

Regular Board Meeting

September 28, 2021 - 2:00 p.m.

400 Wabasha Street No., Suite 240 | Saint Paul, MN 55102

Chair Bennett is calling a meeting of the Board of Commissioners for Tuesday, September 28, 2021 at 2:00 p.m. Chair Bennett has determined, due to the emergency declared by the Governor of Minnesota and the Mayor of Saint Paul regarding the COVID-19 health pandemic, that it is not practical nor prudent for the Saint Paul Port Authority Board and members of the staff to meet in-person or pursuant to Minnesota Statutes, Section 13D.02. In light of the COVID-19 health pandemic, it is not feasible for any member of the Saint Paul Port Authority Board and staff to be present at the regular location, and all staff and Board members of the Saint Paul Port Authority will attend this meeting by telephone or other electronic means.

It is also not feasible for members of the public to attend the meeting at its regular location due to the health pandemic and emergency. Accordingly, no meeting will be held at the Saint Paul Port Authority offices which are located at 400 Wabasha Street No., Suite 240, St. Paul, MN. Members of the public may monitor this meeting remotely at 651-395-7858, Conference ID: 829 462 412#. The purpose of the meeting is:

Minutes

Approval of Minutes of the August 24, 2021 Regular Board Meeting

Conflicts of Interest

Conflicts with any Items on the Agenda

Credit Committee

1. Resolution No. 4706 - Public Hearing – Conveyance of Land to Wuollet Real Estate Holding Company, LLC, Beacon Bluff – Parcel 4 West
2. Resolution No. 4707 - Conveyance of Real Property to the Port Authority of the City of Saint Paul of 4.91 Acres Located at 1415 L’Orient Street, Saint Paul, MN (Former Bix Produce Building)

General Matters

1. Such Other Business That May Come Before the Board

**SAINT PAUL PORT AUTHORITY
MINUTES OF THE REGULAR BOARD MEETING
AUGUST 24, 2021**

The regular meeting of the Port Authority Board was held on August 24, 2021, at 2:10 p.m. via Microsoft Teams.

The following Board members were present:

John Bennett	Don Mullin	Matt Slaven
John Marshall	Dai Thao	Rebecca Noecker
Nneka Constantino		

Also, present were the following:

Ava Langston-Kenney	Ann Kosel	Pete Klein
Kathryn Sarnecki	Michael Linder	Dana Krueger
Todd Hurley	Lee Krueger	Linda Williams
Andrea Novak	Linda Tran	Nelly Chick
George Hoene	Bruce Kessel	Laurie Siever
Dana Krueger		
Eric Larson, City of Saint Paul		

APPROVAL OF MINUTES

Commissioner Slaven made a motion to approve the minutes of the June 22, 2021, regular Board meeting. The motion was seconded by Commissioner Marshall, submitted to a roll call vote, and carried unanimously.

CONFLICT OF INTEREST

There were no conflicts of interest with any items on the agenda.

NEW BUSINESS

CREDIT COMMITTEE

**RESOLUTION NO. 4700
PRELIMINARY CERTIFICATION OF TAX LEVY**

Motion was made by Chair Mullin to approve Resolution No. 4700 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a roll call vote and carried unanimously.

**RESOLUTION NO. 4701
AWARD OF A CONTRACT FOR THE RED ROCK ROAD ASPHALT MILL**

AND OVERLAY PROJECT LOCATED IN THE RED ROCK TERMINAL, SAINT PAUL, MN

Motion was made by Chair Mullin to approve Resolution No. 4701 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a roll call vote and carried unanimously.

RESOLUTION NO. 4702
AWARD OF A CONTRACT FOR THE CONSTRUCTION OF A
TRANSLOAD FACILITY LOCATED ON PROPERTY LEASED BY ALTER LOGISTICS AT
THE SOUTHPORT TERMINAL, 801 BARGE CHANNEL ROAD, SAINT PAUL, MINNESOTA

Motion was made by Chair Mullin to approve Resolution No. 4702 which was reviewed by the Credit Committee and recommended for approval by the Board.

Commissioner Noecker requested that the Port Authority reach out to District 3 and WESCO and share the details of the upcoming project.

There being no further discussion, the motion was submitted to a roll call vote and carried unanimously.

RESOLUTION NO. 4703
AUTHORIZATION TO APPLY FOR DEED DEMOLITION
LOAN FOR USE AT THE HILLCREST REDEVELOPMENT SITE

Motion was made by Chair Mullin to approve Resolution No. 4703 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a roll call vote and carried unanimously.

RESOLUTION NO. 4704
EPUC LONG-TERM LEASE AGREEMENT WITH DISTRICT ENERGY ST. PAUL, INC.

Motion was made by Chair Mullin to approve Resolution No. 4704 which was reviewed by the Credit Committee and recommended for approval by the Board. The motion was submitted to a roll call vote and carried unanimously.

GENERAL MATTERS

RESOLUTION NO. 4705
CELEBRATING LAURIE SIEVER'S 40 YEARS OF
EMPLOYMENT AT THE SAINT PAUL PORT AUTHORITY

Chair Bennett read Resolution No. 4705 in honor of Laurie Siever's 40 years of employment at the Saint Paul Port Authority and expressed his appreciation for her dedication and contribution to the Saint Paul Port Authority over the last 40 years.

There being no further business, the meeting was adjourned at 2:36 p.m.

By _____

Its _____

MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** September 28, 2021

From: Tonya K. Bauer *TKB*

Subject: **CONVEYANCE OF LAND TO WUOLLET REAL ESTATE HOLDING COMPANY, LLC
BEACON BLUFF – PARCEL 4 WEST
RESOLUTION NO: 4706**

Action Requested:

Approval of the conveyance of approximately 3.21 acres of land to Wuollet Real Estate Holding Company, LLC for the construction of an approximate 50,000+ square foot commercial baking, manufacturing, and production facility.

