

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 26, 2022

**REGARDING: RESOLUTION APPROVING THE ESTABLISHMENT OF THE FARWELL YARDS REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT AND TAX INCREMENT FINANCING PLAN THEREFOR, EXECUTION OF A TAX INCREMENT DEVELOPMENT AGREEMENT AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 3, WARD 2**

## **Requested Board Action**

Authorization to approve the establishment of the Farwell Yards Redevelopment Tax Increment Financing District (the “TIF District”) and tax increment financing plan for the TIF District (the “TIF Plan”), approval of a TIF Development Agreement with 150 Farwell Yards, LLC and approve an HRA budget amendment consistent with the TIF Plan. A City Council public hearing was held on September 14, 2022, and RES PH 22-275 was adopted, approving the creation of the TIF District by the HRA.

## **Background**

Buhl Investors, or an affiliated entity, has acquired 150 Water Street (150 Farwell Yards, LLC) and has a purchase agreement for 115 Plato Boulevard (115 Plato, LP). Buhl Investors and Pete Deanovic (the “Developer”), on behalf of 150 Farwell Yards, LLC and 115 Plato LP, have submitted an application to the HRA requesting the establishment of a new redevelopment TIF district to advance private development and the construction of a new public roadway on vacated Bidwell Street, connecting Water Street and Plato Boulevard. The City’s Public Works department requested the construction of the new public roadway during the site plan review process. The HRA retained the services of LHB, Inc. to complete a TIF Eligibility Assessment of the proposed development site including the two tax parcels - 150 Water Street and 115 Plato Boulevard. This assessment determined that the proposed TIF district parcels met the qualifications of a Redevelopment TIF district including the existence of four substandard buildings.

The proposed TIF District is being created to facilitate the redevelopment of the industrial properties containing vacant and substandard buildings and stimulate the construction of approximately 63 units of affordable housing and the required new public roadway, in connection with a proposed mixed-use redevelopment consisting of approximately 221 rental housing units and 2,585 SF of retail space, related parking improvements and a 1.33 acre publicly accessible, privately maintained park/plaza (the “Development”).

This TIF Plan is expected to achieve many of the objectives outlined in the Redevelopment Plan for the Redevelopment Project Area through the construction of affordable and market-rate housing units, commercial space, and public infrastructure.

The Developer is requesting tax increment financing assistance to finance the new public roadway on vacated Bidwell Street which is being required by Public Works, through the issuance of a pay-as-you-go TIF note in a principal amount up to \$2,210,000 (the estimated cost of the roadway, including acquisition of right of way and hard and soft construction costs). The Developer would not proceed with the construction of the roadway without the tax increment financing assistance. A depiction of the new roadway, Bidwell Street, is **attached**.

Future action will include the request for additional pay-as-you-go TIF assistance to finance the gap in the 115 Plato Boulevard affordable housing project (currently estimated to total \$8,900,000) that includes 63 units as follows: 49 – 1 BR units, proposed affordable as follows: 5 units @ 30% AMI (with 4 High Priority Homeless (HPH) tenants and 1 Persons with Disabilities (PWD), each with rent supports), 32 units @ 50% AMI, and 12 units @ 60% AMI; and 14 – 2 BR units, proposed affordable as follows: 13 units @ 50% AMI and 1 unit @ 30% AMI (with PWD tenant and rent support).

The properties included in the Development, located in Planning District #3 (West Side Community Organization - WSCO), were recently rezoned to from IT to T3 enabling the proposed residential uses. The neighborhood profile for Planning District #3 is **attached**. A map of the proposed TIF District and Project Area is also **attached**.

The Developer presented initial designs to WSCO on December 8, 2020, for an earlier, mixed income iteration of the Development on 150 Water Street, and then again on February 8, 2021, with updated plans that responded to WSCO feedback. WSCO issued a letter with requests on March 9, 2021, acknowledging the communication and collaboration by the developer. The next engagement took place on October 10, 2022, when Buhl presented their current plan of one market-rate mixed-use building on 150 Water Street and one affordable residential building on 115 Plato Boulevard, and a new Bidwell Street from Water Street to Plato Boulevard.

### **Budget Action**

The HRA is approving a budget amendment to align with the financing and spending included in the TIF Plan. The budget amendment is included in the **attached** Financial Analysis and includes payment of principal and interest under the Pay-As-You-Go TIF Note listed under Public Improvements. The budget also includes expenditures for Affordable Housing, Administration and Interest.

### **Future Action**

Future City Council and HRA Board action would be required for the HRA to issue conduit housing revenue bonds for the 63-unit affordable project, and HRA Board action would be required to approve a TIF development agreement authorizing TIF assistance for the affordable project.

