

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

REPORT TO THE COMMISSIONERS

DATE: December 9th, 2015

REGARDING: RESOLUTION (I) AMENDING THE REDEVELOPMENT PLAN FOR THE KOCH-MOBIL REDEVELOPMENT PROJECT AREA; (II) APPROVING THE ADOPTION OF AN AMENDMENT TO THE TAX INCREMENT FINANCING PLAN FOR THE KOCH MOBIL TAX INCREMENT FINANCING DISTRICT; (III) AUTHORIZING EXECUTION OF AN AMENDMENT TO DEVELOPMENT AND LOAN AGREEMENT, PROMISSORY NOTE, AND COMBINATION MORTGAGE, SECURITY AGREEMENT AND FIXTURE FINANCING STATEMENT WITH WEST 7TH/FORT ROAD FEDERATION, INC.; AND (IV) AMENDING THE RESOLUTION AUTHORIZING AND APPROVING AN INTERFUND LOAN FOR THE KOCH MOBIL TAX INCREMENT FINANCING DISTRICT; DISTRICT 9, WARD 2.

Requested Board Action

Approval of the attached resolution authorizing the following: a) amending the Redevelopment Plan for the Koch-Mobil Redevelopment Project Area; b) approving the adoption of an Amendment to the Tax Increment Financing Plan for the Koch-Mobil Tax Increment Financing District; c) authorizing execution of an amendment to Development and Loan Agreement with West 7th/Fort Road Federation, Inc.; and d) approving an Interfund Loan for the Koch-Mobil Tax Increment Financing District.

Background

The Jacob Schmidt Brewery property is a major landmark in the economic history of Saint Paul. In 1899, Jacob Schmidt established the Jacob Schmidt Brewing Company in partnership with his son-in-law Adolph Bremer and Adolph's brother, Otto. In 1901, Schmidt's daughter Marie, and Adolph relocated the family business to the current Schmidt site and started an ambitious construction program for what became one of the most prominent breweries in the nation. In 1935, the traditional German-style Rathskeller was created to house corporate and community events. The Rathskeller is still home to a historic and significant portrait of Jacob Schmidt, Otto Bremer, and Adolph Bremer, three "titans" of Saint Paul industry.

The West 7th/Fort Road Federation (the “Federation”) is a neighborhood-based, private, non-profit development company that is working to redevelop the “Rathskeller” office building. In recent years the Federation has stabilized the Rathskeller building by replacing the roof; mitigated lead-based paint, asbestos, and soil pollution; conducted predevelopment activities; maintained the property and the site; and addressed all holding costs. In all, there has already been approximately \$2 million invested in the development.

The Federation has crafted a development plan that would preserve and restore the historic Schmidt Rathskeller, and is searching for commercial tenants who will value and preserve the historic elements as well as contribute to the economic vitality of West 7th Street. The HRA approved a First Amendment to Development Agreement in June of this year, providing the Federation until July 1, 2016 to assemble their financing. They have secured or identified approximately \$4,800,000 of the approximately \$6,100,000 needed to complete the renovation of the historic building, and are seeking an additional \$1,300,000 from the HRA to fill the final gap in their budget.

The HRA Board established the Koch-Mobil Tax Increment Financing District (“District”) and Tax Increment Financing Plan (“TIF Plan”) on February 11, 2004. The TIF Plan authorized the HRA to spend tax increments from the District on eligible public improvements. On October 23, 2013, the HRA adopted resolution #13-1662, approving an Interfund Loan in the amount of \$1,000,000 from the HRA Capital Projects Fund (4800) to fund a portion of these improvements. The final public improvements planned for the District have recently been let for bid and are underway or will be in the spring of 2016. These improvements include construction of Stewart Avenue, improvements along Otto Avenue, and installation of pedestrian and non-motorized vehicle pathways in accordance with the City’s commuter biking plans within the District. These additional improvements require an increase of the Interfund Loan borrowing to a total of \$3,000,000.

The TIF Plan also authorizes expenditures outside the TIF district but within the Project Area, and for affordable housing anywhere in the City. An amendment to the Koch-Mobil Redevelopment Project Area that adds the Schmidt Brewery Area would allow the use of future

TIF receipts from the District, after payments on existing obligations are made, to address the funding gap in the Schmidt Rathskeller project.