Background:

The Port Authority of the City of Saint Paul ("Port Authority") acquired the former 3M world headquarters facility on Saint Paul's east side in 2008, completing site remediation and site preparation through 2012. Following remediation and site preparation, the Port Authority immediately began recruiting companies to grow and expand at what is now known as Beacon Bluff Business Center. The subject parcel is property located at East 7th Street and Forest Street, adjacent to Loomis Armored, and is known as Parcel 4 West at Beacon Bluff Business Center.

Wuollet Bakery has been producing and selling well-respected pastries, breads and baked goods across the Twin Cities for over 75 years. Now under the new ownership of Eric and Olga Shogren, the family-run bakeshop and brand are entering its new chapter.

Mr. Shogren is an entrepreneur with over 30 years international experience of building and scaling up food businesses, and is the owner of Wuollet Bakery, Baker's Wife, and Hans' Bakery in the Minneapolis-Saint Paul Area. These businesses combined employ approximately 100 people with annual sales of \$7 million. In addition, Mr. Shogren has built and operates a significant food service business in Russia, which today includes 65 bakery / cafes (Kuzina) and 13 pizza restaurants (New York Pizza) with annual sales exceeding \$15 million.

Currently the production in Mr. Shogren's Twin City bakeries is inefficient and undertaken with outdated equipment. Baked goods are being produced in four locations and distributed across eight company locations. Mr. Shogren believes in the existence and expansion of neighborhood bakeries, and especially in an affiliated group of bakeries with a central commissary. The construction of a new 50,000+ SF facility allows for the creation and expansion of a new manufacturing and wholesale division for the Wuollet business portfolio and enables Mr. Shogren to expand Wuollet's products and brand throughout the Twin Cities Metropolitan area and beyond.

MEMORANDUM

If approved, the proposed user, Woullet Manufacturing LLC, will bring 70 new jobs to the site over a ten-year period. Woullet is dedicated to the economic prosperity of the community, and has committed to partnering with the Port Authority, local workforce solution providers, such as the East Side Employment Xchange, and other community partners to scale up and hire from the neighborhood and surrounding community. In addition, this project will generate approximately \$150,000 in annual property taxes, which is equal to or greater than previous development projections.

Attached is a memorandum outlining the terms of the land conveyance transaction with Wuollet Real Estate Holding Company, LLC for the property located at Beacon Bluff Business Center – Parcel 4 West.

Recommendation:

We recommend approval of the conveyance of approximately 3.21 acres of land to Wuollet Real Estate Holding Company, LLC for the construction of an approximate 50,000+ square foot commercial baking, manufacturing, and production facility.

Attachments: Site Map
 Site Plan
 Rendering
 Resolution

**SAINT PAUL PORT AUTHORITY
LAND CONVEYANCE TRANSACTION**

Action Requested:

To approve the conveyance of real property, generally located at East 7th Street and Forest Street, bounded by East 7th Street, Forest Street, Phalen Boulevard, and property housing Loomis Armored, for the construction of an approximate 50,000+ square foot commercial bakery facility.

Development Officer:

Tonya K. Bauer

Buyer/Grantee:

Wuollet Real Estate Holding Company, LLC

Buyer/Grantee Address:

3608 W 50th Street
Minneapolis, MN 55410-2014

Location of Property to be Conveyed:

The site is as per the attached site plan and measures approximately 3.21 acres.

Conveyance Structure:

Conveyance of land via Limited Warranty Deed. The property is being sold for \$1.00 plus buyer obligations that include adherence to the Beacon Bluff Protective Covenants and entering into a Port Authority Job Training and Workforce Agreement. Both Buyer and the Port Authority have conditions that must be met prior to transferring title of the real estate. Buyer's contingencies include site and building approvals and financing. The Port Authority's contingencies include Board of Commissioner's approval and approval of the Buyer's site and architectural design and Buyer's financing. The closing is anticipated to take place no later than February 1, 2022, subject to Force Majeure. Construction of the facility shall be substantially completed and occupancy no later than February 15, 2023.

Other terms and conditions of the Purchase Agreement include:

- A. The Buyer has agreed to analyze and implement sustainable design concepts, as appropriate, into the design of their facility.
- B. The Buyer has agreed to pay a \$50,000 earnest money deposit which is held by the Port Authority until the completion of the building and site improvements.
- C. The Buyer has agreed to pay \$35,000 as reimbursement of certain redevelopment costs incurred by the Port Authority in connection with preparing the site for sale.

- D. Buyer has agreed to pay prevailing wages, or more, for all skilled and unskilled labor for the proposed construction and enter a Project Labor Agreement.
- E. At closing, the Buyer will enter into a Port Authority's Job Training and Workforce Agreement. This agreement calls for the following:
 - a. The buyer has agreed to bring at least 50 full-time equivalent employees to the site and add 2 employees each year of the ten-year term, for a total of 70 jobs by year ten.
 - b. All employees will be paid at or above the Port Authority's minimum goal of \$14.75 per hour in addition to standard benefits; or a minimum of \$17.00 per hour without benefits. Market conditions indicate wages will likely start near \$18.00 per hour with benefits.
 - c. The Buyer has agreed to make good-faith efforts to ensure that 70% of all newly hired employees are residents of the City of Saint Paul, and to work with the Port Authority and its neighborhood workforce solutions providers to achieve this goal.

Nature of Intended Use:

This facility will be a next generation, value added, innovative food production space serving as a central commissary and manufacturing hub for Wuollet Manufacturing, LLC.

There are four companies involved in this project, the current Wuollet organization and three additional new companies. All of these companies are managed by Eric Shogren and owned 99% by Eric Shogren, and 1% by Olga Shogren.

