

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 24, 2018

**REGARDING: APPROVING AND AUTHORIZING THE SALE AND CONVEYANCE OF
100 E 10TH STREET, SAINT PAUL, MN TO THE ACKERBERG GROUP;
AND AUTHORIZATION TO ENTER INTO A DEVELOPMENT
AGREEMENT, DISTRICT 17, WARD 2**

Requested Board Action

Authorization to enter into a Development Agreement with The Ackerberg Group (“Ackerberg”) for the sale and redevelopment of the Public Safety Annex building (“PSA”) at 100 East 10th Street, and to transfer proceeds of the sale to the City of Saint Paul for the purpose of constructing improvements to Pedro Park, and to cover holding costs and sale expenses related to the PSA.

Background

On November 8, 2017, through Resolution No. 17-1785, the Board of the Housing and Redevelopment Authority of the City of Saint Paul (“HRA Board”) voted to designate Ackerberg as tentative developer for the PSA. As identified by the resolution, Ackerberg has submitted and the HRA has received the tentative developer application fee in the amount of \$5,000.

Since the Saint Paul Police Department vacated the building in March of 2018, and as provided for in Resolution 17-1785, Ackerberg has completed due diligence activities related to the redevelopment of the PSA, and the City has completed a concept design process for development of the adjacent Pedro Park.

- Ackerberg has refined their plans for the design of the building. They will redevelop the PSA into 50,000 sq. ft. of modern, creative office and retail space, including the expansion of the existing partial third floor, and maintain 30 indoor parking spaces. See attached concept rendering. The Executive Director will review and approve final plans

for the building prior to a sale of the building under the terms in the proposed development agreement.

- Ackerberg has submitted evidence of construction financing, which has been reviewed by HRA staff.
- Ackerberg has provided a development budget and business/operating plans for the building, including an above-appraised-value purchase price of \$1,400,000 and an annual contribution to the operating costs for the adjacent Pedro Park in the amount of \$40,000/year, increasing 3% annually for 20 years.
- As directed by the HRA Board, the Saint Paul Department of Parks and Recreation held a public process to develop a design for the adjacent Pedro Park utilizing the current Pedro Park land and assuming the PSA remains. The Department of Parks and Recreation invited nearby residents, business, and property owners to participate on a Design Advisory Committee. This group met three times in the summer of 2018 to review previous design work, look at current context, and prioritize design elements for permanent park improvements for Pedro Park. A design for this .45-acre park, which is expandable should additional property on the block become available, was developed and is included as an attachment to this report. Ackerberg participated in this process, and shared designs for their proposed redevelopment of the PSA with City staff to provide context for the park design process. If the project is approved to advance by the City Council and HRA Board, the Design Advisory Group will meet up to two times to refine the design.

The proposed Pedro Park project would be developed and delivered by the City of Saint Paul. The park project would construct permanent improvements to Pedro Park based on the attached design. If approved, this would proceed in parallel with Ackerberg's development of the PSA. The Pedro Park project would be funded with the proceeds from the sale of the PSA, along with park dedication and bonding dollars.

The Development Agreement between the HRA and Ackerberg will contain the following terms and conditions related to the sale of the PSA:

- Construction plans for the PSA will be generally consistent with the design as proposed and subject to approval by the HRA's Executive Director.
- Ackerberg will purchase the PSA for \$1,400,000.
- Subject to unavoidable delays, Ackerberg will be required to complete the Project within 12 months of closing on the sale of the Property.
- Ackerberg and the City will complete negotiations related to an agreement for the development of Pedro Park and the ongoing contributions for park maintenance before closing on the sale of the PSA.

The Saint Paul City Council will consider a resolution at their meeting on October 24, 2018 to establish a multi-year budget for the construction of Pedro Park by dedicating \$1,317,500 of the sales proceeds from the PSA, along with \$199,310.79 of downtown park dedication funds. The resolution also recommends increasing 2019 bonding in the amount of \$2,230,000 for improvements to Pedro Park, and reducing CIB bonding in 2020 and 2021 by \$1,115,000 each year to offset the increase. This creates a total budget for the design and construction of Pedro Park in the amount of \$3,746,810.79. This action was recommended by the Capital Improvement Budget Committee at their meeting on 10/8/2018. The proposed project and funding package would allow for the design and construction of permanent improvements to Pedro Park in 2019-2020. Without approval of the project, there is no identified funding for the demolition of the PSA or for permanent improvements to park space on this block.

At the 10/11/2018 meeting of the Saint Paul Parks & Recreation Commission, two resolutions were approved supporting the conceptual design for Pedro Park, and approving entering into agreements with Ackerberg for the implementation of the park and PSA projects.

The Saint Paul City Council will also consider a resolution at their meeting on October 24th, 2018 to transfer the PSA property to the HRA to implement the project, and to enter into agreements with The Ackerberg Group for the implementation of Pedro Park regarding funding and maintenance contribution, memorialization of any encroachment permits, and a construction timeline for the park improvements.

The PSA is currently zoned B4 Central Business District, and the proposed project is permitted in this district. No businesses will be displaced, and no land acquisition took place because of eminent domain. A profile of the District 17 Planning District is **attached**.

