

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 26, 2020

REGARDING: Authorizing and Approving: 1) The Sale of HRA Parcels to NDC Entrepreneur Training Center for the Purchase Price of \$125,000; 2) Approval of HRA Land Sale Loan of \$125,000 to Assist in the Purchase of the Property; 3) Approval of a Development Agreement with the NDC Entrepreneur Training Center; and 4) Authorizing the Executive Director to Finalize the Loan and Land Sale Documents for Execution by the Appropriate HRA Officers in Connection with the 621 University (as known as 489 Dale Street) for the North West University Dale Mixed Use Project, District 7, Ward 1)

Requested Board Action

The HRA Board is requested to approve the following:

1. The sale of HRA parcels to NDC Entrepreneur Training Center for the purchase price of \$125,000.
2. Approval of a \$125,000 loan to NDC Entrepreneur Training Center to assist in the purchase of the property.
3. Approval of a Development Agreement with NDC Entrepreneur Training Center.
4. Authorizing the Executive Director to finalize the loan and land sale documents for execution by the appropriate HRA Officers.

Background

Property

The HRA acquired the parcel located at 621 University Avenue (also known as 489 North Dale Street) using the HRA Development Funds (Fund 138) on August 10, 1989. The parcel was acquired for \$300,000 from Ferris J. and Dolores A. Alexander. The site measures approximately 40 feet by 122 feet, for a total area of 4,880 square feet. The parcel is zoned T-3 (Transitional Neighborhood).

Proposal

On December 31, 2017, the HRA received a request from Neighborhood Commercial Spaces, LLC, whose sole member is Neighborhood Development Center, to purchase 621 University Avenue. On August 8, 2018 the HRA Board approved Tentative Developer Status to

Neighborhood Commercial Spaces, LLC. Neighborhood Development Center has decided to create a new Minnesota nonprofit corporation to be the owners of the development. Along with other adjacent properties, NDC Entrepreneur Training Center, a Minnesota nonprofit corporation (commercial entity) and Uni-Dale, LLP (housing entity), whose sole partner is Wellington Management), are planning on redeveloping the northwest corner of University Avenue and Dale Street. The proposal is to construct a five-story mixed-use building at an estimated development cost of over \$28 million. Along with commercial space, the building will have 40 units of affordable housing.

The new construction will be divided into two condominiums. One condo will be owned by The NDC Entrepreneur Training Center which will own floors 1, 2, 3 & 4. Uni-Dale, LLP will own the underground parking, parts of floors 1, 2, 3 & 4 and all of floor 5. The commercial space will consist of 20,000 sq. ft. and the housing will have 40 affordable units. The proposed housing will consist of one (1) efficiency, nine (9) one-bedrooms, ten (10) two-bedrooms and twenty (20) three bedrooms. The forty (40) housing units will be tax-credit units, affordable to households as follows:

Size and Income /Rent Limits of Units:

Size	# of units	Rent Limit	Income Limit
Studio	1	60%	60%
1 BR	2	30%	30%
1 BR	6	50%	50%
1 BR	1	60%	60%
2 BR	4	30%	30%
2 BR	3	50%	50%
2 BR	3	60%	60%
3 BR	8	30%	30%
3 BR	7	50%	50%
3 BR	<u>5</u>	60%	60%
Total	40		

The construction of the building will start in 2020 with construction complete in 2021.

The Developer is experienced in the construction and management of commercial and multifamily housing projects within the metropolitan area.

The property is currently zoned T3 – Traditional Neighborhood and the proposed project is permitted in this district. See the attached **Map** of the Property, and attached District 7 demographic **profile**, a Saint Paul Planning District in which the Project is located. No land acquisition took place as a result of eminent domain.

Budget Action

No budget action required.

Future Action:

A companion City Council resolution for this project will be on the City Council’s February 26, 2020 agenda. This Resolution will approve the Assumption, Amendment, and Subordination of the City’s existing Met Council grants and STAR loans.

Financing Structure

The Developer has proposed the following permanent sources and uses to complete the construction project. They are seeking an HRA-issued Seller Note in the amount of \$125,000.

