

September 9, 2015

Port Authority of the City of Saint Paul  
1900 Landmark Towers  
345 St. Peter Street  
Saint Paul, MN 55102-1661

Re: Proposed Wabasha and Sixth Redevelopment Tax Increment Financing District

The Port Authority of the City of Saint Paul (the “**Port Authority**”) is proposing to create a Redevelopment Tax Increment District pursuant to Minnesota Statutes, Section 469.174, Subd. 10 (the “**District**”) which will include one parcel generally located on Wabasha Street North and 6<sup>th</sup> Street East in Saint Paul, Minnesota (the “**Parcel**”), which is occupied by the former Macy’s Department Store (the “**Building**”).

Before creating a Redevelopment Tax Increment District, the Port Authority must make the following factual findings:

- (1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures; and
- (2) more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

We will refer to the first finding as the “**Coverage Test**” and the second finding as the “**Condition of Improvements Test**.” Based on our review of the TIF Eligibility Assessment prepared by CR-BPS Inc. (the “**Consultant**”) dated October 3, 2014, (the “**Assessment**”), we believe the Port Authority has a sound basis for finding that the Parcel meets both the Coverage Test and the Condition of Improvements Test, as further described below.

**Coverage Test**

Based on our discussions with you and on the Assessment, we understand that the proposed Parcel will constitute 100% of the area of the District and that such Parcel is 100% covered by a single building, which is the former Macy’s Department Store (the “**Building**”).

Based on these facts, the Port Authority has a sound basis for finding that the proposed District meets the Coverage Test.

**Condition of Improvements Test**

To create the District, the Port Authority must find that more than 50% of the buildings located within the proposed District are “structurally substandard to a degree requiring substantial renovation or clearance.” *Minn. Stat. § 469.174, Subd. 10(a)(1)*. To qualify as structurally substandard the building must contain “defects in structural elements or a combination of deficiencies in essential utilities and facilities, light

and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.” *Minn. Stat. § 469.174, Subd. 10(b)*. In addition, no building can be considered structurally substandard if it is in compliance with the building code applicable to new buildings or can be modified to satisfy such building code at a cost of less than 15% of the cost of constructing a new structure of the same square footage and type on the site. *Minn. Stat. § 469.174, Subd. 10(c)*.

In its Assessment, the Consultant determined that Building: (i) is structurally substandard in that it contains structural deficiencies and other deficiencies of the kind outlined in the statute which, in total, justify substantial renovation or clearance of such building; and (ii) does not comply with the building code applicable to new buildings and that the cost of modifying it to comply with code requirements would exceed 15% of the cost of constructing a new building of the same square footage and type on the site. In reaching these conclusions the Consultant has correctly stated the statutory requirements as interpreted by case law.

The Assessment unambiguously supports the conclusion that the Building is structurally substandard. Based on the Assessment, the Port Authority has a sound basis for finding that the proposed District meets the Condition of Improvements Test.

Please let us know if we can be of any further assistance.

Very truly yours,

Stinson Leonard Street LLP

A handwritten signature in cursive script that reads "Stinson Leonard Street LLP". The signature is written in dark ink and is positioned below the typed name of the firm.