Staff Recommendation

With the refinement of the development concept, project financials, purchase price, park design, and recommended park funding, there is a much greater understanding of the proposed redevelopment of the PSA and the related permanent improvements to Pedro Park. Staff recommends approving the project proposed by Ackerberg and executing a development agreement. The project accomplishes the following:

- provides modern, well-invested creative office space in downtown with no City subsidy;
- adds space for retail and services to a growing neighborhood;
- supports additional job creation and expansion in downtown;
- permanently adds to the tax base of the city;
- utilizes the sales proceeds of a vacant, City-owned building to facilitate construction of high-quality, permanent, publicly-accessible park improvements;
- develops a public-private partnership that provides ongoing private funding for the maintenance of public park space, showing the value of our public spaces to the economy; and
- implements significant park improvements in the short term and does not preclude expansion of the park in the future.

Budget Action

None

Future Action

The sale of the PSA to The Ackerberg Group would be contingent on the approval of the transfer of the property to the HRA by the Saint Paul City Council.

Financing Structure

Sale of building for \$1,400,000; distribution of \$1,317,500.00 to the City of Saint Paul Department of Parks and Recreation for the Pedro Park Project; \$77,500.00 to the City of Saint Paul Office of Financial Services for holding costs, expenses, and staff time related to the PSA building; the balance to the HRA for expenses and staff time related to the sale of the PSA.

Pedro Park financing:

| | |
|-----------------------|--|
| \$1,317,500.00 | Sales proceeds from sale of PSA |
| \$199,310.79 | Downtown Park Dedication fees collected |
| \$2,230,000.00 | City Bonding through CIB (increase in 2019 bonding, decrease in 2020 and 2021 bonding) |
| <hr/> | |
| \$3,746,810.79 | Total park design & construction budget |

PED Credit Committee Review

N/A

Compliance

Second developer letter has been provided by Ackerberg. The project will be subject to Vendor Outreach Program and Affirmative Action requirements per the HRA's Land Disposition Policy.

Green/Sustainable Development

The reuse of an existing structure is a green strategy that reduces waste and energy use. As applicable, the project will comply with the Saint Paul / HRA Sustainability Initiative.

Environmental Impact Disclosure

N/A

Historic Preservation

The PSA (RA-SPC-5425) was constructed in 1925-26 as a service building for the Tri-State Telephone Co. and first identified as a Saint Paul historic resource in the *1983 Historic Sites Survey of Saint Paul and Ramsey County*. While this property is currently not a locally designated Heritage Preservation Site, nor is it listed on the National Register of Historic Places

(NRHP), it was identified again in the *St. Paul Historic Context Studies: Downtown St. Paul, 1849-1975* (2001) as “also significant.”

The *Fitzgerald Park Precinct Plan Area Plan Summary* (FPPP) has two strategies regarding buildings of historical and/or architectural value:

4. Buildings of historical and/or architectural value should be retained, protected and preserved.
5. Existing buildings of historical and/or architectural value should be incorporated into new development.

In addition, the following strategies in the Historic Preservation Chapter of the 2010 *City of Saint Paul Comprehensive Plan* are applicable:

HP 1.10 Give equal consideration to historic preservation factors when city action, involvement, or funding is requested or required.

HP 1.12 Prioritize the retention of designated historic resources (or those determine eligible for historic designation) over demolition when evaluating planning and development projects that require or request city action, involvement, or funding.

HP 4.3 Protect undesignated historic resources.

Public Purpose/Comprehensive Plan Conformance

This project will:

- create space for approximately 150-170 FTE permanent jobs; support new construction jobs;
- return tax-exempt property to the tax rolls;
- receive sales proceeds that can be used by the city for investment in permanent improvements to Pedro Park;
- leverage private funding for the purpose of maintaining publicly-accessible park space;
- rehabilitate a vacant structure; and
- create space for local businesses to provide goods and services.

The FPPP Area Plan Summary, adopted as an Addendum to the Saint Paul Comprehensive Plan, states:

“20. For planning purposes only, the preferred future land use on Block 10 [Public Safety Annex Block] is a full-block City park. Until such time as the City is able to take the necessary actions to assemble land and build a park, parcels on the block may be used for any legal use permitted under their current zoning classification, provided that the proposed use meets all applicable conditions and/or standards. Any future use may not be denied exclusively on the basis that the vision for the block is of a public park.”

This language does not preclude the sale and reuse of the Public Safety Annex. The proposed project is a legal use permitted under the current zoning.

Statement of Chairman (for Public Hearing)

Include this section and statement only if a public hearing is held.

“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 Planning District 17 by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota.

Notice of time, place, and purpose of this hearing was published in the Saint Paul Pioneer Press on Saturday, October 13, 2018. 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 Planning District 17:

Lots Four and Five, Lamprey's Subdivision of part of Block 11, Roberts and Randall's Addition to the City of St. Paul

Purchaser/Developer

The Ackberg Group

Purchase Price

\$1,400,000

The property will be conveyed for development as commercial 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 adoption of the attached Resolution, 1) authorizing the execution of a development agreement with The Ackberg Group; 2) selling the Public Safety Annex for \$1,400,000.00; and 3) distributing the \$1,400,000.00 from the sale as follows: \$1,317,500.00 to the City of Saint Paul Department of Parks and Recreation for the Pedro Park Project; \$77,500.00 to the City of Saint Paul Office of Financial Services for holding costs, expenses, and staff time related to the PSA building, and the balance to the HRA for expenses and staff time related to the sale of the PSA.

Sponsored by: Commissioner Tolbert

Staff: Andrew Hestness 266-6577

Attachments

- **Public Safety Annex Design**
- **Pedro Park Design**
- **Map**
- **Public Purpose**
- **District 17 Profile**