1. The current Wuollet organization, Wuollet Asset Management LLC.

Wuollet is set up as a single asset entity LLC for each retail location and for Hans' Bakery. Each LLC is managed by Eric Shogren, and each LLC is owned by Wuollet Asset Management LLC. Baker's Wife is owned outside the Wuollet Asset Management LLC structure.

Wuollet will continue to operate its five existing retail locations in addition to Baker's Wife and Hans' Bakery, and Mr. Shogren intends to expand into additional retail locations as good opportunities are available in expectation of the increased production capacity from the new facility. In addition to these retail locations, Wuollet currently provides wholesale baked goods to Baker's Wife, Hans's Bakery, and a limited number of wholesale customers. Wuollet and its current wholesale customers will be customers of the new wholesale company, Wuollet Wholesale LLC mentioned below.

Current employees: 100. Future employees: 100+.

2. Wuollet Real Estate Holding Company LLC

The new real estate company will be set up as a single asset entity LLC.

The new real estate company will purchase the property from the Port Authority, sign contracts with the architect and the contractor, take out a construction loan and secure investor equity, construct the new baking facility, and lease the completed baking facility to the manufacturing company. This company will be the owner of the building and landlord to the manufacturing company.

Current employees: None. Real estate holding company only.

3. Wuollet Manufacturing LLC.

The new manufacturing company will be set up as a single asset entity LLC.

The new manufacturing company will lease the baking facility from the new real estate company, operate the new facility as a tenant in the new building, hire the production staff of the baking facility to operate the equipment, do the baking, the shipping and receiving, and comply with the Port Authority's Job Training and Workforce Agreement.

Current employees: 0. Future employees: 50 and increasing to a total of 70 within 10 years.

4. Wuollet Wholesale LLC.

The new wholesale company will be set up as a single asset entity LLC.

In addition to Wuollet's retail operations and its solid base of current wholesale customers, the new wholesale company will employ a salesforce for sale of products produced at the facility to wholesale customers such as grocery stores and restaurants. The wholesale company will be the customer of the new manufacturing company.

Current employees: 0. Future employees: 10.

The Wuollet brand, products and reputation is strong and favorable. Mr. Shogren has a long track record of growing and scaling up food businesses. A new generation food production facility for Wuollet will not only open the doors for new business and wholesale opportunities, but also brings much-needed jobs and investment to Saint Paul's east side, contributing to a vibrant economic community for generations to come.

Business Subsidy Agreement

A business subsidy agreement is required for this transaction.

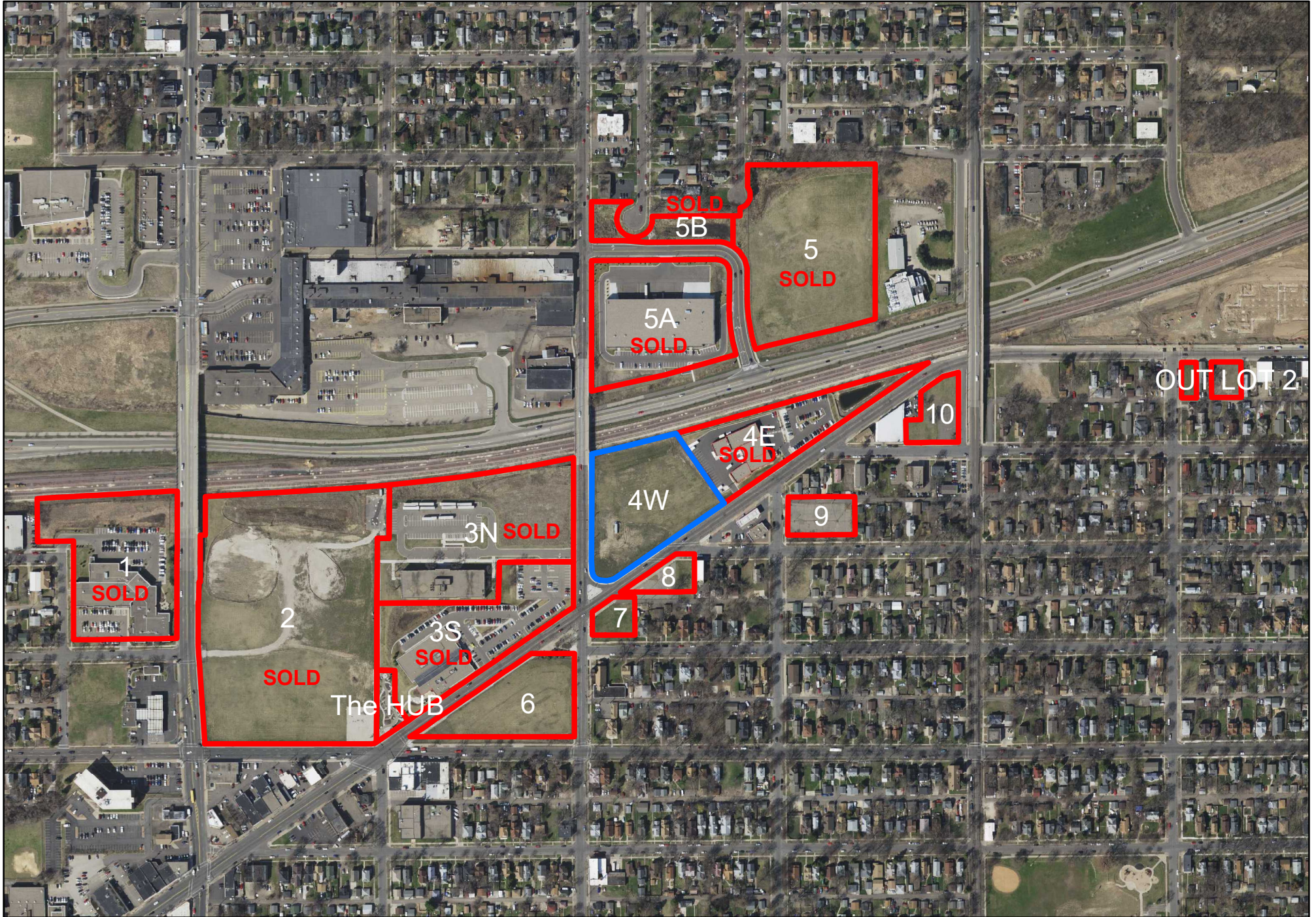
Exception from Port's Development Criteria/Covenants:

