

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 10, 2018

REGARDING: DESIGNATION OF KAEDING MANAGEMENT AS TENTATIVE DEVELOPER FOR THE HRA-OWNED SEVEN CORNERS GATEWAY SITE, 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 Kaeding Management Group (the “Developer”) as Tentative Developer replacing the Opus Group and Greco Development for an HRA-owned parcel located across from the Xcel Arena and bounded by Smith Avenue extended, Kellogg Boulevard, West Seventh and Fifth Streets (the “Seven Corners Gateway Site”) for a period of 6 months ending April 30, 2019. During the Tentative Developer period, if defined benchmarks are met, the Developer and HRA will negotiate final terms and conditions of a development agreement. Approval of this action grants tentative developer status under the terms and conditions contained in the attached Resolution.

Background

The Seven Corners Gateway Site (“Site”) is approximately 2.38 acres in size, zoned B-4 and B-5, and 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 **Attached 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 by the August 29, 2014 deadline: one from Mortenson Development and the other from the Opus/Greco team. A review team unanimously supported granting Tentative Developer status for the Opus and 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 included 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. In 2014 Opus was granted tentative developer status and the authorizing HRA Board resolution required Opus to timely complete required benchmarks. One of the benchmarks was for Opus to select a hotel developer partner. They selected Kaeding Management Group who has been working cooperatively with Opus on fulfilling the proposed site plans.

Opus was granted extensions of this tentative developer status to complete benchmark activities, with the last extension expiring on September 30, 2018. Opus was unable to complete all of the required benchmark activities, and its status as tentative developer was terminated effective September 30, 2018 by the HRA Executive Director.

Opus has decided to turn the entire project and Site over to Kaeding Management Group who will be responsible to complete the entire Proposal. Opus will stay on as the “design/build” partner for the market rate rental housing building, and Kaeding will be responsible for the design and construction of the hotel building. Both will work cooperatively on the design of the central plaza area.

Budget Action

PED Staff is seeking a Tentative Developer designation only. There is no budget action at this time.

Future Action

Before the end of the 6-month Tentative Developer Status period, if successful, a full Development Agreement will be drafted for HRA approval. PED staff and the Developer will work closely with key stakeholders, including the HRA, the Design Center, and CapitolRiver Council – District 17 on the continued evolution and refinement of the Proposal.

Financing Structure

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.

PED Credit Review – N/A

Compliance

Within one week of the approval of granting the Developer Tentative Developer Status, 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

A second compliance letter, outlining the specific compliance requirements that will apply to the Project, will be required before seeking approval on the full Development Agreement 6 months from now.

Green/Sustainable Development

Following the *7 Corners Gateway Development Evaluation Tool* guidelines, the Developer will be directed to incorporate "green" elements into the Proposal and may be required to follow the Saint Paul Green/Sustainable Development Policy.

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.

Recommendation

The Executive Director recommends approval of the attached HRA Board resolution designating Keading Management Group as tentative developer for the HRA-owned Seven Corners Gateway Site for a period of 6 months pursuant to the terms and conditions set forth in the resolution.

Sponsored by: Commissioner Rebecca Noecker

Staff: Diane Nordquist, 651-266-6640

Attachments

- **Description of Proposal**
- **Map**
- **Public Purpose**
- **District 17 Profile**