates from the Department of Parks and Recreation for construction of a high-quality downtown park at this location (not including acquisition or demolition) are approximately \$9 million per acre.

In order to objectively evaluate and compare the public benefits of saving the PSA (for possible creation of jobs and increased tax base) versus demolishing the PSA (for additional park property on the block), the HRA was tasked with marketing the property for potential redevelopment on behalf of the City of Saint Paul. To market the PSA, the HRA issued a Request for Offers on April 12, 2017 to solicit offers to purchase and redevelop the property. The HRA placed the PSA on the market with a sign on the property; listed the property with the Minnesota Association of Commercial Real Estate; and published notification on the HRA Board of Commissioners agenda, in the newspaper, and through the City of Saint Paul's Early Notification System. The property was listed for more than 45 days to satisfy the requirements of the HRA policy on the disposition of property.

HRA staff had inquiries from more than 50 development groups about the property, and led five tours with attendance of over 30 people in total. Three offers to purchase the building were received from: Hillcrest Development, The Ackerberg Group and The Northland Group. The property was taken off the market on September 27, 2017.

Staff reviewed the three proposals against the evaluation criteria identified in the Request for Offers document:

- Purchase price
- Project property tax revenue
- Number and type of proposed jobs to be located on site
- Ability to support and enhance the development and operations of adjacent park space
- Mix of proposed uses
- Compatibility with City plans and zoning
- Amount and type of requested subsidy/City participation (if any)
- Architectural design and consistency with City design guidelines

- Timeline
- Financial feasibility of project
- Developer capability to deliver project
- Reasonableness of contingencies

In addition to the offers received, staff reviewed the possibility of rejecting all offers and demolishing the building to expand the park onto the Public Safety Annex parcel.

Staff Recommendation

Upon review of the three offers, staff determined the Ackerberg proposal to be the most compelling and attractive. (See attachment for more details on the Ackerberg proposal.) After a careful comparison of the relative merits of the Ackerberg proposal and the option of demolishing the PSA building, staff recommends moving forward with a redevelopment of the building and awarding tentative developer status to The Ackerberg Group. This recommendation is for the following reasons:

- Ackerberg offered the highest purchase price.
- Ackerberg's project results in the greatest property tax revenue and largest number of jobs on site.
- Ackerberg proposed the largest private commitment to enhancing park space on the block, with a direct investment of \$650,000 in the development of permanent improvements to the existing Pedro Park, as well as a 20-year maintenance commitment for the park of \$40,000 annually with 3% annual increases, totaling \$1,075,000 over 20 years.
- The proposed mix of uses is compatible with the site and the neighborhood.
- Ackerberg is an experienced developer that has the capacity to deliver the project.

Staff recommends against rejecting all offers and demolishing the building for the following reasons:

- Unlike demolition of the PSA for creation of additional future park space, the recommended offer will provide modern, renovated office space and increase the number of jobs in downtown – both objectives of the City's Economic Development Strategy.

- Unlike demolition of the PSA for creation of additional future park space, the proposal will increase the tax base of the city by placing a currently-exempt property back on the tax rolls.
- The proposal brings private investment to the adjacent park, providing the first funding for permanent improvements to the park space as well as a 20-year private commitment to maintaining the park.
- The proposal does not preclude future expansion of park space on the block – it reduces the possibility of a 2.5 acre park to a 2.1 acre park. Any expansion to a 2+ acre park will require acquisition of additional land currently under private ownership.
- If all offers are rejected, there are no currently-identified resources to demolish the building or invest in development of the park. The site would remain in its current status as Urban Flower Field until such time as funds were allocated for permanent park improvements.

The property is currently zoned B4 Central Business District, and the proposed project is permitted in this district.

Budget Action

Staff is seeking a tentative developer designation only. There is no budget action at this time.

Future Action

Before the end of the 180-day tentative developer status period, if successful, a full development agreement will be drafted for HRA approval. Approval of the sale of the PSA and related development agreement would require future action of the HRA Board of Commissioners preceded by a public hearing. HRA approval of the sale and development agreement would be contingent on approval by the Saint Paul City Council, which would also be preceded by a public hearing.

