

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

**REPORT TO THE COMMISSIONERS**

**DATE: AUGUST 9, 2023**

**REGARDING: RESOLUTION APPROVING (I) THE ESTABLISHMENT OF THE LANDMARK TOWERS TAX INCREMENT FINANCING DISTRICT (A REDEVELOPMENT DISTRICT) IN THE SEVENTH PLACE REDEVELOPMENT PROJECT AREA AND A TAX INCREMENT FINANCING PLAN THEREFOR, (II) AN AMENDMENT TO THE TAX INCREMENT FINANCING PLAN FOR THE MINNESOTA EVENT TAX INCREMENT FINANCING DISTRICT; AND (III) APPROVING AN HRA BUDGET AMENDMENT, ALL FOR THE LANDMARK TOWERS PROJECT, DISTRICT 17, WARD 2**

## **Requested Board Action**

Authorization to approve the establishment of the Landmark Towers Redevelopment Tax Increment Financing District (the “Landmark Towers TIF District”) and tax increment financing plan for the TIF District (the “Landmark Towers TIF Plan”), amendment to the Minnesota Event District TIF Plan, and approve an HRA budget amendment consistent with the Landmark Towers TIF Plan. A City Council public hearing will be held on this same date considering a companion resolution approving the establishment of the Landmark Towers TIF District by the HRA.

## **Background**

Sherman Ventures Management LLC, an affiliated entity of Sherman Associates, (the “Developer”) has executed a purchase agreement to acquire the Landmark Towers Offices and Landmark Towers Parking (the “Property”), (addresses include 336 Market Street, 59 Fourth Street West and 345 St. Peter Street) and has submitted an application to the HRA requesting the establishment of a new redevelopment TIF district to advance private development of the Property. The HRA retained the services of LHB, Inc. to complete a TIF Eligibility Assessment of the proposed development site including 84 tax parcels comprising the Landmark Towers building which includes the office space, residential condominium units and adjacent parking structure. A total of 17 parcels are owned by individuals as their residences and 16 as their associated parking stalls. This assessment determined that the proposed TIF district parcels met the qualifications of

a Redevelopment TIF district including 100% improved parcels and the existence of one substandard building.

The proposed TIF District is being created to facilitate the conversion of the office portion of the building into 187 market-rate rental housing units, related parking improvements and exterior streetscaping and other improvements to the pedestrian experience along 4<sup>th</sup> Street and Market Streets (the “Development”). The Developer has received Part 1 approval from the National Park Service to list the Landmark Towers building (aka Amhoist Tower) on the national register. The proposed redevelopment is the only way to both preserve the historic structure and reposition the blighted property.

This Landmark Towers TIF Plan is expected to achieve many of the objectives outlined in the Redevelopment Plan for the Redevelopment Project Area through the removal of blighting conditions, expanding the tax base and construction of housing units.

These parcels are currently part of the Minnesota Event District TIF plan (a redevelopment TIF district). The action today will include the amendment of the Minnesota Event District TIF Plan to remove these parcels enabling the establishment of the new Landmark Towers Redevelopment TIF district. A copy of the amendment to the Minnesota Event District TIF Plan is **attached**.

The property to be included in the Landmark Towers TIF District is located in Planning District #17 (Capitol River Council). The neighborhood profile for Planning District #17 is **attached**. A map of the proposed Landmark Towers TIF District and Project Area is also **attached**.

The Developer expects to engage with the St. Paul Downtown Alliance and other stakeholders prior to and throughout the redevelopment process.

### **Budget Action**

The HRA is approving a budget amendment to align with the financing and spending included in the Landmark Towers TIF Plan. The budget amendment is included in the **attached** Financial Analysis which includes the payment of principal and interest under the Pay-As-You-Go TIF Note

listed under Other Qualifying Public Improvements. The budget also includes expenditures for Administration and Interest.

### **Future Action**

The City Council will consider a resolution approving the Landmark Towers TIF District and TIF Plan on this same date.

Planning and Economic Development (PED) staff will return to the HRA Board of Commissioners to request approval of a TIF Development Agreement, providing the terms and conditions of the TIF financing to complete the Development. The Developer has requested HRA Board approval of the TIF Plan now in order for the Developer to move forward with acquiring the Property, which is supported by PED staff.

### **Financing Structure**

Due to the high cost of redeveloping and adaptively reusing an historic building, the project is feasible only through assistance from tax increment financing along with the Federal and State historic tax credits. As mentioned above, the building has been surveyed and qualifies as a substandard building and all other conditions have been met to qualify the Property as a Redevelopment District under Minnesota Statutes. Upon final analysis of the amount of tax increment financing needed, it is anticipated that the TIF will be structured as a pay-as-you-go note to the Developer in an amount up to 90% of the TIF generated to go toward eligible redevelopment expenses.