Mr. Shogren's acquisition of Wuollet Bakery in mid-2019 has resulted in the newly formed entities of Wuollet Real Estate Holding LLC, Wuollet Manufacturing LLC, and Wuollet Wholesale LLC. Since these are newly formed entities there is not a three-year financial track record for this new business model.

Development Officer's Comments:

The Port Authority acquired this site in 2008 and have utilized grant funds from the Environmental Protection Agency (EPA), Department of Employment and Economic Development (DEED), Met Council and many funding partners to remediate and prepare the site for economic development purposes. We are excited to bring forward a project that satisfies the economic development goals of the creation of new jobs and tax base for this site.

Beacon Bluff Parcels



Map data © OpenStreetMap contributors, Imagery © Mapbox
This map is for informational purposes only. It is not intended to be used for legal or financial decisions. The information is provided "as is" without any warranty of accuracy or completeness. The user assumes all responsibility for the use of this map.



0 400 800 1,600 Feet

Subject Property

 Parcel 4W

SITE DATA					
ZONING DISTRICT: I2 GENERAL INDUSTRIAL (SECTION 66.513)					
ADDITIONAL PLANNING AND ZONING REQUIREMENTS: EAST SEVENTH STREET DESIGN GUIDELINES BEACON BLUFF BUSINESS CENTER PHALEN CORRIDOR DEVELOPMENT STRATEGY					
ZONING REQUIREMENTS	REQUIRED	PROVIDED		REQUIRED	PROVIDED
BUILDING SETBACKS (TABLE 66.531)			MAXIMUM BUILDING HEIGHT (TABLE 66.531)	75 MAX	32 ACTUAL
FRONT (TABLE 66.331)	0' PER I2 ZONING 0' - 10' (PER T2 ACROSS THE STREET)	15'	MAXIMUM BUILDING AREA (FLOOR AREA RATIO = __%)	N/A	__ S.F.
REAR	0' (SEE BLDG CODE)	100'	MAXIMUM BUILDING COVERAGE (35% MINIMUM)	N/A	__ S.F.
SIDE (EAST PROPERTY LINE)	0' (SEE BLDG CODE)	40'	MAXIMUM IMPERVIOUS SURFACE (80% FOR STORMWATER)	__ S.F.	__ S.F.
SIDE (WEST PROPERTY LINE)	0' (SEE BLDG CODE)	65'			
PARKING SETBACKS			REQUIRED PARKING SPACES (TABLE 63.207)		
FRONT	__	__	OFFICE / RETAIL (5,000 SF) (1 SPACES PER 400 GSF)	13	
REAR	__	__	MANUFACTURING (50,000 SF) (1 SPACES PER 1,000 GSF)	49	
SIDE	__	__	TOTAL SPACES REQUIRED	63	
			SPACES PROVIDED	63	
			PROOF OF PARKING	0	
			TOTAL SPACES PROVIDED	63	
SITE AREA	139,828 S.F. (3.21 ACRES)	__ S.F. (__ ACRES)	ACCESSIBLE PARKING SPACES (TABLE 63.213)		
PROPOSED BUILDING AREA	50,000 S.F.	51,292 S.F.	STANDARD VAN	3	
WUOLLET TOTAL:	55,000 SF				
OFFICE / RETAIL	5,000 SF				
FOOD PROCESSING	48,962 SF				



1 ARCHITECTURAL SITE PLAN
A1.1 1" = 30'-0"

NOT FOR CONSTRUCTION

POPE
ARCHITECTS

POPE ARCHITECTS, INC.
1295 BANDANA BLVD N, SUITE 200
ST. PAUL, MN 55108-2735
(651) 642-9200 | FAX (651) 642-1101
www.popearch.com