### **Financing Structure**

The tax increment revenue projections included in the TIF Plan were prepared by PED staff with input from Ramsey County based on the mix of development detailed by the Developer. A copy of the TIF Plan is **attached**. The tax increment revenue projections utilize the following assumptions:

- Total taxable market value once constructed of \$62,485,000 with development on both 150 Water Street and 115 Plato Boulevard;
- The base value for the district is \$3,481,000 as most recently assessed earlier this year, resulting in \$59 million of increased market value;
- Delay first receipt of increment to Pay 2025, resulting in final collection year of Pay 2050;

- Total annual tax increment collected by the HRA when fully complete is estimated at \$912,329;
- Producing total tax increments collected from the tax parcels over the 26 years of \$23,538,000;

**Tax Increment Financing (TIF) Note**

The HRA will provide the Developer up to \$2,210,000 of principal in the form of a pay-as-you-go TIF note that will be capitalized by a Developer loan. The TIF Note will pledge a fixed percentage of the tax increments collected by the HRA, currently estimated at 19.62%. The interest rate will match the rate of the Developer loan currently estimated at 6%.

The amended budget included in the TIF plan totals \$24,238,000 as follows:

<b>Estimated Sources of Revenue</b>	
Tax Increment Revenues	\$23,538,000
Interest and Investment Earnings	\$700,000
<b>Total Tax Increment Revenues</b>	<b>\$24,238,000</b>
<b>Estimated Project Costs</b>	
Qualifying Public Improvements	\$2,210,000
Construction of Affordable Housing	\$11,960,000
Administrative Expenses	\$2,353,000
Interest Expenses	\$7,715,000
<b>Total Estimated Project Costs</b>	<b>\$24,238,000</b>

**PED Credit Committee Review**

On October 18, 2022, the Credit Committee reviewed and determined the terms of the proposed TIF Note issued to finance the total cost of the new public roadway are consistent with TIF policies.

**Compliance**

The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, City Labor Standards, Project Labor Agreement and the Two-Bid Policy.

### **Green/Sustainable Development**

The housing developments included in the TIF district will comply with the Saint Paul Sustainable Building Ordinance.

### **Environmental Impact Disclosure N/A**

### **Historic Preservation N/A**

### **Public Purpose/Comprehensive Plan Conformance**

The anticipated development included within the proposed new TIF District is in conformance with the City’s Comprehensive Plan. The Future Land Use Map designates this site Mixed Use, characterized primarily by “a balance of jobs and housing within walking distance of one another.” The site is located at the West Side Flats 2 Opportunity Site and the immediately adjacent to the West Side Flats Neighborhood Node. Additionally, the Comprehensive Plan promotes right-of-way design that prioritizes pedestrians and other active transportation through techniques such as short block lengths. The following specific policies support expanded housing choice for all income levels, walkable right-of-way design, and mixed-use development in this area:

- Policy T-31. Outside of areas being developed for industrial uses, establish (or re-establish) the right-of-way grid with block lengths of 300 to 600 feet as redevelopment occurs on large sites in order to increase neighborhood connectivity and accommodate pedestrian-oriented, higher-density development.
- Policy LU-2. Pursue redevelopment of Opportunity Sites (generally sites larger than one acre identified as having potential for redevelopment) as higher-density mixed-use development or employment centers with increased full-time living wage job intensity, and the appropriate location for community services that are completely absent in the surrounding area (Map LU-3).
- Policy LU-3. Prioritize equitable public investments relative to areas of concentrated poverty as defined by the Metropolitan Council.
- Policy LU-8. Ensure that zoning and infrastructure support environmentally and economically efficient, resilient land use development.

- Policy LU-9. Promote high-quality urban design that supports pedestrian friendliness and a healthy environment and enhances the public realm.
- Policy H-16. Increase housing choice across the city to support economically diverse neighborhoods by pursuing policies and practices that maximize housing and locational choices for residents of all income levels.
- Policy H-18. Foster the preservation and production of deeply affordable rental housing (housing affordable to those at 30% or less of AMI), supportive housing and housing for people experiencing homelessness.

**Recommendation:**

The Executive Director recommends approval of the resolution which shall: i) approve the establishment of the Farwell Yards Redevelopment TIF District; ii) approve the tax increment financing plan for the TIF District; (iii) approve a TIF development agreement; and (iv) approve an HRA budget amendment consistent with the TIF Plan.

**Sponsored by:**            **Commissioner Noecker**

**Staff:**                    Angela Riffe (266-8524), Michael Wade (266-8703),  
                                 Jules Atangana (266-6660) and Jenny Wolfe (266-6680)

**Attachments:**

- Depiction of Bidwell Street Construction
- District 3 Profile
- Map of TIF District and Project Area
- Budget Amendment/Financial Analysis
- Farwell Yards Redevelopment TIF Plan