Summary of the New Construction Sources and Uses:

SOURCE

	<u>Total</u>	<u>Commercial</u>	<u>Housing</u>
Housing 1 st Mortgage	\$3,640,000		\$3,640,000
9% Tax Credits	\$10,698,112		\$10,698,112
HRA Land Loan	\$125,000	\$125,000	
Met Council LCDA Grant	\$1,450,000	\$1,450,000	
Met Council LCDA Grant	\$949,250	\$949,250	

Met Council TBRA Grant	\$233,700	\$949,250	
Met Council TBRA Grant	\$28,924	\$233,700	
DEED Cleanup Grant	\$237,630	\$237,630	
Ramsey County Environmental	\$237,630	\$237,630	
Capital Watershed Grant	\$135,000	\$135,000	
NMTC (B-Note)	\$2,751,450	\$2,751,450	
NWAF Bridge Loan	\$1,000,000	\$1,000,000	
Sunrise Bank Bridge Loan	\$3,500,000	\$3,500,000	
Capital Campaign Equity	\$1,184,387	\$1,184,387	
MN Small Bus. Incubator Grant	\$150,000	\$150,000	
Wellington Purchase Agreement	\$810,000	\$810,000	
OCS Grant	\$690,897	\$690,897	
Deferred Developer Fee	<u>\$827,082</u>	<u>\$284,613</u>	<u>\$542,469</u>
TOTAL	\$28,430,092	\$13,549,511	\$14,880,581

USES

	<u>Total</u>	<u>Commercial</u>	<u>Housing</u>
Site Acquisition	\$2,951,293	\$2,141,293	\$810,000
New Construction	\$18,283,850	\$7,569,868	\$10,713,982
Environmental Abatement	\$656,412	\$535,208	\$29,204
Professional Fees	\$2,472,244	\$1,324,684	\$1,147,560
Developer Fee	\$1,499,958	\$402,458	\$1,097,500
Financing Costs	\$1,948,335	\$1,126,000	\$822,335
Reserves	<u>\$710,000</u>	<u>\$450,000</u>	<u>\$260,000</u>
TOTAL	\$28,430,092	\$13,549,511	\$14,880,581

HRA Property Sale

The Developer is requesting to purchase the Property for \$125,000. A Development Agreement will provide the terms and conditions of this transaction.

Deferred Developer Fee

In order to maximize the amount of tax-credit equity, the Developers are requesting the maximum fee under the City's Developer Fee Guidelines and will include this fee as eligible tax-credit basis. A portion of the Developer Fee of \$827,082 will be deferred and paid over a period of up to 15 years through excess cash flow.

PED Credit Committee Review

On January 22, 2020, the Credit Committee reviewed and approved the land sale and seller note for the project along with assignment, assumption, and amendment to existing City debt. The Credit Committee also approved the terms of the HRA's \$125,000 Seller Note loan with a risk rating of Doubtful.

Compliance

The Applicant has signed the compliance letters regarding the Project. The Project will comply with the following programs and/or requirements: Vendor Outreach Program, Affirmative Action, Local Labor Standards, Project Labor Agreement, Sustainable Green Policy and Two Bid Policy. The Project is exempt from the following: Business Subsidy based on development of housing; Living Wage based on the number of employees.

Green/Sustainable Development

The project will comply with the Saint Paul Sustainable Building Policy.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The proposed development is located at the intersection of University Avenue and Dale Street. There are three applicable plans that guide development at the subject location: the

Comprehensive Plan; the District 7 Neighborhood Plan; and the Dale Street Station Area Plan. The Comprehensive Plan Land Use Chapter defines the intersection of Dale and University as a mixed-use corridor and neighborhood center. The proposed density, scale, and the mix of uses within the project are consistent with the mixed-use corridor and neighborhood center land use designations. The proposed project is also consistent with the District 7 Neighborhood Plan, specifically policy L5 which calls for intensifying development on major transportation corridors in order to bring more jobs and housing units. The architectural expression and proposed public realm design are consistent with the Dale Street Station Area Plan. Overall the project is generally consistent with all applicable plans.

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 7 (Thomas Dale (Frogtown)) 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 February 15, 2020. 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 7 (Thomas Dale (Frogtown)):

Property Description	Purchaser/Developer	Purchase Price
621 University Avenue	NDC Entrepreneur Training Center	\$125,000

Legal description

35.29.23.14.0229 621 University Avenue Lot 30, Block 1; Syndicate #1 Addition

The property will be conveyed for redevelopment of a mixed-use building. 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 resolution which approves the following actions:

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3. Approval of a Development Agreement with NDC Entrepreneur Training Center.
4. Authorizing the Executive Director to finalize the loan and land sale documents for execution by the appropriate HRA Officers.

Sponsored by: Commissioner Dai Thao

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

Attachments

- Map
- Public Purpose
- District 7 Profile