

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

REPORT TO THE COMMISSIONERS

DATE: January 23, 2013

**REGARDING: APPROVAL OF BUDGET AMENDMENT TO TRANSFER FUNDS
FOR THE CENTRAL CORRIDOR READY FOR RAIL SMALL
BUSINESS LOAN PROGRAM**

Requested Board Action

Adopt the attached Resolution and budget amendment (Attachment A) allowing for \$1,000,000 in Fund 119 to be transferred to the Ready For Rail Small Business Mitigation Loan Program. A companion City Council action will request a transfer of \$1,000,000 in STAR Funds to Fund 119.

Background

The Metropolitan Council is constructing an eleven-mile light rail transit line known as the Central Corridor Light Rail Transit Project (“CCLRT Project”) between downtown Saint Paul and Minneapolis. Heavy construction associated with the CCLRT Project began in August 2010 and is now complete. The cities of Saint Paul and Minneapolis have implemented a business support program, referred to as Ready For Rail (R4R), to provide incentives for small businesses to plan and prepare for the potential business disruptions that might occur in connection with the construction of the CCLRT Project. Another goal is to incent those businesses to continue operating at their existing locations after construction is completed and the CCLRT line is operating.

On January 12, 2011, the HRA approved the original Joint Powers Agreement (JPA) with the Met Council to implement a \$1,500,000 Program.

On June 8, 2011, the HRA approved an amendment to the JPA and accepted an additional \$1,500,000 from the Met Council for the R4R Program. Also, subject to HRA approval, the amendment states the HRA will make up to \$1,000,000 available to help implement the

Program. This anticipated additional \$1,000,000 would be funded from an HRA source in exchange for Met Council funding City priorities in the City's Betterment budget.

Originally, the R4R Program was funded at \$3,000,000; \$500,000 funded by the Central Corridor Funders Collaborative and a total of \$2,500,000 from the Met Council.

The Met Council offered to increase the Program by \$1,000,000 but their source is restricted to capital costs only; operating expenses are not eligible. The Met Council asked if the City had an eligible funding source that could be 'swapped' in exchange for the Met Council reimbursing the City for streetscape improvements that the City had committed to fund in the 2010 Central Corridor Streetscape CIB Budget. There are four sources of funds budgeted for streetscape improvements; CIB, TIF, STAR and Assessment Bonds.

PED and OFS staff are recommending that the best solution is to swap parking revenues set aside for capital improvements in Fund 119 with \$1,000,000 of STAR funds budgeted for the 2010 Central Corridor Streetscape CIB budget. The STAR funds (Fund 930) could then be deposited in Fund 119 to be used to fund scheduled HRA parking ramp capital repairs thereby freeing up parking funds for the R4R Program. The City Council will be asked to amend the Streetscape budget at their January 23rd meeting allowing for the transfer of STAR funds to the Parking Fund. This change does not impact the completion of the betterments because Met Council funds paid for the improvements.

To summarize, as a result of the additional \$1,000,000 from the Met Council:

1. Streetscape improvements approved by the STAR Board and City Council are funded
2. R4R Program increases from \$3,000,000 to \$4,000,000
3. HRA Parking Fund is able to complete all scheduled repairs

Budget Action

Approve the attached budget amendment:

- Accepting the transfer of \$1,000,000 from the Central Corridor Streetscape CIB budget into the Parking Fund (Fund 119) contingent upon approval of the City Council and the STAR Board receiving a staff report scheduled for February 13, 2013.
- Transfer \$1,000,000 from the Parking Fund (Fund119) to the R4R Program (Fund103) thereby increasing the spending in the R4R Program to \$4,000,000.

Future Action - NA

Financing Structure

The current total funding pool for the Program is \$3,000,000. This action would increase the total funding pool to \$4,000,000.

Loans to eligible small businesses (“Borrowers”) will be interest-free and forgiven if the business can certify, each year, its operating presence on the CCLRT corridor. The repayment period for each loan will be five (5) years and forgiven 20% for each year the business remains on the corridor. Repayment of the loans will be secured by promissory notes or other appropriate instruments.

To date, 217 loans for total of \$2,950,626 have been awarded to 174 small businesses on University Avenue.

PED Credit Committee Review - NA

Compliance

No compliance applies to this Program since the uses of funds are for working capital and current business expenses only.

Green/Sustainable Development - NA

Environmental Impact Disclosure - NA

Historic Preservation - NA

Public Purpose/Comprehensive Plan Conformance

There are 1,400 businesses along the CCLRT corridor, 200 of which are small retail businesses that rely on direct access for their customers. This Program is designed to provide financial assistance to these establishments, helping them prepare for the impact of LRT, survive during periods of construction and thrive on the Avenue once the CCLRT is operational – ultimately saving jobs on the corridor. And while these funds are a modest safety net for businesses, combined and leveraged with the additional resources provided by the Ready for Rail program and the eight advocacy and business service organizations involved, this program will help businesses be proactive in their preparation and better positioned to market their products and services now and when the line is complete.

Recommendation:

The HRA Executive Director recommends that the attached Budget Amendment be approved.

Sponsored by: Commissioners Carter, Stark and Chair Thune

Staff: Patricia Lilledahl (266-6593)

Jenny Wolfe (266-6680)

Attachments

- **Attachment A -- Resolution**