WUOLLET BAKERY
BEACONS BLUFF
BUSINESS PARK, ST.
PAUL, MINNESOTA

ARCHITECTURAL SITE
PLAN

Issues and Revisions:
DD / PRECAST & STL 05/28/21
PACKAGE

Commission No. 87544-20133
Design by RDL, DD
Checked by RDL

SHEET

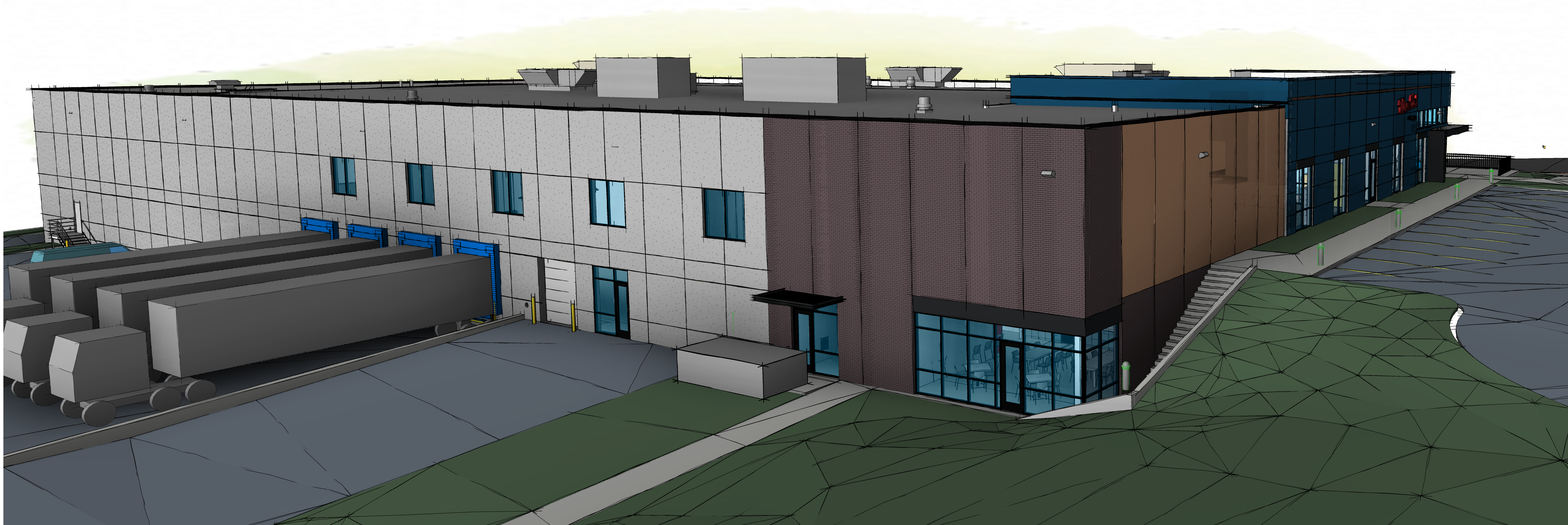
A1.1

TOILET SCALE
0' 10' 20' 40'
NORTH

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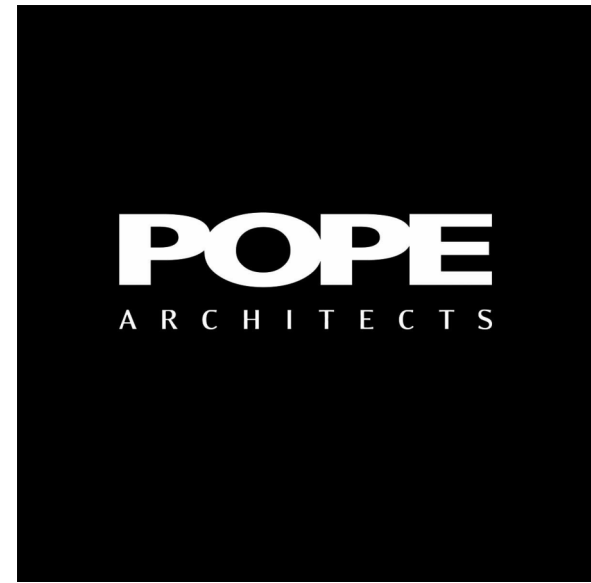


2
A3.2 SOUTHWEST PERSPECTIVE



1
A3.2 NORTHWEST PERSPECTIVE

NOT FOR CONSTRUCTION



POPE ARCHITECTS, INC.
1295 BANDANA BLVD N, SUITE 200
ST. PAUL, MN 55108-2735
(651) 642-9200 | FAX (651) 642-1101
www.popearch.com



WUOLLET BAKERY
BEACONS BLUFF
BUSINESS PARK, ST.
PAUL, MINNESOTA

EXTERIOR PERSPECTIVES

Issues and Revisions:
DD / PRECAST & STL 05/28/21
PACKAGE

Commission No. 87544-20133
Design by RDL, DD
Checked by RDL

SHEET

A3.2

TO DIMENSION SCALE
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**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[PUBLIC HEARING – CONVEYANCE OF LAND TO WUOLLET REAL ESTATE
HOLDING COMPANY, LLC – BEACON BLUFF BUSINESS CENTER, PARCEL 4 WEST]**

WHEREAS, The Port Authority of the City of Saint Paul (the "Port Authority"), pursuant to Minnesota Statutes, Section 469.065, did place a notice, a copy of which with proof of publication is on file in the office of the Port Authority, of a public hearing on the proposed conveyance of property owned by the Port Authority in a legal newspaper, said hearing to be held to determine whether it is in the best interests of the port district of Saint Paul and the people thereof and in furtherance of the general plan of port improvement and industrial development to convey real estate located at the Beacon Bluff Business Center, and by reference made a part hereof and any personal property of the Port Authority included therewith (collectively, the "Property").

WHEREAS, the Port Authority did conduct a public hearing pursuant to said notice on September 28, 2021, at which hearing all taxpayers in the port district, both for and against the conveyance, were allowed to state their views.

WHEREAS, Wuollet Real Estate Holding Company, LLC ("Wuollet") has entered into a Purchase Agreement to convey real estate at the Beacon Bluff Business Center, which Property is owned by the Port Authority.

WHEREAS, it is in the best interests of the port district and the people thereof, and in furtherance of the general plan of port improvement and industrial development, to approve the real estate conveyance.

WHEREAS, the Port Authority has investigated the facts of the proposal with said investigation including the terms and conditions of said agreement, the proposed use of the Property, and the relationship thereof to the port district of Saint Paul and the business facilities of the Port Authority in general.

