

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 12, 2016

REGARDING: RESOLUTION APPROVING THE DECERTIFICATION OF THE PENFIELD REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT AND THE TERMINATION OF THE DEVELOPMENT AGREEMENT WITH PENFIELD APARTMENTS LLC, DISTRICT 17, WARD 2

Requested Board Action

The actions being requested of the HRA Board are as follows:

1. Authorization to terminate the Development Agreement between the Penfield Apartments LLC and the Housing and Redevelopment Authority of the City of Saint Paul.
2. Authorization to request decertification of the Penfield Redevelopment TIF District.

Background

On February 22, 2012, the Housing and Redevelopment Authority of the City of Saint Paul (HRA) approved the development of the Penfield project which included 254 market rate apartments and a Lunds & Byerlys grocery store. The HRA authorized the creation of the Penfield Apartments LLC (LLC), which is solely owned by the HRA, created the Penfield Redevelopment TIF District, authorized the execution of a Development Agreement with the issuance of a TIF pay-go note to the Penfield Apartments LLC and made a \$19.2 million investment in the \$62 million Penfield Apartment project. However it was not the intent of the HRA to be a long term owner.

On September 22, 2016, the LLC closed on the sale of the property to 10th Street East LIPT LLC (LIPT), also known as LaSalle Financial Management, for \$65.5 million. Termination of the \$8.3 million pay-go TIF note was a condition of the sale to LIPT. The HRA will authorize the termination of the Development Agreement via a termination agreement. Execution of the termination agreement by the HRA and LLC will cancel the TIF Note. With the cancellation of the TIF note, the HRA can close the 25 year TIF district early. The proposed resolution indicates the TIF district will be closed effective October 14, 2016. The second half collection of tax increments from the TIF District for Pay 2016 will be redistributed by Ramsey County to the

appropriate taxing jurisdictions. The HRA actions to terminate the Development Agreement and decertify the TIF District are contingent upon actions by the LLC to approve, similarly, the termination of the Development Agreement and cancellation of the TIF note. The LLC will hold a meeting on this same date, October 12, 2016, following the HRA meeting and act on this matter.

Recommendation:

The Executive Director recommends approval of the attached resolution.

Sponsored by: Commissioner Noecker

Staff: Marie Franchett, 266-6702