

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 8, 2021

REGARDING: RESOLUTION APPROVING AN ADMINISTRATIVE AMENDMENT TO BUDGET FOR TAX INCREMENT FINANCING PLAN FOR ECONOMIC DEVELOPMENT TAX INCREMENT FINANCING DISTRICT FOR THE COSSETTA PROJECT AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 9, WARD 2

Requested Board Action

Approve a First Amendment to the Cossetta TIF Plan to increase interest expenditures and an HRA budget amendment reflecting the same.

Background

On May 25, 2011, the Housing and Redevelopment Authority of the City of Saint Paul (HRA) approved the establishment of an Economic Development TIF District to support the redevelopment of the Cossetta project on West 7th Street (the “TIF District”). The redevelopment included the renovation and expansion, including parking improvements, of the Cossetta restaurant and store. The project was substantially completed by the end of 2012. The TIF District expires by its terms on 12/31/2021.

The HRA issued a Pay-As-You-Go TIF note to the developer, pledging 90% of the tax increments collected by the HRA to reimburse eligible costs of the project with interest (the other 10% is held by the HRA for administrative costs). 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. The TIF Plan budget was prepared and approved based upon the projected tax increments to be generated in the TIF District. Many factors impact the amount of tax increments actually collected by the HRA, including the taxable market value of the project and the applicable tax rate. The actual tax increments collected did not match the projected tax increments.

The final payment under the TIF note was made in 2021 and the total interest paid to the noteholder exceeded the estimated amount in the approved TIF Plan budget, while the total principal paid was less. The TIF Plan budget is proposed to be amended to increase the interest payments and reduce the principal amount reimbursed. Staff has prepared the attached First Amendment to TIF Plan which amends the TIF Plan budget. The amendment does not increase the total estimated tax increment expenditures, the amount of bonded indebtedness, capitalized interest, or make any other changes described in Minnesota Statutes, Section 469.175, subd. 4, enabling the HRA Board to administratively amend the TIF Plan budget.

Budget Action

The HRA budget for the TIF District is amended as shown in the attached Financial Analysis, to align with the TIF Plan amended budget, which includes:

1. Adjustment of revenues, including interest earnings, to align with the maximum budget.
2. Increase interest expense and reduce the principal expense (Site Improvement/Prep Costs).

Recommendation:

The Executive Director recommends approval of the resolution amending the HRA Budget and TIF Plan budget.

Sponsored by: Chair Tolbert

Staff: Jenny Wolfe, 266-6680

Attachments

- HRA Budget Amendment
- First Amendment to TIF Plan