The tax increment revenue projections included in the TIF Plan were prepared by PED staff with input from Ramsey County based on the development plan detailed by the Developer. A copy of the TIF Plan is **attached**. The tax increment revenue projections utilize the following assumptions:

- Total taxable market value once constructed of \$70,143,441 (which includes the 33 parcels used by the residential owners as living units and parking stalls and not projected to change);
- The base value for the district is \$21,898,341 as most recently assessed earlier this year, resulting in \$48 million of increased market value;

- Delay first receipt of increment to Pay 2026, resulting in final collection year of Pay 2051;
- Total annual tax increment collected by the HRA when fully complete is estimated at \$826,771; and
- Producing total tax increments collected from the tax parcels over the 26 years of \$21,290,000.

The budget included in the Landmark Towers TIF plan totals \$21,940,000 as follows:

**Estimated Sources of Revenue**

|                                     |                     |
|-------------------------------------|---------------------|
| Tax Increment Revenues (1)          | \$21,290,000        |
| Interest and Investment Earnings    | \$650,000           |
| <b>Total Tax Increment Revenues</b> | <b>\$21,940,000</b> |

**Estimated Project Costs**

|                                      |                     |
|--------------------------------------|---------------------|
| Site Improvements/Prep Costs         | \$9,200,000         |
| Construction of Affordable Housing   | \$650,000           |
| Administrative Expenses              | \$2,128,000         |
| Interest Expenses                    | \$9,962,000         |
| <b>Total Estimated Project Costs</b> | <b>\$21,940,000</b> |

**Historic Tax Credits**

The Development is only feasible with Federal and State historic tax credits to be secured upon full approval from the National Park Service.

**PED Credit Committee Review**

Review and determination of the proposed terms of the proposed TIF Note to finance the total cost of the Development will be completed by the PED Credit Committee prior to the future HRA Board action considering approval of a TIF Development Agreement.

**Compliance**

The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, City Labor Standards, Project Labor Agreement, and the Two-Bid Policy.

**Green/Sustainable Development**

The Development in the TIF district will comply with the Saint Paul Sustainable Building Ordinance.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

The Landmark Towers building is listed on the National Register of Historic Places. In order to receive federal and state historic tax credits all improvements to the building will need to meet the Secretary of the Interior's (SOI) Standards for Rehabilitation and be reviewed by the State Historic Preservation Office (SHPO) and National Park Service. No federal funds are being provided to the project at this time, therefore no Section 106 review process is required.

### **Public Purpose/Comprehensive Plan Conformance**

This project meets the public purpose objective of providing high density housing downtown in proximity to the Green Line Light Rail station. The project is in conformance with the City of Saint Paul's Comprehensive Plan. The office-to-residential conversion project supports strategies in the following plans.

- The Downtown Development Strategy (2003) supports a growing downtown residential neighborhood. Policy 4.1 calls for increasing the number of housing units downtown.
- Comprehensive Plan (adopted 2020)
  - Land Use Chapter Policies:
  - A goal of the chapter is economic and population growth focused around transit.
  - Policy LU-1. Encourage transit-supportive density and direct the majority of growth to areas with the highest existing or planned transit capacity.
  - Policy LU-25. Continue to strengthen Downtown as a residential neighborhood that provides services and amenities for people of all ages.
- Heritage and Cultural Preservation Goals and Policies:
  - A goal of the chapter is the preservation of built, cultural and natural environments that express the identity and sense of place of Saint Paul.

- Policy HP-6. Maintain and preserve designated and determined eligible historic and cultural resources.
- Policy HP-15. Utilize historic and cultural resources to support neighborhood revitalization and reinvestment, focusing increased density along transit corridors.

**Recommendation:**

The Executive Director recommends approval of the resolution which shall: i) approve the establishment of the Landmark Towers Redevelopment TIF District and TIF Plan; ii) approve the amendment to the Minnesota Event District TIF Plan; and (iii) approve an HRA budget amendment consistent with the Landmark Towers TIF Plan.

**Sponsored by:**            **Commissioner Noecker**

**Staff:**                    Jules Atangana (266-6660) and Jenny Wolfe (266-6680)

**Attachments:**

- Amendment to Minnesota Event District TIF Plan
- D17 Downtown Neighborhood Profile
- Map
- Financial Analysis
- Landmark Towers Redevelopment TIF Plan