

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

REPORT TO THE COMMISSIONERS

DATE: FEBRUARY 22, 2023

**REGARDING: RESOLUTION APPROVING THE ADOPTION OF A SUPPLEMENT TO
THE SPENDING PLAN UNDER MINNESOTA STATUTES, SECTION
469.176, SUBD 4N, CITYWIDE**

Requested Board Action

Approval of the resolution which adopts a Supplement to the Spending Plan under Minnesota Statutes, Section 469.176 Subd. 4n.

Background

The HRA Board (the “HRA”) adopted RES 22-955 on June 22, 2022, and the City Council adopted RES PH 22-172, following a public hearing, on the same date, each approving a Spending Plan under Minnesota Statutes, Section 469.176 Subd. 4n. (**attached**).

On July 27, 2022, the HRA adopted RES 22-1150 approving a forgivable loan of up to \$1,400,000 for Listening House of St. Paul, Incorporated, for a private facility serving unsheltered populations at 421 East 7th Street; and on October 26, 2022, the HRA adopted RES 22-1688 approving an expenditure of up to \$5,000,000 for the installation of sanitary sewer infrastructure 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 in connection with private development.

On August 31, 2022, the City received a summons and complaint, in *H A B, Inc. d/b/a Heppner’s Auto Body, et. al. v. City of St. Paul, et. al.*, Court File No. 62-CV-22-4915 claiming in part, that the June 22, 2022 public hearing and resulting resolution RES PH22-172, is procedurally defective because (1) notice of the public hearing was not published in the Pioneer Press on or before June 12, 2022 and (2) the Spending Plan did not specifically identify a forgivable loan of up to \$1,400,000 to Listening House of St. Paul, Incorporated for a private facility serving unsheltered populations at 421 East 7th Street as an authorized expenditure of transferred tax increments under the Spending Plan.

To cure the alleged procedural defect related to publication of the hearing notice for purposes of resolving an issue in litigation without an admission of wrongdoing or defectiveness, the City

Council determined to conduct a supplemental public hearing on the Spending Plan, concluding that it was in the interest of public as a whole to avoid the further costs and burdens of litigation and for other good reason to give the Plaintiffs in the above-stated litigation as well as any other interested persons, an additional opportunity to be heard.

On September 28, 2022, the City Council conducted a public hearing on the efficacy of the Spending Plan, following published notice on the City's public website and in the Pioneer Press and adopted RES PH 22-297 following the public hearing.

It is intent of the HRA to cure for now and all times the alleged procedural defect related to the detail of uses in the Spending Plan for purposes of resolving an issue in litigation without an admission of wrongdoing or defectiveness.

The City Council determined to conduct a public hearing on a resolution to supplement the Spending Plan, concluding that it is in the interest of public as a whole to avoid the further costs and burdens of litigation and for other good reason to give the Plaintiffs in the above-stated litigation as well as any other interested persons, an additional opportunity to be heard.

Pursuant to Subd. 4n, the HRA proposes to adopt a certain supplement (the "Supplement") to the Spending Plan, which itemizes specific expenditures that have been approved by the HRA since the adoption of the Spending Plan and which fall within the detailed uses of tax increments transferred under the Spending Plan.

The Supplement

The purpose of the Supplement is to identify specific expenditures that have been requested and approved by the HRA since the adoption by the HRA and the City Council of the Spending Plan and which are authorized uses identified in the Spending Plan.

The authorized uses of transferred tax increments under the Spending Plan and under this Supplement expressly include, but are not limited to:

- a) Under Section 2) A) i) a) of the Spending Plan, an expenditure of up to \$5,000,000 for the installation of sanitary sewer infrastructure serving 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 (the “Sewer Upgrade”) in connection with private development served thereby, including without limitation an approximately 221-unit rental housing and commercial space development to be constructed by 150 Farwell Yards, LLC at 150 Water St. in the City and an approximately 63-unit affordable rental housing development to be constructed by 115 Plato, LP at 115 Plato St. in the City.

In connection with such assistance, the HRA expressly finds that: redevelopment in the area is not possible as no new building permits can be issued, so no private development would occur, without the completion of the Sewer Upgrade. The improvements will result in the commencement of private development including new construction by December 31, 2025, and the creation of hundreds of construction jobs, new housing production, and increased tax base.

- b) Under Section 2) A) i) e) of the Spending Plan, a forgivable loan of up to \$1,400,000 to Listening House of St. Paul, Incorporated for a private facility serving unsheltered populations at 421 East 7th Street in the City.

In connection with such financial assistance, the HRA expressly finds that: there is urgency to commence private development of private facilities serving unsheltered populations, to address the City’s housing crisis and without financial assistance the private development would not commence construction and create construction jobs. The assistance will result in the commencement of private development by December 31, 2025, which private development and the creation of construction jobs would not occur by this date without the financial assistance.

- c) Notwithstanding the developments detailed in a) and b) above, or otherwise in the Spending Plan, the HRA is authorized to spend transferred tax increments for any other private development in the City for which the HRA finds that the private development will create or retain jobs in the State (including construction jobs); that the private development will commence before December 31, 2025; and that such construction would not have commenced before December 31, 2025 without the assistance under the Spending Plan. The HRA must document its findings under this section at the time of approval of assistance to each development.

Future Action:

The City Council will hold a public hearing on this same date, following published notice on the City's public website and in the Pioneer Press, and will consider a resolution to approve the Supplement.

Financing Structure

N/A

PED Credit Committee Review

N/A

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The approval of the Supplement effectuates the intent of the HRA to cure for now and all times the alleged procedural defect related to the detail of uses in the Spending Plan for purposes of resolving an issue in litigation without an admission of wrongdoing or defectiveness.

Recommendation:

The Executive Director recommends approval of the resolution.

Sponsored by: Chair Chris Tolbert

Staff: Jenny Wolfe (266-6680)

Attachments

- Spending Plan