



# SAINT PAUL PORT AUTHORITY

## MEMORANDUM

**TO:** BOARD OF COMMISSIONERS  
(Regular Meeting of September 22, 2015) **DATE:** September 17, 2015

**FROM:** Bruce A. Kessel   
Lee J. Krueger 

**SUBJECT:** Approval – Wabasha and Sixth Street Redevelopment Tax Increment Financing (TIF) Plan  
Resolution No. 4552

### Action Requested:

The Port Authority Board of Commissioners:

- Determine that the building at 396 Wabasha Street is substandard.
- Approval of the Wabasha and Sixth Street Redevelopment Tax Increment Financing (TIF) Plan, creation of the related TIF district and approval of a Pay-As-You-Go Note to the developer.

### Public Purpose:

The Port Authority seeks to create jobs and increase the tax base of Saint Paul through redevelopment of a site at Wabasha Street North and Sixth Street East ("Wabasha Site"). We believe the Wabasha Site can be redeveloped for approximately 340,000 square feet of parking and 175,000 square feet of commercial space, yielding approximately 100-150 jobs. When redeveloped, the Wabasha Site will generate private investment in the building and equipment, and additional property taxes for the City of Saint Paul.

### Business Subsidy:

N/A

### Background:

The Saint Paul Port Authority acquired the Wabasha Site in January, 2014. In 1977, the Board of Commissioners approved the creation of the Downtown Industrial Development District, which encompasses the Wabasha Site. The Wabasha Site had been used as a department store dating back over 40 years. Site investigation has found that the building is substandard and development of the site is not possible without being redeveloped. It is the intention of the Port Authority to finance a portion of the project through the creation and certification the Wabasha and Sixth Street TIF Redevelopment District. The Port Authority board is finding that the property is substandard, as well as approving a TIF District which includes this property in the district.

**Substandard Determination:**

CR-BPS, Inc. prepared a report analyzing the substandard condition of the parcels which has been reviewed by legal counsel at Stinson Leonard Street, LLP.

Both the CR-BPS, Inc. report and legal counsel have found that the Wabasha Site meets the requirements of Section 469.174, Subd. 10 of Minnesota Statutes for inclusion in a Redevelopment Tax Increment District.

Specific evaluation involved testing the following:

1. Coverage: The parcels are 70% improved by buildings, streets, utilities, pavement, etc.
2. Condition of Building: Defects in structural elements or combination of other deficiencies justify substantial renovation or clearance.
3. Code Test: Cost to bring existing building up to code is more than 15% of the costs of building a new building

Making these findings will qualify this property for a 25-year Redevelopment Tax Increment District, which yields the most funds to pay project costs.

**Creation of a TIF plan and TIF district:**

The \$52,000,000 of estimated new construction at this Wabasha Site would not be expected to occur in the reasonably foreseeable future without the use of tax increment financing. There has been no significant development or redevelopment in the District.

The Port Authority has developed a redevelopment finance plan for the Wabasha Site, which contains several different funding sources, including tax increment financing. The Port Authority anticipates that the majority of the development will take place in 2016 which will be used to calculate the property taxes payable in 2018. As such, the TIF Plan will request that TIF tax receipts be delayed until the 2018 property tax year.

It is expected that the Port Authority will issue to the developer a Pay-As-You-Go Note for approximately \$11,077,000 at five percent (5%) interest, to be reimbursed with TIF increment to assist in paying for a portion of the redevelopment of the parcel. It is anticipated that the Port Authority will not retain all the tax increment generated by the development but rather a portion of the increment will be redistributed back to the local taxing jurisdictions. If any increment then remains, the Port Authority may reimburse itself for any funds advanced to this project, plus interest at the lesser of the one-year treasury plus two percent or the maximum allowed rate under state statutes.

This plan will be reviewed by Ramsey County, the Saint Paul Public School District and the City of Saint Paul. A City Council public hearing is scheduled for October 21, 2015 at 5:30 p.m. The plan must be approved by the City Council.

**Recommendation:**

Make findings of fact related to substandard condition of the building located at 396 Wabasha Street (Macy's site) and approval of the Wabasha and Sixth Street Redevelopment Tax Increment Financing (TIF) Plan, the creation of the related tax increment financing district, and approval of the Pay-As-You-Go Note.

BAK/lkw

Attach.