

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 8, 2017

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING THE SALE AND
CONVEYANCE OF HRA-OWNED PARCELS LOCATED IN PHALEN
VILLAGE, AND EXTENSION OF TENTATIVE DEVELOPER STATUS
FOR PHASE TWO OF THE DEVELOPMENT, GREATER EAST SIDE,
DISTRICT 2, WARD 6.**

Requested Board Action

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

- Approval of the sale and conveyance of HRA-owned parcels located in Phalen Village to Phalen Village LLC for the purpose of building a new retail development.
- Extension of tentative developer status to December 31, 2018 for additional, adjacent HRA-owned parcels for Phase II of the development.

Background

Tentative developer status was granted to Phalen Village LLC (“Developer”) on April 22, 2015, by HRA Resolution 15-735, for HRA-owned parcels located north and south of Rose Avenue near the intersection with Clarence Street in the Phalen Village neighborhood of Saint Paul. The Developer has been working to develop a mix of commercial and residential uses, and is now ready to proceed with the commercial development on the parcels south of Rose Avenue (“Phase I”).

The project is a grocery-anchored retail development that includes a national grocer adjacent to additional retail space, and an outparcel with a drive-thru (see attached site plan). The development will also include an outdoor community gathering space for neighborhood events, located adjacent to a portion of Rose Avenue that will be constructed as a flexible space similar to a European Woonerf. This pedestrian-friendly convertible street is being constructed as part of the City’s Commercial Vitality Zone program.

Specific components of the Phase I development include:

- 23,000-square-foot national grocer
- 4,800 square feet of small shop space
- 3,000-square-foot outparcel with drive-thru
- 651 square-foot outdoor community gathering space

Phalen Village LLC is comprised of Paster Properties, Boisclair Development and NHH Properties. Paster Properties, which owns, develops, leases, and manages nearly one million square feet of retail properties in the Minneapolis/Saint Paul market, is leading the Phase I commercial development project. Paster is a three-generation developer with extensive expertise in re-developing underutilized retail properties, and has been involved in six major redevelopments totaling approximately 600,000 square feet over the past ten years.

The property is currently zoned T2 – Traditional Neighborhood, and the proposed project is permitted in this district.

Budget Action

No budget action is required for this sale.

Future Action

The project team has divided the development area into two phases, the Phase I commercial project south of Rose Avenue, and the Phase II residential project north of Rose Avenue. Construction on Phase I is expected to begin in the spring of 2018.

The development team is continuing to work on plans for Phase II of the project. This area of the development will bring additional density to the project and address recommendations from the Small Area Plan such as “increase housing diversity, improve housing maintenance, and reduce the concentration of poor-quality, low-income housing.” The residential development will likely require additional funding to be successful and economically feasible, and the development team is currently reworking plans and proformas to determine the amount of the funding gap required and the possible sources for the needed funding.

Financing Structure

The total cost for the project will be \$7,844,000, all of which will be privately financed. This will include land purchase, soil corrections, and construction. The only public subsidy being requested for Phase I is a land write-down to \$200,000 from the property's appraised value of the \$387,000. The land write-down is needed to secure the private investment necessary to fully fund this project.

PED Credit Committee Review

Credit Committee review is not a requirement of the sale of property.

Compliance

The Developer acknowledged the following City/HRA compliance documents ("Compliance Documents") that will be applicable for this Project:

- Labor Standards
- Vendor Outreach
- Affirmative Action
- Business Subsidy
- Living Wage
- Two-bid Policy

Green/Sustainable Development

The project does not require compliance with the Sustainable Building Policy since the land write-down is less than \$200,000 however, the Developer will incorporate green and sustainable building practices in the project including:

- All LED lighting throughout the project, including exterior spaces.
- A white TPO roof to minimize heat gain.
- An R-14.8 spray foam insulation system to achieve a greater R rating.
- Locally sourced building materials when feasible.
- Storm water management systems providing above ground filtration (rain gardens), and below ground retention and filtration to minimize runoff and provide water quality.

- Overall site irrigation that utilizes a sensor system to minimize watering and regulate watering during rain events.

Environmental Impact Disclosure

Not applicable

Historic Preservation

Not applicable

Public Purpose/Comprehensive Plan Conformance

This project will:

- generate private investment and create 48 living-wage jobs accessible to East Side residents;
- increase the City's tax base by returning tax-exempt property back to the tax rolls; and
- meet the neighborhood convenience shopping needs of people who live within roughly a one-mile radius of the area.

This project is consistent with the Comprehensive Plan, the Phalen Village Small Area Plan and the District 2 Plan.

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 certain parcels of land in District 2, Ward 6 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 October 28, 2017. 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:

<u>Property Description</u>	<u>Purchaser</u>	<u>Purchase Price</u>
1150 Prosperity Ave (27-29-22-22-0044)	Phalen Village, LLC	\$200,000.00
0 Phalen Boulevard (27-29-22-22-0050)		
0 Phalen Boulevard (27-29-22-22-0051)		

Recommendation:

The Executive Director recommends approval of the attached resolution, approving the sale of the Phase I property south of Rose Avenue, and extending tentative developer status for the Phase II property north of Rose Avenue until December 31, 2018.

Sponsored by: Commissioner Bostrom

Staff: Dave Gontarek, 651-266-6674

Rick Howden, 651-266-6555

Attachments

- **Map**
- **Legal Description**
- **Site Plan**
- **Phase II Map**
- **District 2 Profile**