Financing Structure

Due to the conceptual status of the Proposal, no detailed sources and uses of funds have yet been developed. The HRA's policy is to sell property at or above its appraised fair-market value. The appraised value of the PSA is \$1,310,000. No City subsidy has been requested at this time.

PED Credit Committee Review – N/A

Compliance

Within 10 days of the approval of granting tentative developer status to The Ackerberg Group, a signed letter acknowledging receipt of the following City/HRA compliance documents (“Compliance Documents”) that will or may be applicable for this project will be due from the Developer:

- Vendor Outreach Program
- Two Bid Policy
- Affirmative Action
- Labor Standards
- Living Wage
- Business Subsidy
- Project Labor Agreement

If at the end of the tentative developer status period it is determined that a sale under the land disposition policy of the HRA is desired, the project will be subject to the City of Saint Paul's Affirmative Action Ordinance and Vendor Outreach Program.

A second compliance letter, outlining the specific compliance that will apply to the project, will be required before seeking approval of the full Development Agreement.

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 – N/A

Historic Preservation

The Public Safety Annex (RA-SPC-5425) was constructed in 1925-26 as a service building for the Tri-State Telephone Co. and first identified as a Saint Paul historic resource in the *1983 Historic Sites Survey of Saint Paul and Ramsey County*. While this property is currently not a locally designated Heritage Preservation Site, nor is it listed on the National Register of Historic Places (NRHP), it was identified again in the *St. Paul Historic Context Studies: Downtown St. Paul, 1849-1975* (2001) as “also significant.”

The *Fitzgerald Park Precinct Plan Area Plan Summary* (FPPP) has two strategies regarding buildings of historical and/or architectural value:

4. Buildings of historical and/or architectural value should be retained, protected and preserved.
5. Existing buildings of historical and/or architectural value should be incorporated into new development.

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

- HP 1.9 & 4.4 (b)&(c) Maintain City-owned resources pursuant to recognized preservation standards.
- HP 1.10 Give equal consideration to historic preservation factors when City action, involvement, or funding is requested or required.
- HP 1.12 Prioritize the retention of designated historic resources (or those determine eligible for historic designation) over demolition when evaluating planning and development projects that require or request City action, involvement, or funding.
- 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.
- HP 4.3 Protect undesignated historic resources.

HP 5.9 Actively promote the use of Federal [and State] Historic Preservation Tax Credits for the rehabilitation of income-producing properties listed on or determined eligible for listing on the NRHP.

Public Purpose/Comprehensive Plan Conformance

This project will:

- create approximately 197 FTE permanent jobs; support new construction jobs;
- return tax-exempt property to the tax rolls,
- receive sales proceeds that can be used by the City for other activities;
- invest in capital and maintenance of publicly-accessible park space;
- rehabilitate a vacant structure; and
- create space for local businesses to provide goods and services.

The Area Plan Summary of the FPPP, adopted as an Addendum to the Saint Paul Comprehensive Plan, states:

“20. For planning purposes only, the preferred future land use on Block 10 [Public Safety Annex Block] is a full-block City park. Until such time as the City is able to take the necessary actions to assemble land and build a park, parcels on the block may be used for any legal use permitted under their current zoning classification, provided that the proposed use meets all applicable conditions and/or standards. Any future use may not be denied exclusively on the basis that the vision for the block is of a public park.”

This language does not preclude the sale and redevelopment of the Public Safety Annex. The proposed project is a legal use permitted under the current zoning. The project maintains and makes additional investment in the existing Pedro Park space.

Statement of Chairman (for Public Hearing) – N/A

Recommendation:

The Executive Director recommends approval of the attached resolution designating The Ackerberg Group as tentative developer for a 180-day period, commencing at the time the PSA is vacated (approximately January 1, 2018), to allow them time to: 1) complete a scope of work, including working with the City Department of Parks and Recreation on a suitable design of the adjacent park space through a public process; 2) finalize construction costs; 3) secure financing; and 4) negotiate any other terms and conditions necessary for approval by the City and the HRA.

Sponsored by: Commissioner Brendmoen

Staff: Andrew Hestness, Principal Project Manager, 651-266-6577

Attachments

- **Summary of Ackerberg Proposal**
- **Background Information on The Ackerberg Group**
- **Map**
- **Public Purpose**
- **District 17 Profile**