

REQUEST FOR COUNCIL ACTION

Date: March 23, 2015
Item No.: 15.b

Department Approval



City Manager Approval



Item Description: Dale Street Fire Station Site Redevelopment

BACKGROUND

At its February 23, 2015 meeting, the City Council approved a motion to ask the RHRA if it would be willing to sell the RHRA owned property to the City of Roseville in order to facilitate quicker response time since the City Council meets several times every month and the deal negotiation process with the developer has been very fluid.

On February 27, 2015, the RHRA held a special meeting to discuss the City's request and offered a motion to authorize HRA staff and the HRA attorney to explore the correct legal process, begin negotiations with the City and prepare the required documents necessary to sell the HRA owned parcels to the City. In addition, the RHRA indicated that its minimum purchase price for the land would need to be sufficient to replace all the funds that the RHRA has expended on the project and the transaction needs to relieve the RHRA of any further liability associated with the development.

Land Purchase

HRA staff has indicated that the total of all expenditures to date by the RHRA is \$689,940.62. This expenditure amount includes a purchase price credit that was obtained because Jeanne Kelsey is a licensed broker and therefore the RHRA was able to capture the full \$14,059.02 real estate brokerage commission from the sellers.

The expenditures to date are only out of pocket expenses by the RHRA for the CDI process, lawn care, attorney fees, traffic study, property taxes, appraisals, demolition, environmental, securing the building and the reduced purchase price. No staff time, accounting costs, overhead or other indirect costs are included in the current expenditures amount. The total does include the credits that were received from salvage and Greater Metropolitan Housing Corporation's (GMHC) escrow.

In order to complete the transaction, it is anticipated that there will be additional costs incurred by the RHRA for preparation and review of closing documents as well as the closing costs. It is estimated that the amount of these future RHRA expenses will be approximately \$5,000 – 7,000.

Although the purchase of the property is from a related governmental entity, it is standard procedure that the City Council go into a closed session to discuss any contractual specifics.

As with any City land transaction, this proposed purchase will need to be referred to the Planning Commission for its determination that the transaction is in conformance with the Comprehensive Plan.

Project Management

As the City moves into the lead negotiating position, the responsibility for the management of the project will shift personnel. Instead of the HRA Executive Director and the HRA attorney leading the staff efforts with City staff in a support position, the roles will switch. Going forward, the lead staff efforts will be led by the Community Development Director and the City Attorney with HRA staff and legal serving in a support role.

Next Steps

Prior to the February 23, 2015 City Council meeting, representatives of GMHC presented the City Council members with a plan for an 18 unit concept that takes access directly off of the street. GMHC indicated that it believes it can construct this concept profitably and its banker will finance the development. It is also willing to proceed on the original concept, but acknowledges it does not have the ability to finance Phases 2 and 3 at this time.

As previously mentioned in earlier meetings, both the City Attorney and the HRA Attorney have reviewed the expired agreements and actions taken by the City, RHRA and GMHC and determined that there is currently no legal obligation nor any other ties to GMHC related to this development site. Both the RHRA and City Council have been presented with multiple opportunities to initiate a process to consider soliciting additional developers and have not taken any action on any of those efforts. Therefore, the next steps outlined below assume that development of this site will be with GMHC.

City staff met with representatives of GMHC and outlined a process for moving forward with either the 18 or 25 unit options. The goal of this process is to move quickly and build upon the work that has already been accomplished in the earlier expired pre-development agreement process as follows:

1. **Financial review:** In the interest of time, City staff has already provided GMHC's financial information for both the 18 and 25 unit concepts to an outside financial consultant (Ehlers) that specializes in housing redevelopments of this type. Ehlers will perform a complete review of the development pro forma and provide guidance as to whether the proposed deal structure is in line with other similar projects in the Metro Area.
2. **Pre-development Agreement (PDA):** Since GMHC does not currently have any legal ties to the development site, the City nor the RHRA, it will be necessary to enter into a new PDA. As staff has outlined the structure with GMHC, the PDA will likely be more simplified than the expired PDA because it will acknowledge those steps which have already occurred. The key elements that staff anticipates in the new PDA include the following:
 - a. Acknowledgement that all previous agreements, efforts, actions, etc. (whether formal or informal) have expired and there is no liability nor other financial obligation from the earlier process which will extend past the date of entering into the new PDA. This is a fairly standard process to avoid real or implied legal entanglements with similar documents from different processes.
 - b. GMHC will hold another meeting with the neighborhood to establish which concept plan it intends to bring forward to development. GMHC will hold this meeting and indicate in writing which concept it is pursuing within 30 days of entering into the PDA.

- 77 c. GMHC will demonstrate a financial commitment from a lender for development
78 of the entire site in a form that is acceptable to the City Attorney, City Staff and
79 outside financial advisors within 30 days of entering into the PDA.
- 80 d. GMHC will submit complete preliminary and final plat applications within 60
81 days of entering into the PDA.
- 82 e. GMHC will close on the property within 30 days of receipt of the approval for the
83 final plat and no later than 120 days from the date it entered into the PDA.
- 84 3. **Development Agreement (DA):** Immediately after the PDA is signed, City Staff and the
85 City Attorney will begin negotiating the DA. It is anticipated that it will be ready for
86 approval no later than the City Council meeting where the Final Plat is approved.
- 87 4. **Purchase Agreement with the RHRA:** Drafts of the RHRA purchase agreements have
88 already begun to circulate amongst the City and and HRA staff, subject to the insertion of
89 the terms that the City Council will be considering as part of this action. If the City
90 Council is able to provide direction related to the key deal terms as part of this action, it
91 is anticipated that a draft purchase agreement will be ready for the RHRA to consider at
92 its March 31, 2015 meeting.

93 **POLICY OBJECTIVE**

94 The redevelopment of this site satisfies many of the City's policy objectives related to
95 elimination of blight and promoting the redevelopment of a wide range of housing options.

96 **BUDGET IMPLICATIONS**

97 In the short term, there will continue to be costs associated with preparing legal documents,
98 financial analysis and maintenance of the property which will now shift to the City budget where
99 it is an unbudgeted activity. Over the long term, if the project is successful, the City should be
100 reimbursed for these expenditures by a combination of payment from TIF districts and additional
101 developer escrow from GMHC.

102 **STAFF RECOMMENDATION**

103 Staff recommends the Council offer the motions outlined in the requested actions below and
104 approve each of them.

105 **REQUESTED COUNCIL ACTION**

- 106 1. Motion to direct staff to negotiate a predevelopment agreement with Greater
107 Metropolitan Housing Corporation as outlined in this RCA. *(open session)*
- 108 2. Motion to direct staff to begin to negotiate a development agreement with Greater
109 Metropolitan Housing Corporation. *(open session)*
- 110 3. Motion to present an offer to the RHRA for the RHRA owned land in the Dale Street
111 project including provisions to eliminate all RHRA liability related to the transaction.
112 *(after meeting in closed session)*
- 113

Prepared by: Paul Bilotta, Community Development Director
Attachments: A: RHRA Special Meeting DRAFT Minutes 2.27.15



SPECIAL MEETING
Housing & Redevelopment Authority
Roseville City Hall Council Chambers, 2660 Civic Center Drive
Minutes – Friday, February 27, 2015 at 6:00 p.m.

1. Call to Order

Chair Dean Maschka called to order a special meeting of the Housing & Redevelopment Authority (HRA) in and for the City of Roseville at approximately 6:00 p.m. for the purpose of discussing conveying the HRA land from the Dale Development to the City Council.

2. Roll Call

Present: Chair Dean Maschka; and Commissioners Vicki Lee, Bill Majerus, Susan Elkins, Jason Etten, and Dan Wall

Excused: Commissioner William Masche

Staff Present: HRA Executive Director Jeanne Kelsey, Community Development Director Paul Bilotta, and City Manager Pat Trudgeon; and Councilmembers Lisa Laliberte, Robert Willmus and Mayor Roe in the audience.