WHEREAS, the proposal presented meets the terms and conditions set forth by the Port Authority as its guide in determining if such proposals are in the best interests of the port district and of the public.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL:

1. That the Board of Commissioners of the Port Authority hereby finds, determines and declares that it is for the best interests of the port district and the people thereof, and in furtherance of the general plan of industrial development, to enter into said agreement to convey the land;

2. That the actions of the President of the Port Authority in causing public notice of the proposed conveyance, and in describing the terms and conditions of such conveyance, which have been available for inspection by the public at the office of the Port Authority from and after the publication of notice of hearing, are in all respects ratified and confirmed; and,

3. That the President of the Port Authority is hereby authorized to complete and execute said agreement to purchase in substantially the form as is on file in the office of the Port Authority, and the proper Port Authority officers are hereby authorized to complete and execute all documents necessary to convey title in form as approved by counsel.

Adopted: _____

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary

MEMORANDUM

To: BOARD OF COMMISSIONERS

Meeting Date: September 28, 2021

From: Monte M. Hilleman



Subject: CONVEYANCE OF REAL PROPERTY TO THE PORT AUTHORITY OF THE CITY OF SAINT PAUL OF 4.91 ACRES LOCATED AT 1415 L'ORIENT STREET, SAINT PAUL MN (FORMER BIX PRODUCE BUILDING)
RESOLUTION NO: 4707

Action Requested:

Approval of the conveyance of real property of approximately 4.91 acres located at 1415 L'Orient Street in Saint Paul, which is the former Bix Produce building.

Background:

Attached is a memorandum outlining the terms of the purchase transaction with the State of Minnesota, for the subject real property.

Recommendation:

We recommend approval of the conveyance of real property of approximately 4.91 acres located at 1415 L'Orient Street in Saint Paul, which is the former Bix Produce building.

Attachments: Map
Resolution

**SAINT PAUL PORT AUTHORITY
CONVEYANCE OF REAL PROPERTY TRANSACTION**

Action Requested:

Approval of the conveyance of real property of approximately 4.91 acres located at 1415 L'Orient Street in Saint Paul, which is the former Bix Produce building.

Development Officer:

Monte Hilleman, Senior Vice President of Real Estate Development

Buyer:

Saint Paul Port Authority

Buyer Address:

400 Wabasha Street North, Suite 240, Saint Paul MN 55155

Location of Property to be Conveyed:

1415 L'Orient Street, Saint Paul MN

Conveyance Structure:

The State of Minnesota purchased the property in 2020 for \$5,475,000 for COVID pandemic related uses. The property was used solely for warehousing of pandemic related personal protective equipment (PPE) since then and is currently vacant and not being utilized by the State. The State is now disposing of the property as surplus property pursuant to Minn. Stat. §16B.281 - §16B.296. The statutory process includes offering the property first to other state agencies. No other state agencies made an offer to purchase. The property must then be offered to local governments and the Port Authority of the City of Saint Paul ("Port Authority" and/or "Buyer") was notified of the potential sale. If no local governments make an offer to purchase, the property then proceeds to sealed bids in the open market, and ultimately to open marketing if no sealed bids are accepted.

Pursuant to the state statute, the minimum sales price must be the property's current appraised value of \$5,650,000.

The Port Authority made an offer to purchase at the minimum price and within the time frame prescribed by statute and the offer was accepted by the State of Minnesota.

A summary of the Purchase Agreement is as follows:

- A. **Property:** The parcel shown on the attached site plan measuring approximately 4.91 acres.

B. Purchase Price: \$5,650,000

C. Deposit: N/A

D. Effective Date: August 31, 2021

E. Closing Date: November 30, 2021

F. Port Authority Contingencies:

- a. Buyer Board Approval. The Purchase Agreement terminates in the event the Port Authority Board of Commissioners does not approve the agreement at its meeting on September 28, 2021.
- b. Title and Survey. On or before the end of the Inspection Period (90 days after the Effective Date), title and survey matters pertaining to the Property shall have been found acceptable to Buyer in its sole discretion.
- c. Engineering and Feasibility Study. Buyer may conduct such inspections and studies of the Property, including without limitation, architectural, geotechnical, environmental, marketing, engineering and financial feasibility studies to determine whether or not the Property is suitable to Buyer.
- d. Environmental Reports. During the Inspection Period, Buyer may obtain environmental engineering report(s) as may be appropriate in Buyer's discretion in light of the intended use of the Property, with regard to the existence, generation, processing, storing, disposal, release, or discharge of any Hazardous Substances, from, on, under, about, or in the vicinity of the Property, and Environmental Laws relating to Hazardous Substances affecting the Property. Buyer's obligation to close is expressly contingent upon Buyer's satisfaction, in Buyer's sole discretion, with the result of the environmental investigation. Buyer's obligation to close is further contingent upon Buyer obtaining from the MPCA such environmental assurances as Buyer and/or Buyer's lender deem necessary or prudent including, without limitation, a No Association Determination, a determination as to the need for vapor mitigation on the Property and, if applicable, a no action letter, no further action letter and/or Certificate of Completion.
- e. Financing Contingency. Buyer's obligation to close on the purchase of the Property is expressly contingent upon Buyer receiving financing commitments adequate to fund Buyer's acquisition of the Property in Buyer's sole discretion.

Buyer may terminate this Agreement at any time until the end of the Inspection Period if this contingency has not been satisfied in a manner satisfactory to Buyer.

Public Purpose:

As required by statute, the Port Authority's purchase offer included the following statements as to public purpose and intended use.

The Port Authority's intended use of the property would be to:

- *Acquire the property from the state with a closing on or around December 1, 2021*
- *Determine appropriate job goals for the site (job density per square foot, wages, local hiring, etc)*
- *Immediately bring the site broadly to the commercial real estate marketplace with job criteria (via sale contract or land covenant)*
- *Secure a buyer or joint venture partner who can deliver on the Port, State, County, Region and City economic development goals*
 - *Said partner will facilitate the necessary retrofit and investment in the property to secure a property tax paying, job dense, end user(s)*
- *Dispose of the asset to a private sector entity or tax paying joint-venture within 12 months*

The Port Authority, through its subsidiary Capital City Properties, is a licensed Minnesota commercial real estate brokerage firm with several licensed brokers and salespeople in-house. We believe our deep relationships and knowledge of the industry will allow us to deliver on the above plan as proposed.

