



Legislation Text

File #: RES PH 21-218, **Version:** 1

Approving the establishment of the Snelling Midway Redevelopment Tax Increment Financing District (a Redevelopment district) in the Saint Paul Neighborhood Redevelopment Project area and adopting a Tax Increment Financing Plan therefore (District 13, Ward 1).

WHEREAS, the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "HRA") has heretofore established the Saint Paul Neighborhood Redevelopment Project area (the "Project Area") and has adopted a redevelopment plan therefore (the "Redevelopment Plan") pursuant to Minnesota Statutes, Sections 469.001 to 469.047, as amended (the "HRA Act"); and

WHEREAS, the Redevelopment Plan contains an identification of need and a statement of purpose and objectives, land uses and standards for development for carrying out a redevelopment project, including property to be acquired, public improvements to be provided, development and redevelopment to occur, and sources of revenue to pay redevelopment costs within the Project Area; and

WHEREAS, Minnesota Statutes, Section 469.175 requires that before a county auditor may certify a tax increment financing district created under Minnesota Statutes, Section 469.174 to 469.1794 (the "TIF Act") the governing body of the municipality must approve the tax increment financing plan after a public hearing thereon; and

WHEREAS, the HRA has asked the City Council (the "Council") of the City of Saint Paul, Minnesota (the "City") to approve the creation, within the Project Area, of the Snelling Midway Redevelopment Tax Increment Financing District, as a redevelopment tax increment financing district under Minnesota Statutes, Section 469.174, Subdivision 10 (the "TIF District"), and adopt a Tax Increment Financing Plan therefore (the "TIF Plan"), all pursuant to and in accordance with the TIF Act; and

WHEREAS, the TIF District is being established to facilitate the redevelopment of the area bordered by Snelling Avenue on the West, University Avenue on the North, Pascal Street North on the East, and St. Anthony Avenue on the South into a mix of residential rental, office, retail, hotel and structured parking uses with related public infrastructure (collectively the "Development") based on the adopted Snelling Midway Redevelopment Site Master Plan dated April 18, 2016, as revised May 24, 2016 (the "Master Plan") and the Resolution Committing to Community Benefits at the Snelling-Midway Redevelopment Site adopted by the Council on August 17, 2016 as Resolution 16-1407 (the "Community Benefits Resolution"); and

WHEREAS, the HRA has investigated the facts and has caused the TIF Plan to be prepared for the TIF District; and

WHEREAS, the HRA has performed all actions required by law to be performed prior to the creation of the TIF District and adoption of a TIF Plan therefor, including, but not limited to, notification of the Ramsey County Commissioner representing the area of the County in which the TIF District is located and transmitting a copy of the TIF Plan to Ramsey County and Independent School District Number 625, which have taxing jurisdiction over the property to be included in the TIF District; and

WHEREAS, on this date, the Council conducted a public hearing on the TIF Plan, after duly published notice thereof; and

WHEREAS, at said public hearing the Council considered comments provided by all interested parties on the TIF Plan; and

WHEREAS, the Council has considered certain reports referred to herein and other information respecting the TIF District and the anticipated redevelopment thereof, together with the TIF Plan and other documentation submitted in support of the same, and has taken into account the information and knowledge gained in hearings upon and during consideration of other matters relating to the developments proposed within the Project Area; and

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Saint Paul, Minnesota as follows:

Section 1. Findings for the Creation of TIF District and Adoption of TIF Plan therefor.

1.01 The Council hereby finds that the creation of the TIF District and the adoption of the TIF Plan therefore, are intended and, in the judgment of the Council, the effect will be, to carry out the objectives of the Redevelopment Plan by redeveloping the commercial properties with higher density development in the City, and to otherwise promote certain public purposes and accomplish certain objectives as specified in the Redevelopment Plan and the TIF Plan.

1.02 The Council hereby finds that the TIF District qualifies as a “redevelopment district” within the meaning of the TIF Act for the following reasons:

The TIF District is, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10, clause (a)(1) a “Redevelopment district”. The reasons and supporting facts for these determinations are set forth in that certain Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District as a Redevelopment District - Snelling Midway Redevelopment TIF District, Saint Paul, Minnesota, dated November 13, 2020, prepared for the TIF District by LHB, Inc. (the “Redevelopment Assessment Report”), copies of which are on file with the Executive Director of the HRA. These findings are based in part upon on-site examination and written reports substantiating the structurally substandard nature of the buildings.

The TIF District currently contains 15 parcels. Fourteen of the parcels are occupied since they meet the requirements of Section 469.174, Subd. 10(e) in that at least 15% of the area of each of these parcels is occupied by buildings, streets, utilities, paved or gravel parking lots or similar structures. The occupied parcels comprise over 97% of the area of the TIF District, which is greater than 70%. In addition, there are 5 buildings located in the TIF District. As set forth in the Redevelopment Assessment Report, 3 of the 5 buildings (i.e. 60%) were “structurally substandard” to a degree requiring substantial renovation or clearance. The “structurally substandard” buildings are not in compliance with the building code applicable to new buildings, and the costs of modifying the building to satisfy the building code would be more than 15% of the cost of constructing new structures of the same square footage and type on the site.

