

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

REPORT TO THE COMMISSIONERS

DATE: June 8, 2016

**REGARDING: APPROVAL OF SECOND AMENDMENT TO THE PHASE III
DEVELOPMENT AGREEMENT WITH THE WSF PHASE III LLC,
DISTRICT 3, WARD 2**

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

1. Approval of a Second Amendment to the Phase III Development Agreement with the WSF Phase III LLC (aka Sherman Associates).
2. Authorization for staff to initiate the process for creation of a housing tax increment finance district.

Background

The Phase III Development Agreement grants the WSF Phase III LLC (“Developer”) the exclusive right to make a redevelopment proposal for the 4.16 acre HRA land bounded by the Mississippi River, Livingston, Fillmore and the Union Pacific railroad tracks. On November 12, 2015, the HRA Board approved a First Amendment to the Phase III Development Agreement, extending the Developer’s rights under the Agreement until May 19, 2016. The Second Amendment will extend the developer’s rights under the Agreement, until March 30, 2017 and establish benchmarks

The developer has proposed the construction of two buildings that will have a total of 264 apartments of which 24% will be affordable. Phase III A will include an 182 unit market rate apartment building with a 5,000 SF restaurant. Phase III B will include an 82 unit apartment building, with 32 units affordable for families at 50% of median income, 32 units for families at 60% of median income and 18 market rate units. The restaurant will activate the riverfront which is an important goal of the West Side Flats Master Plan.

Developer accomplishments since November 2015

- Secured a letter of intent from a restaurant operator for 5,000 SF of interior space in Phase III A. This operator has owned and managed a large restaurant in downtown

Minneapolis for ten years. The operator proposes a modern eclectic pub and restaurant that will feature an outdoor riverfront plaza designed to facilitate three season use.

- Submitted preliminary numbers and a request for financial assistance.
- Collaborated with PED on the design of the buildings to meet the Passive House high energy efficiency standard. See the attached **Background** for further details.
- Provided a site plan design that links the WSF Phase III A and B buildings to the Mississippi Riverfront Esplanade. See the attached **Site Plan and Elevations**.

Future Benchmarks

- If the Developer doesn't secure a funding allocation from the Minnesota Housing Finance Authority by November 30, 2016, the Development Agreement may be terminated by either party.
- If the Developer doesn't obtain City site plan approval by November 30, 2016, the Development Agreement may be terminated by either party.
- If the Developer doesn't close by March 30, 2017, the development rights under the Agreement will expire.

Budget Action

NA

Future Action

Future actions will include a request for approval of tax increment financing for the affordable housing and public improvements, and the issuance of tax-exempt housing revenue bonds. Staff will request a portion of the land sales revenues from the HRA property be written down to provide assistance for the affordable housing, soil correction activities and for public parking for the restaurant. Recommendations for financial assistance will be based on a gap and construction cost analysis.

Financing Structure

NA

PED Credit Committee Review

NA

Compliance

The project will comply with Vendor Outreach, Affirmative Action and Living Wage. The labor standards will depend on the type of financing used for the project. At a minimum, Little Davis Bacon labor rates will be required. If Federal grant funds are used, Section 3 will apply. A First Developer Letter has been executed.

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Development policy. The Developer will design and build WSF Phase III B to meet the Passive House standard. To the extent there are extraordinary costs, associated with the affordable housing Passive House construction, in excess of the cost of compliance with the SB 2030 energy requirements, HRA financial assistance will be required.

Environmental Impact Disclosure

NA

Historic Preservation

NA

Public Purpose/Comprehensive Plan Conformance

This project will redevelop blighted and vacant land, generate private investment, support commercial activity, create a new local business and provide market rate and affordable rental housing opportunities.

The project is consistent with the following strategies from the *West Side Flats Master Plan and Development Guidelines* (2015):

- LU1. Promote active commercial, civic and institutional land uses at street level within buildings facing Mixed-Use Corridors, including the Riverfront Esplanade.
- LU3. Attract a broad range of housing types, densities and developers.

- UD4. Create a vibrant, urban and public Riverfront Esplanade that is connected to the neighborhood.
- POS2. Enliven the Riverfront Esplanade.
- SUS20. Encourage energy conservation/efficiency – building materials, design and orientation, site features and furnishings, building reuse

The West Side Community Organization is in support of the West Side Flats Phase III proposed development.

Recommendation:

The Executive Director recommends the HRA approve the attached resolution.

Sponsored by: Commissioner Noecker

Staff: Marie Franchett, Principal Project Manager, 651-266-6702

Attachments

- **Attachment – Background**
- **Attachment - Map**
- **Attachment - District 3 Profile**
- **Attachment - Site Plan and Elevations**