Our initial projections, based on historic jobs performance in our projects over the past 30 years, indicate the facility could house 75-100 jobs with the potential for greater job density if the building can in fact be reused and re-tenanted as refrigerated space with a food preparation component (to be determined).

Conversely, the State of Minnesota is not well positioned to engage in the above activities and deliver on the public goods anticipated, but for the involvement of the Port Authority as a marketplace intermediary.

Purchase Price:

As noted above, the minimum purchase price dictated by state statute is the property's appraised value of \$5,650,000. The State of Minnesota accepted our offer at the minimum price.

Development Officer's Comments:

Carry Costs & Deferred Maintenance

Carry costs for the building, as unoccupied, include utilities, security, lawn/snow care, heating and cooling and other miscellaneous expenses currently estimated at \$106,500 per year. The

State of Minnesota worked with a roofing contractor in February 2021 to provide 95% construction documents and an opinion of probable costs for a necessary roof repair. This deferred maintenance repair needed is estimated at \$720,000 or ~\$10/SF, likely required prior to re-occupancy. The Port Authority would not fund this work and would rely on a buyer or partner to provide this capital. The State's roofing vendor has confirmed these repairs are not required in the near term and that all necessary temporary measures have been taken to stabilize the roof until such a time a full or partial replacement is undertaken (i.e. at the time of building occupancy).

Risk Profile

Risk Tolerance: One of the Port Authority's core organizational values is *Risk Taking*. In acquiring distressed properties with the intent of furthering our mission, we often absorb risk that otherwise flows to the private sector and manifests as barriers to the specific investments that could otherwise further that mission. There is always a substantive level of risk when the Port Authority acquires a distressed property to remove barriers to investment. This is core to our mission and purpose.

Risk Required: The return on investment envisioned by the Port Authority's involvement in this property disposition is the ability to ensure the building continues to be a job engine in an existing Port Authority business center. Bix Produce had approximately 300 employees at the facility when it relocated. The last two private to private transactions within Port Authority business centers have been to self-storage end uses with little to no jobs. One of these properties is immediately across the street and should be seen as an indication of the market potential of the subject property. The risk associated by serving an intermediary role and requiring, of a buyer or partner, an end use that is job dense (a minimum of 1 job per 1,000SF, or 70+ jobs) is relatively low given the site's and building's unique characteristics. The building is sited in a unique location, in the Port Authority's Arlington Jackson Business Center at the full-service freeway interchange at I-35E & Maryland Avenue. Infill industrial sites of any scale in the core metro area, located with immediate access to a freeway interchange are very scarce. Freezer/cooler space at this scale is also a scarce asset in the marketplace. The property is being acquired at a fair price and initial feedback indicates there will be likely multiple interested parties at the time we bring the building to market. In a broader context, the industrial asset class has performed better in recent years than any other commercial real estate asset class, other than multi-family residential. Industrial real estate has also shown great resilience and even greater demand throughout the COVID pandemic.

Risk Capacity: The Port Authority would fund this acquisition with a short-term loan from existing Port Authority funds. The risk to the deployment of these forms of capital here are risks to the delivery timeframe of infrastructure at the Hillcrest redevelopment and/or other projects. These are the sources of capital needed for Hillcrest cash flow and long-term investment and hence the need to assure these funds are repaid is critical.

Given the above risks to the organization, we propose quarterly reports to the Board of Commissioners on progress on the below Exit Strategy and Timeline.

Exit Strategy

It is not our intention for the Saint Paul Port Authority to be the long-term landlord of this project. If approved, the Port Authority will immediately begin broad marketing efforts through the Minnesota Commercial Association of Realtors (MNCAR), our statewide commercial real estate broker organization, and other avenues, with the goal of securing an outright buyer or joint-venture partner by the end of first quarter 2022. We will have secured such a buyer or partner by way of an executed letter of intent, prior to closing. The fundamental building components, floor, walls and roof, for a refrigerated space such as this are scarce in the marketplace, particularly at such a logistically desirable location. Potential end users include businesses such as Amazon, HelloFresh, Imperfect Produce and a growing list of others with needs for last mile distribution of refrigerated and frozen goods.

Timeline

Prior to Closing on 11-30-2021: Secure a letter of intent from a potential buyer or partner.

4Q21: Conduct due diligence analysis, prepare marketing materials, begin initial marketing, close on purchase

