

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2023

**REGARDING: RESOLUTION APPROVING AND AUTHORIZING (i) THE ESTABLISHMENT OF THE HEIGHTS SHERMAN ASSOCIATES PHASE I HOUSING TAX INCREMENT FINANCING DISTRICT N THE PROJECT AREA (ii) A TAX INCREMENT FINANCING PLAN THEREFOR AND, (iii) AN HRA BUDGETAMENDMENT, DISTRICT 2, WARD 6**

## **Requested Board Action**

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners to approve the attached Resolution approving the establishment of The Heights Sherman Associates Phase I Housing Tax Increment Financing District (the “TIF District”) located on The Heights site and adoption of a TIF Plan.

## **Background**

In 2019, the 112-acre former Hillcrest Golf Course site was purchased by the Saint Paul Port Authority (SPPA) using bonding authorized by the Saint Paul City Council via Ordinance 19-39. Ordinance 19-39 established the framework for the arrangement between the City and the SPPA. A requirement of the ordinance was to develop a Master Plan to guide future development of the site. On June 1, 2022, the Saint Paul City Council approved the Hillcrest Master Plan and associated actions (rezoning, zoning code amendments, and Comprehensive Plan amendment). The Master Plan outlines future land uses and a new street network for the site. The City worked alongside community members, consultants and the SPPA to develop the Master Plan, and engaged residents through the process to determine how to build opportunity and community wealth on the site, now known as The Heights.

The overall site priorities for both the housing and light industrial, production and modern manufacturing include:

- 1,000 jobs
- 1,000 households

- 20 acres of parks, trails, and open space
- Neighborhood Node

Affordable housing priorities were established during the Master Plan process. The housing portion of the site includes 25 acres of land available with both T1 (traditional neighborhood) and traditional Neighborhood + Mixed Use, except (drive- through). The housing priorities include: rental, owner occupied, market rate, affordable, deeply affordable, multi- generational households and senior living.

All affordable housing developments seeking public assistance on The Heights site will be individually underwritten to ensure reasonable development costs and maximization of all available sources, as is customary for any requests throughout the City.

**Current Actions:**

The HRA has received an application from Sherman Associates requesting tax increment financing assistance to construct an affordable development with 230 rental units with 20% of the units restricted to households at 50% area median income (AMI).

“Parcel A1” Housing Proposal

Sherman Associates plans to develop “Parcel A1” an approximately 2.2 acre site on the southwest corner of Larpenteur Avenue and Howard Street (a portion of Lot 1, Block 9 of The Heights Plat). Parcel A1 will consist total of a 5-story building over structured parking (220 spaces) with a total building square footage of 273,000 SF. The building will have 230 units of affordable housing. Forty-six of the units will be income-restricted to households at 50% of AMI, which is 20% occupancy of the total building occupancy. The project will include studios, 1-bedroom units, 2-bedroom units, and 3-bedroom units. The building amenities include on-site management and lease office, conference room, fitness center, party lounge, and outdoor swimming pool.

Unit Type	# of Units	Area Median Income Limits
0 Bedroom	9	50%
0 Bedroom	37	Mkt rate
1 Bedroom	23	50%

1 Bedroom	92	Mkt Rate
2 Bedroom	11	50%
2 Bedroom	46	Mkt Rate
3 Bedroom	2	50%
3 Bedroom	10	Mkt Rate
Total	230	

The Saint Paul HRA prepared the TIF Plan to assist in financing the Parcel A1. The TIF Plan will be considered by the City Council following a public hearing on December 20, 2023. With this action, the HRA Board will complete the required action to establish The Heights Sherman Associates Phase I TIF District and adopt the TIF Plan. City staff expect to seek approval for TIF assistance for the Sherman Associates development from the HRA Board in 2024.

Information from the TIF Plan is shown below:

- Total estimated market value in TIF District: \$46 million.
- TIF collection period: 2027 through 2052.
- Total TIF budget is \$17.73 million, including interest/investment earnings.
- Budgeted uses include: \$8.928 million for affordable housing construction; \$1.705 million for administrative costs and \$7.097 million for interest expenses.

There are two other housing TIF districts being considered as separate action items on this same date: one includes an affordable rental housing project to be developed by JO Companies between 30 – 60% AMI and one includes an affordable ownership housing project to be developed by the Twin Cities Habitat for Humanity.

**Budget Action**

The HRA is approving a budget amendment to align with the financing and spending included in the TIF Plan. The budget amendment is included in the Attached Financial Analysis.

**Future Action**

PED staff will return to the HRA Board to request approval of a Development Agreement by and among the HRA and Sherman Associates that will have all the terms and conditions of the project

to be completed and the final amount of TIF supported by the TIF District and needed to help finance the Project.

**PED Credit Committee Review**

The Credit Committee will review the proposed TIF assistance for the Project prior to the proposed HRA Board consideration mentioned above.

**Compliance**

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

**Green/Sustainable Development**

The Sherman Associates project will comply with Saint Paul Sustainable Development Ordinance.

**Environmental Impact Disclosure**

N/A

**Historic Preservation**

N/A

**Public Purpose/Comprehensive Plan Conformance**

1. The proposed Heights development is consistent with Comprehensive Plan policies, including LU-30 (growth at Neighborhood Nodes), LU-2 (pursuing redevelopment of Opportunity Sites as employment centers), LU-32 (establishing open space at Neighborhood Nodes), LU-6 (facilitating business creation/attraction, supporting family-sustaining jobs, and growing the tax base), LU-34 (providing medium-density housing in Urban Neighborhoods), and H-16 (increase housing choice to maximize housing and locational choices for residents of all income levels).
2. Specific to the housing proposals, they are consistent with Comprehensive Plan policies H-16 (increase housing choice to maximize housing and locational choices for residents of all income levels), H-31 (support the development of new affordable housing units throughout the city), and H-42 (pursue funding sources for affordable housing production).

**Recommendation:**

The Executive Director recommends and requests the HRA Board of Commissioners consider adoption of the attached Resolution which will approve the establishment of The Heights Sherman Associates Phase I Housing TIF District and adoption of the TIF Plan for the Sherman Associates affordable housing project.

**Sponsored by:** Commissioner Nelsie Yang

**Staff:** Dan Bayers 651-266-6685; Angela Riffe 651-266-8524

**Attachments**

- **Financial Analysis**
- **Map**
- **D2 Greater East Side Neighborhood Profile**
- **The Heights Sherman Associates Phase I Housing TIF Plan**