

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 28, 2023

REGARDING: AUTHORIZATION TO DESIGNATE FACE TO FACE HEALTH & COUNSELING SERVICE AS TENTATIVE DEVELOPER OF THE HRA-OWNED PROPERTY AT 1170 ARCADE STREET, DISTRICT 5, WARD 6.

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 Face to Face Health & Counseling Service, Inc., a Minnesota nonprofit corporation (“Face to Face”), as tentative developer of the HRA-owned property at 1170 Arcade Street (“the Property”) for a period of 24 months ending June 30, 2025, in order to finalize financing, construction costs, and approvals needed to redevelop the property.

Background

The Property includes one parcel, 1170 Arcade Street (PIN 282922220121), a 0.22-acre site, zoned T2, which is owned by the HRA and is currently vacant land. The HRA acquired the Property in 2008 from Arcade Properties, a real estate subsidiary of North East Neighborhoods Development Corporation (NENDC), who were holding the Property as a potential redevelopment site. Arcade Properties conveyed the Property to the HRA via quitclaim deed for \$1 plus expenses incurred to maintain the site (\$10,173.84) using HRA unrestricted funds. Prior to that, the Property was used for a gas station. It’s not clear when the gas station was originally developed, but Minnesota Pollution Control Agency (MPCA) records indicate that underground gas tanks were installed in 1971, a tank release was documented in 1993, the tanks were subsequently removed, and the MPCA closed the site file in 1995.

On November 21, 2022, the HRA released a Request for Proposals (RFP) for 1170 Arcade Street with a submission deadline of February 3, 2023, in compliance with the HRA’s disposition policy. See full RFP document attached. HRA staff received inquiries from several development groups, and two proposals were received before the deadline: Face to Face Health & Counseling Service, Inc. and Arcade Street Development.

In February 2023, HRA staff invited seven staff members from three City departments to serve as a review committee. Participating departments were Planning and Economic Development, Ward 6 Office, and the Mayor’s Office. The review committee carefully reviewed each proposal and decided to invite both proposers to interview in May 2023. The proposals were evaluated against the neighborhood redevelopment vision and review criteria outlined in the RFP.

Neighborhood Vision

The neighborhood vision for the Property is for a mix of uses, including community-oriented development in a variety of land uses: destination commercial, office, light industry, and multi-family housing, favoring high quality building designs and sites that provide aesthetically pleasing public spaces and contribute to a sense of safety.

Review Criteria

1. Proposed commercial uses, including the type and number of jobs created
2. Proposed types and number of housing units and level of affordability
3. Opportunities for business owner or resident ownership, or other community wealth-building opportunities
4. Projected property tax revenue
5. Offer price
6. Experience and qualifications of the developer
7. Financial feasibility of the project
8. Proposed development timeline
9. Compatibility with Saint Paul’s 2040 Comprehensive Plan, Payne-Phalen (District 5) District Plan and Vision, and the Arcade Street Small Area Plan

Staff Recommendation

The review committee determined that Face to Face’s proposal was best aligned with the review criteria and redevelopment vision of the HRA. Key reasons include:

- The proposal provides the largest number and greatest variety of housing types, including efficiency, one-bedroom and two-bedroom units, all at deeply affordable rates.

- The proposed mix of uses is compatible with the site and neighborhood, and includes offices on the ground floor and 8 jobs created through expanded services to the community.
- The proposal was well prepared and easy to understand in terms of project goals, timeline, financial feasibility, and design.
- Face to Face assembled an experienced development team of architects, contractors, and consultants, and declared intent to explore a partnership with another, more experienced, nonprofit housing developer/manager.
- Face to Face has been operating across the street from this Property for many years and is well-rooted in the community. They also have a surface parking lot which could be used to accommodate some parking needs associated with redevelopment of this Property.

Face to Face proposes to redevelop the Property with a four-story, mixed-use building, including 20 housing units (5 efficiency, 9 one-bedroom, and 6 two-bedroom units) on floors 2-4 and 6,000 square feet of nonprofit office space on the ground floor. The office level would include at least 6 individual offices, 2 meeting rooms, 1 lounge, 1 waiting room, restrooms, focus rooms and a bike storage room. The projected rents and income restrictions for the housing units are proposed to be 30% of Area Median Income (AMI). Final design and number of housing units are subject to any required revisions. The Property is zoned T2-Traditional Neighborhood, which allows for a maximum mixed-use building height of 35 feet. The proposed development would likely exceed 35 feet, which would require a Conditional Use Permit (CUP). If a CUP were granted, the maximum building height would be 45 feet.

