


MEMORANDUM

To: BOARD OF COMMISSIONERS **Meeting Date:** February 22, 2022

From: Bruce Kessel 

Subject: **APPROVAL OF THE TEMPORARY SPENDING PLAN FOR TAX INCREMENT FINANCING BALANCES IN GREAT NORTHERN BUSINESS CENTER—SOUTH, GRIFFIN, WESTMINSTER, AND WILLIAMS HILL REDEVELOPMENT TAX INCREMENT FINANCING DISTRICTS
RESOLUTION NO. 4713**

Action Requested:

Approval of the Temporary Spending Plan for tax increment financing balances in Great Northern Business Center—South, Griffin, Westminster, and Williams Hill Redevelopment Tax Increment Financing Districts.

Background:

During the 2021 Minnesota Legislative Session, a temporary amendment by way of a new subdivision to Minnesota Statutes § 469.176, Subd. 4n, was adopted, which, among other uses, included new opportunities to use tax increment financing balances from existing districts to stimulate new construction of private buildings.

Cash balances in existing TIF districts can be used to provide improvements, loans, interest rate subsidies or assistance in any form to private development consisting of the construction or substantial rehabilitation of buildings and ancillary facilities, if doing so will create or retain jobs in the state, including construction jobs, and that the construction commences before December 31, 2025, and would not have commenced before that date without the proposed assistance. The only procedural requirement is a public hearing with at least a 10-day notice in the newspaper and the City of Saint Paul must approve of the spending plan. Any cash balances must be expended by December 31, 2025.

Current Status:

The Port Authority of the City of Saint Paul (“Port Authority”) has four TIF districts that have cash balances that could be utilized as described, in the following Redevelopment Tax Increment Financing Districts:

	Cash on Hand <u>12-31-2020</u>	Unobligated <u>2021</u>	Unobligated <u>2022</u>	Total <u>Available</u>
GNBC South	\$ 68,038	\$ 235,662	\$196,300	\$500,000
Griffin	207	163,000	136,793	300,000
Westminster	58,939	1,211,961	1,029,100	2,300,000
Williams Hill	<u>\$900,992</u>	<u>1,506,008</u>	<u>1,493,000</u>	<u>3,900,000</u>
	\$1,028,176	\$3,116,631	\$2,855,193	\$7,000,000

Footnote: GNBC South (Great Northern Business Center South – Dale Street)

The cash on hand and generated through December 31, 2022, after meeting the debt service requirements on debt incurred for the development of these districts is available cash under the Statute. Because these districts are performing better than original projections, we are able to meet the scheduled debt service payments as well as generate the cash balances which will be used to stimulate private development. After December 31, 2022, we will pay down the Districts' debt as soon as is allowed by the terms of the debt and will then decertify the Districts.

Staff has identified four potential risks associated with adopting and implementing this plan, namely: 1) the funds are not used; 2) no private development occurs before December 31, 2025; 3) funds that are transferred were not eligible for the special legislation; and 4) the funds were used in a way that did not meet the statutory requirements. If the funds are not used, there is no financial risk in that the funds would be returned to the associated TIF District. Our proposed use of these funds was reviewed by outside counsel as well as The City of Saint Paul (the "City) staff to ensure the intended uses conform to the statutory requirements as well as being consistent with the City/HRA's format for their Temporary TIF Spending Plan and related actions.

The master plan for the Hillcrest project should go before the City Council in the next several months. Until the master plan is adopted no funds would be spent. Upon adoption of the master plan, the associated public improvement plan for the project would be finalized and bids would be obtained to begin the necessary infrastructure work. Several private businesses appear willing to enter into negotiations to purchase some of the industrial development sites as soon as it is ready for development, which should be shortly after the necessary infrastructure is in place to meet their needs; it should be noted that they have all indicated that they would not be interested in site(s) if they bore the entire cost of the land and related public infrastructure in that the associated costs would exceed the value of the site. This activity could occur in 2023 which is two years before the statutory end date for one private development to occur before December 31, 2025. Lastly, if these funds are spent and it is later determined that they were ineligible outlays, they would need to be repaid. This is the same risk that occurs with any use of TIF or bond proceeds. We deem this risk to be low in that we have obtained outside counsel's input into its use.

Proposal:

We are recommending that the attached resolution and spending plan be approved and presented to the City Council for their approval at a public hearing. The proposed spending plan allows the President of the Port Authority to identify potential uses of the TIF balances that meet the terms of the legislation and requires the approval of the Port Authority Board of Commissioners prior to the use of any portion of the TIF balances. This would meet the statutory requirements and allow us to react quickly when the right opportunity occurs.

Recommendation:

We recommend approval of the Temporary Spending Plan for tax increment financing balances in Great Northern Business Center—South, Griffin, Westminster, and Williams Hill Redevelopment Tax Increment Financing Districts.

Attachment: Resolution