

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 26, 2022

REGARDING: RESOLUTION APPROVING FINANCING UNDER TEMPORARY TAX INCREMENT FINANCING SPENDING PLAN AUTHORITY TO PROVIDE INFRASTRUCTURE IMPROVEMENTS NECESSARY TO ADVANCE PRIVATE DEVELOPMENT IN THE AREA BOUNDED BY THE MISSISSIPPI RIVER ON THE NORTH, WABASHA STREET ON THE EAST, SMITH AVENUE ON THE WEST AND THE BLUFF ON THE SOUTH, AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 3, WARD 2

Requested Board Action

Approval of the resolution which authorizes the expenditure of tax increments under the HRA's adopted Temporary TIF Spending Plan (**attached**) in accordance with Minnesota Statutes, Section 469.176 Subd. 4n (the "Temporary TIF Act") to assist in the financing of infrastructure improvements to advance private development in the area bounded by Mississippi River on the north, Wabasha Street on the east, Smith Avenue on the west and the bluff on the south.

Background

The City of Saint Paul Department of Public Works (Public Works) has determined the sanitary sewer system infrastructure serving the area bounded by the Mississippi Area on the north, Wabasha Street on the east, Smith Avenue on the west and the bluff on the north (the "SSS Area") does not have capacity to support any new development.

In March of 2021, Public Works hired S.E.H. to study the capacity and evaluate options and upgrade costs. On October 3, 2021, S.E.H. delivered their report entitled "Final Report – Sanitary Sewer Capacity Assessment – Sewershed D-17C" to Public Works that indicates the following: "The sewershed is currently considered to be at full capacity during peak flow events. The study indicates that with current sanitary sewer, baseflows and the heavy I&I response from the Mississippi River flood stage, the sewershed exceeds the design capacity in every scenario. ... S.E.H. recommends that the City place a hold on any development projects that would contribute new sanitary sewer flow within the Sewershed D-17C. Prior to adding any sources of flow, the City needs to consider upgrading the capacity of the sewershed."

On August 31, 2022, S.E.H. delivered their Preliminary Design Report for system upgrades that would increase capacity, which states: “The proposed system includes upsizing gravity sewer along the existing alignment, constructing a duplex lift station with a rectangular wet well and valve vault, dual forcemains with air release and cleanout structures.” The report includes an Opinion of Probable Construction Cost totaling \$9,700,000, the majority of which is attributed to the Lift Station, Forcemain, Fittings and Structures, and Internal Drainage – Gravity Mains & Structures. Land acquisition costs for that portion of 115 Plato to be used for the new lift station bring the estimated cost of construction to \$9,800,000 (the **Project**).

Public Works and PED have evaluated the options to finance the estimated cost and believe the establishment of a Special Sanitary Service Availability Connection Charge (SSSACC) District authorized by Chapter 76 of the City’s Legislative Code cannot support the full cost of the upgrade, and the HRA is proposing allocating \$5,000,000 of tax increments to partially reduce the SSSACC charge. The sanitary sewer system upgrade will provide 2,102 SAC units of capacity.

On June 22, 2022, the HRA Board adopted RES 22-955, which approved the adoption of the Temporary TIF Spending Plan authorizing the HRA to spend available tax increment from any existing tax increment financing district. This authority was made available through the 2021 Omnibus Tax Bill. The Temporary TIF Spending Plan authorizes improvements to advance private development that include the installation of sanitary sewer infrastructure serving the defined area; so long as the HRA finds that the sanitary sewer infrastructure is required to advance private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, which will create or retain jobs in this state, including construction jobs, as long as construction commences before December 31, 2025, and would not have commenced before that date without the assistance.

Buhl Investors is pursuing multiple private development projects in the SSS Area that cannot proceed without the **Project**. These include the following and are shown in the **attached** map:

1. 150 Water Street, new construction of 221 market rate rental housing units

2. 115 Plato Boulevard, new construction of 63 affordable rental housing units

Buhl Investors has represented that they would not commence the above listed private developments before December 31, 2025, without the sanitary sewer infrastructure to be financed in part by tax increment financing assistance authorized in this resolution and the Temporary TIF Spending Plan.

In connection with the assistance, the HRA expressly finds that the **Project** will result in the commencement of private development by December 31, 2025, which private development would not occur by this date without the expenditure of tax increments authorized in the Temporary TIF Spending Plan. The private development will result in the creation of over one-hundred construction jobs, will increase the City's tax base, and will produce market rate and affordable rental housing units.

Budget Action

An HRA budget amendment is needed to allocate the **\$5,000,000** of tax increment from the Temporary TIF Spending Plan to this **Project** as shown in the **attached** Financial Analysis.

Future Action:

The City Council will need to hold a public hearing and adopt a resolution establishing the SSSACC District to implement the **Project**.

Financing Structure

PED and Public Works have entered into financing agreements to advance the S.E.H. studies and design for the **Project** in the SSS Area. PED anticipates once authorization is in place to fully finance the \$9,800,000 cost of **Project**, the Temporary/Spending Plan tax increments will be made available to Public Works to advance the sanitary sewer infrastructure project enabling private development to commence.

PED Credit Committee Review

N/A

Compliance

The Project will be bid and constructed in compliance with Public Works procedures.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

The **Project** will be bid and constructed by Public Works, and they will be responsible for any environmental requirements.

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The **Project** provides critical infrastructure that will enable the City to advance the redevelopment of land within the SSS Area, including blighted land, for private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, creating over one hundred construction jobs, and producing approximately 284 units of market rate and affordable rental housing.

The **Project** is consistent with the following policies from the 2040 Saint Paul Comprehensive Plan (2018):

- WR-30. Plan for adequate municipal conveyance infrastructure and support adequate metropolitan system capacity to serve more intensive redevelopment in appropriate locations.
- WR-23. Continue to reinvest in critical sanitary collection and conveyance infrastructure by rehabilitating the existing system.
- LU-8. Ensure that zoning and infrastructure support environmentally and economically efficient, resilient land use development.
- LU-1. Encourage transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.

- LU-3. Prioritize equitable public investments relative to areas of concentrated poverty as defined by the Metropolitan Council.

The **Project** provides for features from the Harriet Island/District Del Sol Final Concept Plan (2003):

- Employment uses throughout mixed-use district near Wabasha St. in Harriet Island.
- Residential district at western section of Harriet Island.
- Three historic warehouses in Harriet Island retained and reused as loft-style housing or employment.

Recommendation:

The Executive Director recommends approval of the resolution which authorizes the investment of Temporary TIF for infrastructure improvements that will advance private development in accordance with the HRA’s adopted Temporary TIF Spending Plan and approves an HRA budget amendment.

Sponsored by: Commissioner Noecker

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

Attachments

- Temporary TIF Spending Plan
- Map of Projects
- Financial Analysis