Memorandum

TO: City Council

FROM: Tom Simonson , Assistant City Manager and Community Development Director

DATE: June 2, 2025

SUBJECT: Approval of third amendment to purchase agreement with Enclave Development, LLC

ITEM NUMBER: 8.j

SECTION: CONSENT AGENDA

REQUESTED MOTION

To approve the third amendment to the purchase agreement between the City of Shoreview and Enclave Development, LLC for the Rice Street Crossing project (Krew Apartments), granting extensions to the inspection period and closing date.

INTRODUCTION

The city council is being asked to approve a third amendment to the previously executed purchase agreement between the City of Shoreview and Enclave Development, LLC, on the land sale transaction for the Rice Street Crossing (Krew Apartments) redevelopment project. This third amendment extends the date of the inspection period and closing on the sale to reflect the most current anticipated timeframe for the project. This amendment does not change any of the previously agreed upon and approved financial terms of the transaction or the tax increment financing for the project.

DISCUSSION

The city and developer executed the purchase agreement on May 6, 2024 for the sale of the city-owned 11-acre parcel at the southwest quadrant of Interstate 694 and Rice Street. The approved development plan includes 293 apartments, including 8 live/work units, and approximately 5,200 square feet of building endcap for retail/restaurant space. A housing tax increment district has been established to financially assist with the project costs to clean-up the brownfield site and support affordable housing of 20% (59 units) of the apartments that will be available to people at 50% of the area median income (AMI).

Since the original purchase agreement was executed, the city and developer have done two amendments that extended the inspection period and the closing date. These extensions were necessitated due primarily to the complexity of the project and some additional delays in working through terms of the cleanup grants awarded to the project from the Metropolitan Council and Minnesota Department of Employment and Economic Development. Those items have been resolved and are no longer an obstacle to moving the land sale and redevelopment project forward. While the project has received all necessary entitlement approvals, tax increment financing approval, and building permit review for issuance, Enclave is now in the

process of finalizing the securing of equity partners for the project. They have indicated that there has been some volatility in the economy and real estate market that has lengthened the period for lining up equity partnerships. They indicate that this economic uncertainty has impacted the entire multifamily industry. Enclave has said that there have been positive signs that the market is improving and they are confident that an equity partner can be secured in the next month or two. However, this requires the dates stipulated in the second amendment to the purchase agreement once again be extended with a third amendment.

As such, the city would agree to extend the deadline for the inspection period from June 2, 2025 to August 16, 2025, and closing on the property transaction from June 30, 2025 to no later than September 13, 2025. Attached is the proposed third amendment that outlines the extension of dates, as described above. Chad Lemmons from the city attorney's office has reviewed and approved the draft third amendment.

Enclave has made clear to the city that they remain fully committed to the redevelopment project and confident the project will move forward in the next several months. Enclave expects to secure equity by late June/early July, and then will need about 60 days to prepare for closing on the property. The developer has already spent over $1 million in the due diligence work and preparing full construction plans for receiving a building permit from the city. They have received approvals from the city on land use and tax increment financing, the watershed district permit, MnDOT and Ramsey County, and Met Council. Additionally, the developer has deposited $125,000 in earnest money on the purchase to the title company. Once equity partners have been secured, the city and developer will proceed with the land sale closing, and the project will get underway upon issuance of the building permit.

Patrick Brama, project lead for Enclave on this project, will be attending the June 2 meeting of the economic development authority to discuss the status of the development and reassure the city they expect to move forward in the next several months.

RECOMMENDATION

Staff is recommending approval of the third amendment to the purchase agreement between the City of Shoreview and Enclave Development, LLC for the Rice Street Crossing (Krew Apartments) project.

ATTACHMENTS

Third Amendment to Purchase Agreement-Shoreview and Enclave-051525