

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 12, 2012

REGARDING: Resolution Approving Second Amended Spending Plan, Amended Loan Documents for J&J Distributing and West 7th/Fort Road Federation, Inc., and Amended Budget, All Relating to the Jobs Bill (Wards 1 and 2, Districts 7 and 9, Citywide)

Requested Board Action

Approval of the attached resolution (**Attachment A**):

- Amending the Spending Plan in compliance with MN Statutes 469.176, Subd. 4m Temporary authority to stimulate construction (“Jobs Bill”);
- Approving amended Loan Documents for J&J Distributing and West 7th/Fort Road Federation, Inc.; and
- Approving an amended budget.

Background

In April, 2010, the Minnesota legislature enacted a Jobs Bill that included several provisions that expanded the use of tax increment financing to stimulate job creation. The legislation required that a public hearing on a Spending Plan be held at the City Council and that the HRA adopt a Resolution approving the Spending Plan.

The City Council held a public hearing on September 1, 2010 and the HRA adopted a Spending Plan on September 8, 2010. The purpose of the Spending Plan was to develop or redevelop sites, land, or areas within the City of Saint Paul in conformance with the City’s Comprehensive Plan by using available tax increments from various TIF Districts to provide improvements, loans, interest rate subsidies, or assistance in other forms for development to create or retain jobs, including construction jobs, as long as construction commenced before July 1, 2011 and would not have proceeded without the assistance.

In May, 2011, the Minnesota legislature amended the Jobs Bill legislation to allow one additional year of spending tax increments, through December 31, 2012, provided construction commenced before July 1, 2012. (This language is only applicable to non-housing projects.)

The original Spending Plan authorized total spending of up to \$7,700,000 and identified the following projects: (i) housing projects, including but not limited to the Frogtown Square Project and Westside Flats Project, (ii) commercial projects, including but not limited to, the J&J Produce (Urban Farm) Project and Cossetta’s Restaurant, (iii) mixed use developments including but not limited to the Schmidt and Hamms Brewery Projects, (iv) health care facilities, including but not limited to, the Comfort of Homes Medical Clinic Project, and (v) parking facilities, including but not limited to, parking lots to be located along the Central Corridor Light Rail Project.

The HRA adopted an Amended Spending Plan on December 22, 2011, enabling the extension of spending through December 31, 2012, and reallocating spending among various TIF Districts without increasing the total spending of \$7,700,000 for the following four projects:

▪ Frogtown Square:	\$1,419,552
▪ Cossetta’s Alimentari:	\$1,612,000
▪ J & J Distributing Urban Farms:	\$1,500,000
▪ Schmidt Brewery:	<u>\$1,895,715</u>
▪ Total Spending:	\$6,427,267

These four projects were the only projects approved for Jobs Bill spending. Two projects are complete (Frogtown Square and Cossetta’s) and two projects are ongoing and have requested additional assistance from the HRA (J & J Distributing and Schmidt Brewery). In addition, the second half tax increment collections have been received and HRA staff now needs to reconcile *estimated* spending from certain TIF districts to match *actual* revenues.

On November 10, 2010, the HRA adopted Resolution No. 10-1227 approving a loan in the amount of \$1,500,000 and authorizing execution of loan documents with J & J Distributing. J & J Distributing has encountered unforeseen soil contamination at the project site, requiring additional soil remediation efforts. An investigation and response action plan needs to be prepared and submitted to the Minnesota Pollution Control Agency for review at an estimated cost of \$33,000. The soil investigation and response action plan will be prepared by Braun

Intertec. J & J Distributing has requested the HRA provide \$10,000 toward this expense. The balance of \$23,000, plus the clean-up costs estimated at \$70,000 will be covered by J & J.

On March 23, 2011, the HRA adopted Resolution No. 11-573 approving a loan in the amount of \$1,895,715 and authorizing execution of loan documents with West 7th/Fort Road Federation, Inc. for the Schmidt Brewery acquisition and stabilization project. A portion of the Jobs Bill funds were used to repair the roof on the Rathskeller building and the cost of this repair exceeded the budget by more than \$30,000. West 7th/Fort Road Federation has requested an additional \$15,000 to cover a portion of this cost over-run, with the remainder coming from a combination of other under spent line items within the budget and other sources (STAR).

Staff recommends amending the Loan Documents for the J & J Distributing Project and the West 7th/Fort Road Federation, Inc. through Jobs Bill funding resulting in total spending as follows:

▪ Frogtown Square:	\$1,419,552
▪ Cossetta's Alimentari:	\$1,612,000
▪ J & J Distributing (+\$10,000):	\$1,510,000
▪ Schmidt Brewery (+\$15,000):	<u>\$1,910,715</u>
▪ Total Spending:	\$6,452,267

Staff recommends utilizing tax increment revenue on hand from the Hubbard TIF district to finance the \$25,000 of additional spending. These changes necessitate an amendment to the Jobs Bill Spending Plan.

Second Amended Spending Plan

The HRA staff recommends amending the Spending Plan to reduce the spending to \$6,452,267 for the four projects and to allocate tax increments based on actual collections through the second half of 2012 to be spent not later than December 31, 2012. The Second Amended Spending Plan authorizes the HRA to use \$6,452,267 in available tax increments from any of the various TIF Districts identified in accordance with the Jobs Bill law. The Second Amended Spending Plan is detailed in Attachment B.

Amended Loan Documents

The resolution anticipates amending the Loan Documents for the J & J Distributing Project and the West 7th/Fort Road Federation, Inc. through Jobs Bill funding as follows:

- J & J Distributing Urban Farms: new loan amount is \$1,510,000 (increase of \$10,000)
- Schmidt Brewery: new loan amount is \$1,917,715 (increase of \$15,000)

Budget Action

The budget is being amended to match spending with actual revenues as indicated above and as allowed in the Second Amended Spending Plan. See Attachment A to the Resolution.

Future Action

N/A

Financing Structure

- J & J Distribution – the additional \$10,000 will be added as part of their forgivable loan;
- West 7th/Fort Road Federation – the additional \$15,000 will be added to the loan amount which is deferred for four years at 0% interest.

PED Credit Committee Review

The PED Credit Committee reviewed the increased loan amounts on December 3, 2012, and recommended approval.

Compliance

N/A – no change from previously adopted resolutions for two above projects.

Green/Sustainable Development

N/A – no change from previously adopted resolutions for two above projects.

Environmental Impact Disclosure

N/A – no change from previously adopted resolutions for two above projects.

Historic Preservation

N/A – no change from previously adopted resolutions for two above projects.

Public Purpose

The Public Purpose statements do not change from previously adopted resolutions for the two above projects, which include the creation of both construction and permanent jobs.

Recommendation:

The HRA Executive Director recommends approval of the Resolution.

Sponsored by: Chair Thune and Commissioner Carter

Staff: Patricia Lilledahl (266-6593)

Jenny Wolfe (266-6680)

Attachments

- **Attachment A – Resolution**
- **Attachment B – Second Amended Spending Plan**