3. Approval of Minutes

None.

4. Announcements, Agenda Adjustments, Recognitions, Correspondence, and Comments

None.

5. Community/Citizen Comments

None.

6. Consent Agenda

None.

7. Public Hearings

None.

8. Presentations

None.

9. Action / Discussion Items

Chair Maschka prefaced tonight's action by requesting that the Board stay focused on this and only this item, and requested action to allow the City Council to serve as the lead body to still get this project in the ground this year. Chair Maschka noted that this would be more feasible due to the frequency of City Council meetings in working with the Greater Minnesota Housing Corporation (GMHC) and/or other developers.

Chair Maschka advised that the HRA Board would be scheduling a planning session in April once staff lined up individual scheduled, allowing a review of the Strategic Plan for the HRA and activities to pursue in the immediate future.

a. Discuss Conveying the HRA Land from the Dale Development to the City Council

Community Development Director Paul Bilotta concurred with the synopsis of Chair Maschka, advising that nothing would essentially change other than that he would become the staff lead with HRA Executive Director Kelsey's assistance as this process hopefully moved forward. Mr. Bilotta noted the awkwardness in matching up discussions over the last few weeks as the

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1 development proposal with GMHC continued in fluidity on the part of the developer, as well
2 as their submission of an alternative proposal immediately before he last City Council meeting.
3 Mr. Bilotta noted the difficulty in tracking and matching up discussions, prompting this request
4 of the City Council for the HRA to take the lead by stepping in and attempting to facilitate a
5 quicker resolution to this potential development. Mr. Bilotta advised that this request had been
6 made after consultation with both the HRA and City Attorneys.
7

8 Mr. Bilotta noted that the City Council repeatedly had made it very clear that the HRA process
9 to-date, in particular their work in involving the neighborhood and community at large, had
10 been fantastic and very much appreciated by all parties. Mr. Bilotta noted that this current
11 challenge had been in working with the developer and attempting to keep things moving
12 quickly to avoid further delays and trying to do so while balancing those efforts among two
13 governing bodies.
14

15 In the end, Mr. Bilotta noted that the project would ultimately be funded through the tax
16 increment financing (TIF) dollars under the authority of the City Council, and this requested
17 transfer of responsibilities would hopefully allow the City Council to move the project through
18 earlier by altering some of the mechanisms at play and with all parcels under one body, and by
19 seeking the HRA's approval of transferring their parcels, it would hopefully make that transfer
20 a quicker process.
21

22 Member Majerus questioned if this was a more of a "chicken and egg" question or if the same
23 thing couldn't be accomplished in joint meetings of the two bodies. Member Majerus
24 expressed concern that this may set a precedent for how the City Council and HRA work
25 together on projects in the future, or if the bodies could and would continue to work and
26 develop projects together.
27

28 Mr. Bilotta clarified that, from the City Council's perspective, this action was a one-time
29 situation, and essentially due to timing issues and ongoing delays in getting this project off the
30 ground. Mr. Bilotta noted the HRA's authority and many past and ongoing successful
31 programs, some of which included the rental inspection program, the Hamline Avenue
32 property, the NEP program to mention only a few. Given the limited time available and
33 crowded agendas of the City Council compared to the detailed analysis and recommendations
34 available by the HRA, Mr. Bilotta opined that he didn't see the City Council attempting to
35 remove the HRA from its powers.
36

37 Mr. Bilotta reiterated that this development project was still being crafted together and in a
38 limited timeframe, and it was a very unique situation with both bodies owning properties for
39 the project, which was not nor would probably not be similar in future development deals.
40 Since the developer could not meet the provisions laid out in its original intent, from staff's
41 perspective, Mr. Bilotta opined that this was certainly not a precedent. However, if the HRA
42 had concerns along that line as a body, Mr. Bilotta suggested that be a topic of discussion at
43 the next joint meeting of the City Council and HRA. Mr. Bilotta advised that he did not see
44 this requested action as a major policy decision, but simply as an operational issue to bring this
45 development to the finish line.
46

