

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

**REPORT TO THE COMMISSIONERS**

**DATE: June 25, 2014**

**REGARDING:**       **Resolution Approving the Establishment of a Tax Increment Financing District and Approving a Tax Increment Financing Plan (Custom House/Post Office Redevelopment Project), District 17, Ward 2**

## **Requested Board Action**

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners to adopt the attached resolution approving the adoption of a Tax Increment Financing (TIF) Plan for the Custom House/Post Office Development Tax Increment Financing District.

## **Background**

On August 16, 2013, Ironton Management, LLC (Chief Manager, Jim Stolpestad) purchased the Main Post Office Building located at 180 Kellogg Boulevard from the U.S. Postal Service. Their goal is to historically preserve and redevelop the building into a mixed-use market rate rental housing and hotel development with enclosed parking, and lower floor commercial/retail space. Originally constructed in 1934, this art deco style building is very well built and in good condition, however the work to update and convert this historic structure will be especially challenging due to the sheer size and layout of the building. There is a 17 story tower, a 6 story annex that was added on in 1961, and a basement/subbasement all of which contain more than 750,000 gross square feet. The basement/subbasement and floors 1-5 are mostly wide-open flexible space. Floors 6-16 have uniform floor-plates that lay out well for housing units. Floor 17 is mechanical. The building's height and proximity to the river offer spectacular unobstructed views, both upstream and downstream, as well as good views of downtown.

The redevelopment plan currently proposed by Ironton consists of up to 220 market rate rental housing units using the upper floors 6-16 of the main building. The lower three floors 2-4 will be sold to a hotel operator for a 150 room hotel. The first floor will have a lobby that serves both

the housing and the hotel, and an area for another commercial use such as a restaurant. There will be ample space for interior parking stalls for both the housing and hotel. The immediate plan for the lower levels of the annex space is for individual rental storage units.

Other challenges to the redevelopment include the pedestrian and vehicle access to the building. There is only one pedestrian entrance off of Kellogg and if converted into a mixed-use building it is likely they will require another pedestrian access point. There is vehicle access from both Jackson and Sibley, but both streets are steeply sloped and access is awkward. The sidewalk along Kellogg is fairly narrow and uninviting with little to no streetscaping, and the crosswalk on the south side of Kellogg across Jackson should be improved. Any and all public-realm improvements will need to be coordinated with other area transportation planning needs such as better connections to the river.

### **Budget Action**

The Tax Increment Financing Budget is outlined in Attachment A to the Resolution approving the TIF Plan.

### **Future Action**

Planning and Economic Development (PED) staff will return to the HRA Board of Commissioners to request approval of a final Development Agreement with the Developer providing the terms and conditions of the TIF financing to the project. It is necessary to receive HRA Board approval of the TIF Plan now in order for the Developer to move forward with environmental clean-up and interior demolition work to be funded with State DEED and Met Council grants already awarded to the project.

### **Financing Structure**

#### **TIF**

Due to the high cost of redeveloping and adaptively reusing an historic building, the project is feasible only through assistance, in part, from tax increment financing. The building has been surveyed and qualifies as a substandard

building and all other conditions have been met to qualify the parcel 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 Developers in an amount not to exceed more than 65% of the TIF generated to go toward eligible redevelopment expenses. The remaining tax increment is budgeted for administration costs, and an affordable housing pool and/or public realm improvements.

### **Historic Tax Credits**

It is anticipated that both State and Federal historic tax credits will be used to help finance the project.

### **Grants**

The project has already been awarded two grants including \$850,000 from the Metropolitan Council through their Tax Base Revitalization Account (TBRA) program, and \$725,000 from the Department of Employment and Economic Development (DEED) from the Redevelopment Grant program. Both grants will be used to complete primarily environmental clean-up activity such as asbestos removal, demolition, and lead based paint abatement.

### **PED Credit Committee Review**

PED Credit Committee will review final terms and conditions of the TIF financing upon final negotiations with Ironston and prior to PED staff returning to the HRA Board for final approval.

### **Compliance**

The following compliance requirements will apply to this project including the Vendor Outreach, Affirmative Action, Little Davis Bacon, the 2-Bid Policy and Living Wage. A pre-construction meeting will be scheduled after final HRA Board approval and before a final closing on financing. The Project will use all

union labor for the construction and there will be an executed Project Labor Agreement.

### **Green/Sustainable Development**

This is an adaptive reuse of an existing historic building and the Sustainable Development Policy does not apply. However, the Developer is planning add sustainable element including designing the apartment to maximizes views and daylight and install new windows that will improve heat efficiency, helping to reduce utility usage. They will provide new lighting systems in compliance with the Minnesota State Energy Code (Ashrae 90.1 2004). All fixtures will be either compact fluorescent or LED. The public space lighting will be controlled by occupancy sensors and dimming controls. The new plumbing fixtures will be water efficient (i.e. “low flow”) and they will use energy star appliances. There will be on-site bike storage. The building materials will be of low VOC type to eliminate/minimize any negative effects from off gassing. They will recycle building materials during construction. And the building HVAC will be powered by district heating and cooling.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

The Custom House was listed on the National Register of Historic Places on 5/19/14. The building does not fall within the local Lowertown Heritage Preservation District boundaries, however, 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. During the sale of the property from the U.S. Postal Service, covenants were placed on the property that any work (regardless of federal or state funding) must be reviewed to meet the SOI Standards in perpetuity.

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

This project meets several public purpose objectives including providing high density rental housing near the Green Line Light Rail station and historic preservation. The project also conforms to the public purpose to develop or redevelop sites, lands or areas within the Project Area in conformance with the City of Saint Paul's Comprehensive Plan, and to implement recommendations of studies completed, in order to implement the City's Comprehensive Plan.

This project supports strategies in the following plans:

### **Comprehensive Plan (adopted 2010)**

This project supports strategies to realize the full economic potential of key historic resources (Strategy HP 5.3) and to invest in historic resources along transit corridors as part of a larger neighborhood revitalization and reinvestment strategy (Strategy HP 5.4).

### **Greater Lowertown Master Plan (adopted 2012)**

This project supports land use and housing strategies in this Plan to prioritize building rehabilitation over building demolition (Strategy 3.1) and renovation of buildings while providing for housing choices (Strategy 7.1)

### **Downtown Station Area Plan (adopted 2010)**

This project generally supports strategies in this Plan to promote the reuse of historic buildings. This Plan identifies and supports the Post Office building as a high-profile mixed-use redevelopment opportunity adjacent to the Union Depot Station that will further the significant transit and infrastructure investment in this area.

## **Recommendation:**

The Executive Director recommends the HRA Board of Commissioners consider approval of the attached resolution which approves the Tax Increment Financing Plan and establishes the Tax Increment Financing District for the Custom House/Post Office Redevelopment Project.

**Sponsored by:** Commissioner Dave Thune

**Staff:** Diane Nordquist, 651-266-6640

#### **Attachments**

- **Attachment A -- Resolution**
- **Attachment B -- Map/Address of Project**
- **Attachment C -- *Project Summary Form***
- **Attachment D -- *Sources and Uses Summary Form***
- **Attachment E -- *Public Purpose Form***
- **Attachment F -- Census Facts**