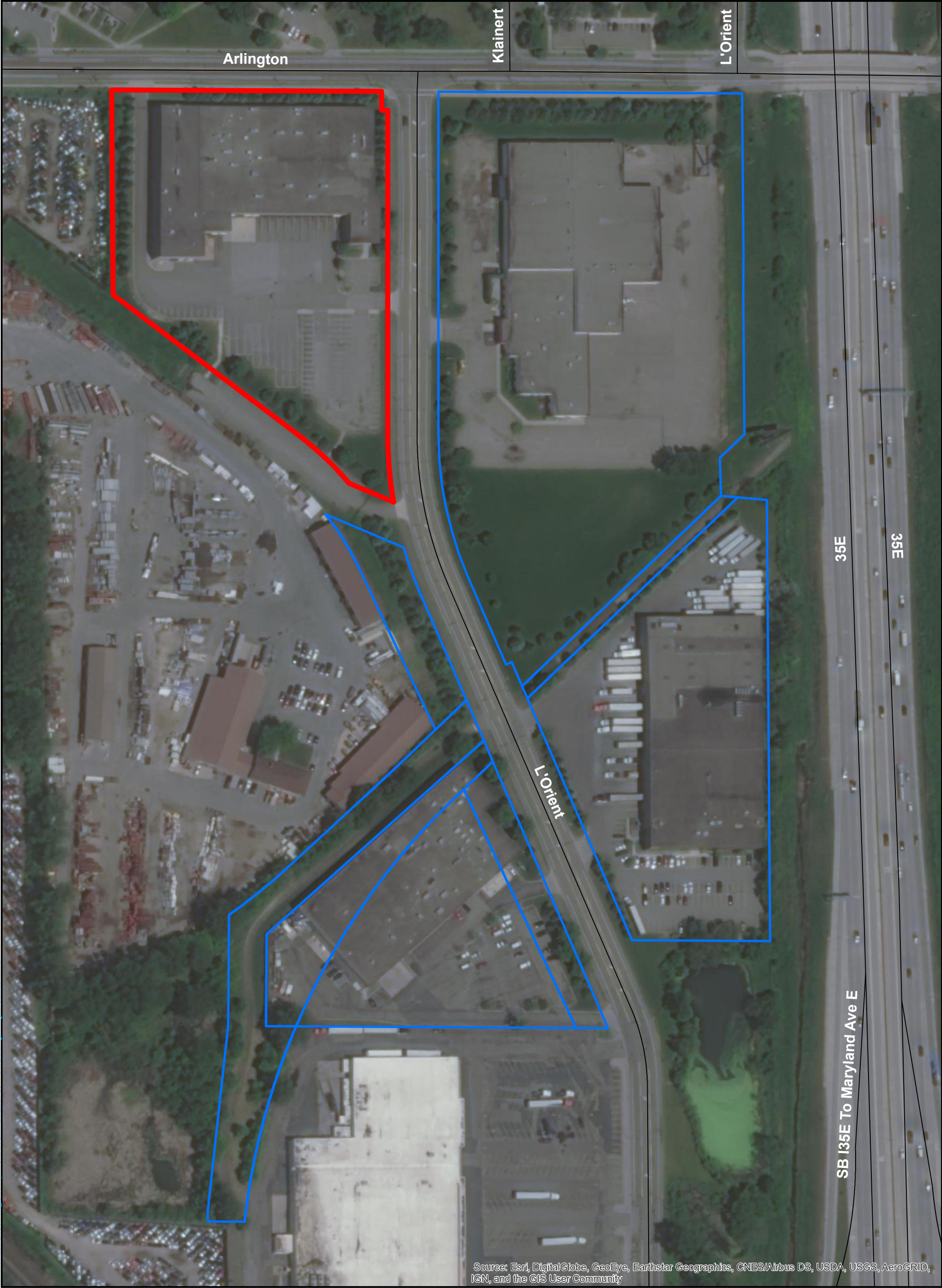
1Q22: Solicit buyers/partners, underwrite offers for value and economic development outcomes, negotiate and enter into a sale contract or joint venture by the end of 1Q22

4Q22: Close on sale or assignment of the property to a Port Authority joint venture

Recommendation

We recommend approval of the conveyance of real property of approximately 4.91 acres located at 1415 L'Orient Street in Saint Paul, which is the former Bix Produce building.

FORMER BIX PRODUCE BUILDING
PURCHASE OF LAND
4.91 ACRES
LOCATED AT 1415 L'ORIENT STREET, SAINT PAUL MN



Document Path: C:\Users\j\l\Desktop\WORKING\MXDs\2021_0914 Bix Building Arlington - Jackson.mxd

Data contained on this map has not been field verified and should be used as reference only. It is the user's responsibility for field verifying elevations, locations, dimensions, etc. to conduct detail design.

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SPPA Business Center



Arlington - Jackson



Bix Building



Saint Paul
PORT AUTHORITY

**RESOLUTION OF THE
PORT AUTHORITY OF THE CITY OF SAINT PAUL**

**[CONVEYANCE OF REAL PROPERTY TO THE PORT AUTHORITY OF THE CITY
OF SAINT PAUL OF – 4.91 ACRES LOCATED AT 1415 L’ORIENT STREET,
SAINT PAUL, MN -- FORMER BIX PRODUCE BUILDING]**

WHEREAS, the Port Authority staff has entered into a negotiated contingent Purchase Agreement for the Port Authority to acquire to 4.91 acres of real property owned by the State of Minnesota located at 1415 L’Orient Street in Saint Paul, Minnesota, formerly the Bix Produce Building (the “Property”).

WHEREAS, under the terms of the contingent Purchase Agreement, the Port Authority’s purchase is contingent on approval by the Board of Commissioners.

WHEREAS, the purchase price for the Property is \$5,650,000 and the Port Authority’s offer to purchase was accepted.

WHEREAS, the Port Authority’s public purpose and intended use of the Property meets the requirements of Minn. Stat. §469.084, Subd. 8.

WHEREAS, the funds used to purchase the Property will come from an existing fund balance which is the source of capital being used as cash flow and long-term project investment, and which will be repaid by subsequent net land sale or joint venture.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE PORT AUTHORITY OF THE CITY OF SAINT PAUL, that the Port Authority’s acquisition of the Property and the ability to finance the Property acquisition are in the best interests of the Port District and the taxpayers thereof; and

BE IT FURTHER RESOLVED, that the President or anyone acting under his direction is hereby authorized to execute any and all necessary documents to consummate the above-described transactions, and Port Authority staff is hereby authorized to enter into negotiations with, and retain such consultants as deemed necessary or advisable by the Port Authority staff in furtherance of the planning, financing, acquisition and development of the Property.

Adopted: _____

PORT AUTHORITY OF THE
CITY OF SAINT PAUL

By _____
Its Chair

Attest:

By _____
Its Secretary