47 **Motion: Member Maschka moved, seconded by Member Etten to authorize HRA staff**
48 **and the HRA Attorney to explore the correct legal process, begin negotiations with the**
49 **City, and prepare the required documents necessary to sell the HRA-owned parcels, 2325**
50 **Dale Street and 675, 667, 661, and 657 Cope Avenue, to the City of Roseville.**
51

52 Member Lee questioned who was managing the development while this is going on, as far as
53 continuing to explore the options and stick to a timeline.
54

Mr. Bilotta responded that, if the HRA agrees to staff's recommendation as detailed in the report dated February 27, 2015, from a policy perspective, this would provide enough information at the staff level to move forward. Mr. Bilotta advised that both he and Ms. Kelsey would continue to work cooperatively on the development, but that he would step into the lead role with Ms. Kelsey's assistance and him responsible directly to the City Council. Mr. Bilotta further advised that he did not see this stopping anything in play; and any future actions or staff recommendations would still need to come before the City Council, with the HRA updated as applicable. Mr. Bilotta noted that staff was not yet aware of how long this documentation would take to move forward, but this requested action would facilitate that process.

Member Lee stated that she did not want this action to impede the development.

Mr. Bilotta concurred, noting that this action was intended to make things move faster, and was really the only intent of staff's recommendation.

Friendly Amendment to the Motion: Member Wall moved, seconded by Member Majerus a friendly amendment to the motion a provision that the Housing & Redevelopment Authority look at any agreements before signed; and that language of the agreements remove any obligation or liability of the HRA, and that the HRA be held harmless from any subsequent claims or litigation from anyone.

Friendly Amendment to the Motion

Ayes: 6

Nays: 0

Motion carried.

Member Wall questioned what reimbursement the HRA would be receiving for the HRA-owned parcels.

HRA Executive Director Kelsey advised that this would be negotiated between the HRA and City; and would return to the HRA once determined with a full explanation. As part of those negotiations, Ms. Kelsey noted that TIF funds could be allocated, but they needed to be tapped in the right way for any reimbursement of the project for land acquisition.

Original Motion as Amended

Ayes: 6

Nays: 0

Motion carried.

10. Information Reports and Other Business (Verbal Reports by Staff and Board Members)

Since the HRA would not be meeting again until the end of March due to vacation schedules, Ms. Kelsey briefly updated them on staff's ongoing meeting with the School Districts 621 and 623 on a bi-monthly basis in an effort to facilitate coordination between Roseville businesses and their needs and skill sets of high school graduates. As a result of those efforts, Ms. Kelsey advised that this week Hed Cycle, a high performance tire manufacturer for bicycle competitions, and a newer business in Roseville as of December of 2014, had expressed their interest in pursuing opportunities with the School Districts for their employee base by offering hands-on technical and mechanical efforts. Ms. Kelsey advised that the company had moved from their 6,000 square foot facility in Shoreview to their 25,000 square foot facility in Roseville, and was already experiencing the need to expand further.

Regarding the 2015 Home & Garden Fair, Ms. Kelsey reported positive feedback from those attending, sponsors and vendors; and noted a more detailed analysis would be available for the HRA at their March meeting, including survey results and other information for the body's decision-making moving forward with this annual event.

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Chair Maschka reminded Members to prepare for the April Strategic Plan discussions following the City Council's most recent similar exercise. Based on his recent meeting with City Manager Trudgeon, Chair Maschka noted that the HRA would not be lacking in work projects in the future.

At the request of Member Lee on timing of that planning session, Ms. Kelsey advised that nothing had yet been finalized until staff had reviewed options and made recommendations to the HRA on hiring a consultant to facilitate the planning session.

11. Adjournment

The meeting was adjourned at approximately 6:15 p.m.

Next Regular Meeting of the HRA: Tuesday, March 31, 2015 at 6:00 p.m.