Budget Action

PED Staff are seeking a Tentative Developer designation only. There is currently no budget action.

Future Action

Future possible actions by the HRA Board would include approval of a Development Agreement, which may include public financing, and holding a public hearing for sale of the Property to Face to Face.

Financing Structure

A conceptual financing plan submitted in response to the RFP includes funding from Minnesota Housing, New Markets Tax Credits, a bank loan, owner equity, as well as foundational support. The HRA's policy is to sell property at its appraised fair-market value. Any write-down of this value will be considered a public subsidy. Tentative Developer Status will allow Face to Face time to pursue financing for the project. The financing plan will be approved by the HRA at a later date, along with the development agreement.

PED Credit Committee Review

PED Credit Committee will review this project prior to any HRA Board action for a request for financial assistance from the HRA.

Compliance

Because the sources and uses have not been finalized for this project, compliance requirements cannot be determined. However, the following compliance requirements may apply depending on funding sources:

- Vendor Outreach Program
- Two-Bid Policy
- Affirmative Action / Equal Employment Opportunity
- Federal Davis Bacon Labor Standards
- Project Labor Agreement
- Living Wage Ordinance
- Affirmative Fair Housing Plan
- Sustainable Building Policy
- Business Subsidy
- Section 3

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

Green/Sustainable Development

As applicable, this project will comply with the Saint Paul Sustainable Building Policy.

Environmental Impact Disclosure

NA

Historic Preservation

This property is vacant land and is not located in a historic district.

Public Purpose/Comprehensive Plan Conformance

The proposed project would redevelop a long-vacant site near the key commercial intersection of Arcade Street and Maryland Avenue, while creating new affordable housing and increasing the reach of critical health services available to the community. Additionally, the preliminary design of the project suggests a development that aims to provide a high-quality street presence, and should enhance and utilize the assets along Arcade Street.

The following goals/policies from the Saint Paul 2040 Comprehensive Plan would be engaged by this redevelopment:

- LU-3: Prioritize equitable public investments relative to areas of concentrated poverty as defined by the Metropolitan Council.
- LU-6(3): Foster equitable and sustainable growth by growing Saint Paul's tax base in order to maintain and expand city services, amenities and infrastructure.
- LU-6(4): Foster equitable and sustainable growth by proactively directing new development to high-priority geographies, such as Neighborhood Nodes, ACP50 Areas and Opportunity Sites.
- LU-31: Invest in Neighborhood Nodes to achieve development that enables people to meet their daily needs within walking distance and improves equitable access to amenities, retail and services.
- LU-34: Provide for medium-density housing that diversifies housing options, such as townhouses, courtyard apartments, and smaller multi-family developments, compatible with the general scale of urban neighborhoods.
- LU-35: Provide for multi-family housing along arterial and collector streets, and in employment centers to facilitate walking and leverage the use of public transportation.
- H-15: Accommodate a wide variety of culturally-appropriate housing types throughout the city to support residents at all stages of life and levels of ability.

- H-16: Increase housing choice across the city to support economically diverse neighborhoods by pursuing policies and practices that maximize housing and locational choices for residents of all income levels.
- H-18: Foster the preservation and production of deeply affordable rental housing (housing affordable to those at 30% or less of AMI), supportive housing and housing for people experiencing homelessness.
- H-31: Support the development of new affordable housing units throughout the city.
- H-37: Encourage the development of affordable housing in areas well-served by transit and/or in proximity to employment centers.

Furthermore, the proposal is consistent with the District 5 Plan (1979) and the Arcade Street Small Area Plan (2007).

Recommendation:

The Executive Director recommends approval of the resolution designating Face to Face Health & Counseling Service, Inc. (or an entity owned and controlled by it) as tentative developer for 1170 Arcade Street.

Sponsored by: Commissioner Yang

Staff: Jonathan Reisetter, 651-266-9119, jonathan.reisetter@ci.stpaul.mn.us;

Attachments

- Project Concept
- Request for Proposals
- Map
- Public Purpose
- D5 Payne-Phalen Neighborhood Profile