

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

REPORT TO THE COMMISSIONERS

DATE: JANUARY 23, 2013

REGARDING: Public Hearing and Resolution Authorizing and Approving: 1) the Sale of HRA Parcel 699 East 7th Street to Covenant Capital, LLC for the Purchase Price of \$50,000; 2) Approval of HRA Land Sale Loan of \$50,000 to Assist in the Purchase of the Property; 3) Approval of a Development Agreement with Covenant Capital, LLC; 4) Authorizing the Executive Director to Finalize the Land Loan and Land Sale Documents for Execution by the appropriate HRA Officials in Connection with the 699 East 7th Street Project (the “Project”), District 4.

Requested Board Action

The HRA Board is requested to approve the following:

1. The sale of HRA parcels at 699 East 7th Street (“the Property”) to Covenant Capital, LLC for the purchase price of \$50,000.
2. Approval of HRA Land Sale Loan of \$50,000 to assist in the purchase of the Property.
3. Approval of a Development Agreement with Covenant Capital, LLC.
4. Authorizing the Executive Director to finalize the loan and land sale documents for execution by the appropriate HRA officials.

Background

Property

The HRA acquired the Property from the Saint Paul Police Department on January 1, 2003. The property was conveyed to the HRA at no cost, with an agreement to forward all net sale proceeds realized by the HRA to the Police Department upon the sale and redevelopment of the property. (There will be no net sale proceeds.) The site measures approximately 90 feet by 141 feet, for a total area of 12,690 square feet. The parcel is zoned T-2 (Traditional District). Staff is aware of mold in the building. This information was forwarded to Covenant Capital, LLC. The property will be sold as is.

Proposal

On May 23, 2012, the HRA received a request from Covenant Capital, LLC to purchase the Property. Covenant Capital, LLC plans to rehabilitate the existing building for office space on the first and second floors (the “Project”).

Developer

The developer is Covenant Capital, LLC, (the “Developer”); Scott Zak, Benjamin Hosfield, and Darin Trites are the LLC’s members. Winter Song LLC will own and lease the building.

Past HRA Board Action

On October 10, 2012, via HRA Resolution #12-1907, the HRA Board approved Tentative Developer Status for the Developer.

Disposition Policy

Upon receiving the Developer’s proposal, staff, according to the City/HRA Disposition Policy, entered this request on the City web page for public notification and to request additional proposals for this property; this request was on the City’s web page from May 23, 2012 to July 5, 2012, 2012. On May 23, 2012, staff entered this request on the early notification system for public notification. No other requests were submitted for this property during that time.

Wilder Planning District Demographic Profile

The demographic profile for the Dayton’s Bluff - District 4 is attached as **Attachment G**.

Budget Action

No Budget action required.

Future Action

No further action will be required from the HRA Board.

Financing Structure

The Developer has submitted a request to purchase the property for \$50,000. The Developer has requested that the HRA loan the acquisition amount to the Developer to purchase the property (the “Land Loan”). Staff is proposing selling the property to the Developer for \$50,000, and simultaneously loaning the Developer the \$50,000 to purchase the Property. Loan terms are proposed at 0 years, 0% simple interest, with payment and interest deferred for ten years. The

loan will be forgiven after ten years if the property is occupied and maintained. This loan will be a first position lien on the property. The estimated total development cost is \$264,000.

Summary of Estimated Sources and Uses for the Project is shown as an **Attachment D**.

The HRA land loan will charge a 1% origination fee (\$500).

PED Credit Committee Review

On December 31, 2012, the PED Credit Committee reviewed the request for funding of the Project and recommended approval of the proposed terms. The Credit Committee risk rated this project Forgivable.

Compliance

The Developer has signed the 1st and 2nd compliance letters regarding this project. The project will comply with the following programs and/or requirements: Vendor Outreach Program; City's Labor Standards; Sustainable Green Policy; Affirmative Action; and Two Bid Policy. This project is exempt from the following: Business Subsidy based on the small business exemption; Living Wage based on the number of employees; Project Labor Agreement based on the amount of assistance; and Section 3 and Limited English Proficiency as no federal funds will be provided to this Project.

Green/Sustainable Development

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

Environmental Impact Disclosure

N/A

Historic Preservation

The project will be reviewed by either HPC PED staff or the HPC Commission. HUD 106 review will not be required.

Public Purpose

The following public purpose will be met: rehabilitation of a vacant commercial structure on East 7th Street; and the creation of local businesses; generation of private investment; and support of commercial activities.

The following details how this project is consistent with the Comprehensive Plan and other plans:

Near East Side Roadmap (draft 2012)

This plan calls for the re-use of the building at 699 E. 7th.

Land Use Chapter of Comprehensive Plan (2010)

E 7th is designated as a Mixed-Use Corridor, to which the following objectives apply: accommodating growth, supporting transit use and walking, providing a range of housing types, and providing housing at densities that support transit. (Strategy 1.21)

Strategy 1.24: Support a mix of uses on Mixed-Use Corridors

Historic Preservation Chapter of Comprehensive Plan

Strategy 5.3.: Realize the full economic potential of key historic resources.

- Rehabilitate key historic resources to serve as a catalyst for additional development in adjacent areas;
- Integrate historic properties into new development to strengthen sense of place and provide a link between old and new.

Strategy 5.4: Invest in historic resources along transit corridors as part of a larger neighborhood revitalization and reinvestment strategy

Statement of Chairman (for Public Hearing)

“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 4 (Dayton’s Bluff) 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 January 12, 2013. 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 the District 4 (Dayton's Bluff):

| Property Description | Purchaser/Developer | Purchase Price |
|---------------------------------|----------------------------|-----------------------|
| 699 East 7 th Street | Covenant Capital, LLC | \$50,000 |

Legal description

Lots 3 and 4 and the northeasterly 10.00 feet of Lot 5, Subdivision of Block 5 Lyman Dayton's Addition, Ramsey County, Minnesota.

The property will be conveyed for rehabilitation of an existing vacant commercial building for office space. 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 resolutions which approve the following actions: the sale of HRA parcel to Covenant Capital, LLC for the purchase price of \$50,000; approval of HRA Land Sale Loan of \$50,000 to assist in the purchase of the property; approval of a Development Agreement with Covenant Capital, LLC.; and authorizing the Executive Director to finalize the loan and land sale documents for execution by the appropriate HRA officials.

Sponsored by: Commissioner Lantry

Staff: Report prepared by: Daniel K. Bayers, (266-6685)

Attachments

- Attachment A -- Resolution
- Attachment B -- Map and Address of Project

- Attachment C -- Project Summary Form
- Attachment D -- Sources and Uses Summary Form
- Attachment E -- Public Purpose Form
- Attachment F – Census Facts