The Rathskeller project is in an area zoned T3, and is a permitted use. See **Attachment B** for a Map/Address of the Property, and **Attachment D** for a demographic profile of District 9, the Saint Paul Planning District in which the Project is located. No businesses will be displaced, and no land acquisition took place as a result of eminent domain.

Budget Action

The TIF district budget does not need to be amended at this time.

Future Action

On June 24th, 2015 the HRA approved the First Amendment to the Development Agreement, conveying the Rathskeller property to the HRA. After all conditions in the Development Agreement have been met, a public hearing will be required to return the property to the Federation.

Financing Structure

The Federation has proposed the following sources and uses to complete renovation of the Rathskeller building.

Uses:

Acquisition	\$ 750,000
Construction	\$ 4,539,940
Architectural	\$ 268,000
Professional Fees	\$ 413,512
Reserves	\$ 188,000

Total Uses	\$ 6,159,452
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Sources:

Federation Equity	\$ 520,000
Historic Tax Credit Equity	\$ 1,707,807
Met Council	\$ 115,953
State DEED	\$ 129,969
STAR	\$ 901,885
Jobs Bill Proceeds	\$ 1,233,838
Legacy Funding	\$ 250,000
TIF Proceeds	\$ 1,300,000

Total Sources	\$ 6,159,452
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Tax Increment Financing (TIF) Assistance

Staff is proposing to utilize 20% of the future TIF receipts from the Koch Mobil TIF District in the form of a Pay-As-You-Go TIF Note. The principal amount of the note will not exceed \$1,400,000 and the interest rate is estimated to be 2%. The projected future tax increments from the TIF district would be pledged to the noteholder. Pay-As-You-Go obligations are limited obligations without scheduled payments, and revenues are first used to pay interest and then to retire principal. The HRA makes no representation that the pledged increments will be sufficient to pay principal and interest.

PED Credit Committee Review

The Credit Committee will review the proposed TIF assistance on December 7, 2015, to ensure the terms are consistent with PED policies.

Compliance

The Federation has acknowledged receiving City/HRA compliance documents specifying that the following compliance requirements are applicable to this project:

- Vendor Outreach Program, Chapter 84.01
- Affirmative Action, Chapter 183.04
- Little Davis-Bacon Labor Standards
- Living Wage Ordinance

Green/Sustainable Development

The Rathskeller project will comply with the Saint Paul Sustainable Development Policy. The Federation is working on energy savings strategies through Xcel Energy's Energy Design Assistance program.

Environmental Impact Disclosure

The response actions included in the approved 2008 RAP have been completed.

Historic Preservation

The Jacob Schmidt Brewing Company Historic District has been designated as a Saint Paul Heritage Preservation Site. The Federation is using Federal and State Historic Tax Credits as part of the equity financing for the Rathskeller project. The project's plans and specs, which are intended to meet the requirements of the State Historic Preservation Office and National Park Service, will need to be reviewed by HPC PED staff and the HPC Commission. It is anticipated that no 106 review will be required.

Public Purpose/Comprehensive Plan Conformance

The project, which is consistent with both the District 9 Plan and the Comprehensive Plan, will:

- Create construction jobs and eventually permanent jobs.
- Prepare a vacant building for future redevelopment, bringing new commercial activities to West 7th Street.
- Achieve historic preservation of this historic property for adaptive reuse.
- Continue redevelopment of the larger historic district and compliment recent and future development projects.
- Increase the tax base in Saint Paul

Recommendation:

The Executive Director of the HRA recommends approval of: a) the attached resolution; b) all necessary documents to amend of the Koch-Mobil Redevelopment Project Area Plan to add the Schmidt Brewery Redevelopment Project Area; and c) the Amendment to the West 7th Fort Road Federation Development and Loan Agreement.

Sponsored by:

Commissioner Thune

Staff:

Ross Currier 651-266-6611

Attachments

- **Attachment B -- Map**
- **Attachment C -- Public Purpose**
- **Attachment D – District 9 Profile**
- **Attachment E – Amended Redevelopment Plan**
- **Attachment F – Amended TIF Plan**
- **Attachment G – Concept Plans**