Furthermore, on June 24, 2020 the HRA received a report entitled TIF Analysis Findings for 1544 & 1460 to 1536 University Avenue West, dated June 18, 2020, prepared by LHB, Inc. (the “Initial LHB Report”) regarding the property in the TIF District operated as Big Top Wine & Spirits and identified as Parcel ID # 342923320005 and the property operated as the Midway Shopping Center and identified as Parcel ID # 342923320015 (collectively, the “Property”). Based on the Initial LHB Report, in accordance with Minnesota Statutes, Section 469.174, Subd. 10(d), the HRA found by resolution that, as of June 24, 2020, the sole building located on Parcel ID # 342923320005 and the sole building located on Parcel ID #342923320015 were

both structurally substandard to a degree requiring substantial renovation or clearance. Prior to the demolition or removal of such buildings on the Property, the HRA entered into a Demolition and Development Agreement with RK Midway Shopping Center, LLC and Snelling-Midway Redevelopment, LLC dated as of April 13, 2021. Therefore, in accordance with Minnesota Statutes, Section 469.174, Subd. 10(d), such buildings are deemed to exist in the TIF District notwithstanding their demolition prior to the certification of the TIF District.

1.03 The Council further finds that the future Development of the TIF District in accordance with the Master Plan and the Community Benefits Resolution, in the opinion of the Council, would not occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary. The specific basis for such finding is:

The property on which the proposed Development will occur has not been redeveloped for several years and this finding is consistent with the HRA's experience on other large brownfield sites being converted to mixed use, due to the condition of the site and the buildings thereon and the higher cost of redevelopment compared to development of bare land as well as the costs of infrastructure described in the Master Plan, including without limitation, the walkable street grid, public open spaces, and structured parking, and the requirement for income restricted rental housing under the Community Benefits Resolution. The costs of clearing the site and providing the necessary infrastructure for development in the TIF District are higher than for new development and it would not be economically feasible for private development to proceed with the Development without tax increment assistance.

1.04 The Council further finds that the TIF Plan conforms to the general plan for the development or redevelopment of the city as a whole. The specific basis for such finding is:

The TIF Plan will generally complement and serve to implement policies adopted in the City's comprehensive plan, the Master Plan and the Community Benefits Resolution. The construction of the Development contemplated is or will be in substantial accordance with the City's comprehensive plan, the Master Plan and the Community Benefits Resolution.

1.05 The Council further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole for the development of the TIF District by private enterprise. The specific basis for such finding being:

The proposed Development to occur within the TIF District is commercial and affordable and market rate housing and is consistent with other uses in the area and will redevelop the former commercial properties with higher density development which will be used by private businesses, will capitalize on economic development stimulated by the professional soccer stadium adjacent to the site, and will be accessible by light rail and a bus rapid transit line. The Development will increase the taxable market valuation of the City.

1.06 The City elects to retain all of the captured tax capacity to finance the costs of the TIF District. The City elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subdivision 3(b).

1.07 The City elects to delay the receipt of the first increment until tax payable year 2025.

1.08 For purposes of compliance with Minnesota Statutes, Section 469.175, Subdivision 3 (2), the Council hereby finds that the increased market value of the property to be developed within the Tax Increment District that could reasonably be expected to occur without the use of tax increment financing is \$35,000,000, which is less than \$384,930,815 which is the increase in the market value estimated to result

from the proposed development (i.e., approximately \$489,144,000), after subtracting the present value of the projected tax increments for the maximum duration of the TIF District (i.e. approximately \$104,213,185). In making these findings, the Council has noted that the property has not been developed or occupied for several years and would likely remain so if tax increment financing is not available. Thus, the use of tax increment financing will be a positive net gain to the City, the School District, and the County, and the tax increment assistance does not exceed the benefit which will be derived therefrom.

1.09 The provisions of this Section 1 are hereby incorporated by reference into and made a part of the TIF Plan.

Section 2. Approval of Creation of the TIF District and Approval of the TIF Plan Therefore;
Other Authorizations.

2.01 The creation of the TIF District and the adoption of the TIF Plan therefore are hereby approved.

2.02 The staff of the HRA and the City and the HRA's and City's advisors and legal counsel are authorized and directed to proceed with the establishment and implementation of the TIF District, the TIF Plan and this Resolution. The HRA's Executive Director and staff of the HRA and the City and the HRA's and City's advisors and legal counsel are authorized and directed to negotiate, draft, prepare and present to the Board of Commissioners of the HRA for its consideration all further plans, resolutions, documents, notes and contracts necessary to accomplish these actions.

2.03 Upon approval by the HRA, the staff of the HRA is directed to file a copy of the TIF Plan with the County Auditor of Ramsey County and to request the County Auditor to certify the original tax capacity of the TIF District.

2.04 The staff of the HRA is also directed to file a copy of the TIF Plan with the Commissioner of Revenue and the Office of the State Auditor within 60 days after the latest of: (a) the filing of the request with the County Auditor to certify the TIF District and (b) the date of approval of the TIF Plan by the City and the HRA.