

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 12, 2016

**REGARDING: RESOLUTION APPROVING AN ADMINISTRATIVE AMENDMENT TO BUDGET FOR TAX INCREMENT FINANCING PLAN FOR PENFIELD REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 17, WARD 2**

## **Requested Board Action**

The actions being requested of the HRA Board are as follows:

1. Amend the 2016 HRA budget to use Penfield sales proceeds to recover \$253,238 advanced to the Penfield TIF District for administrative costs, to transfer \$4,298,550 to the City of Saint Paul to pay off golf debt; and to authorize expenditure of \$710,000 of Penfield TIF funds for affordable housing.
2. Approve a First Amendment to the Penfield TIF Plan to adjust revenues and expenditures, including the expenditure of TIF funds for affordable housing.

## **Background**

On February 22, 2012, the Housing and Redevelopment Authority of the City of Saint Paul (HRA) approved the development of the Penfield project which included 254 market rate apartments and a Lunds & Byerlys grocery store. The HRA authorized the creation of the Penfield Apartments LLC (LLC), which is solely owned by the HRA, and made a \$19.2 million investment in the \$62 million Penfield Apartment project. However it was not the intent of the HRA to be a long term owner of commercial real estate.

On September 22, 2016, the LLC closed on the sale of the property to LIPT for \$65.5 million. Following the sale, the Penfield accounts have generated \$29,248,377 which is reduced to \$28,613,377 with the payment of \$500,000 to the Penfield Condominium LLC (PC LLC) and a hold back of \$135,000 for future expenses. The Penfield account funds include sales proceeds, reserve funds, and surplus cash generated by the project. To allow for payment of LLC liabilities within the next few months \$135,000 will remain in the LLC accounts. Taking into consideration the above payments, repayment of \$12,460,925 HRA TIF funds and the return of

\$7,442,948 of HRA equity, the profit is \$8,709,504 as summarized in the attached Penfield Net Cash from Sale. Per the resolution to be adopted by the LLC today, the Chief Manager (Executive Director of the HRA) will be directed to remit to the HRA an estimated \$28,613,377.

Repayment of HRA funding sources, funds budgeted for new uses, and remaining fund balances is outlined in the attached Penfield Use of Sales Proceeds.

### **Budget Action**

The attached Resolution and HRA budget amendment includes the following actions:

1. \$253,238 of Penfield sales proceeds are allocated to the HRA to recover HRA General Fund monies advanced to the Penfield TIF District for administrative costs that exceeded the allowable maximum under the TIF statute.
2. Transfer \$4,298,550 to the City of Saint Paul to pay off golf debt. The golf fund has been operating at a deficit and the debt payments have been subsidized in part by the general fund. Prepayment of the debt will offer some relief to the general and golf funds. The financial benefit of paying off the golf debt now will be an interest cost savings of more than \$1 Million over the term of the debt.
3. With the sale of the Penfield project, approximately \$710,000 is returned to the Penfield TIF district and will be budgeted to be spent on affordable housing. These funds can be used for qualified affordable rental housing anywhere in the City or for affordable homeownership within St. Paul Neighborhood Project Areas.

### **Future Action**

A follow-up resolution will be considered today to terminate the Development Agreement between the HRA and the Penfield Apartments LLC, terminate the TIF Note and decertify the Penfield TIF district. Termination of the \$8.3 million pay-go TIF note was a condition of the sale to LIPT 10<sup>th</sup> Street East LLC.

The budget amendments are contingent on the Penfield Apartments LLC action to be considered immediately following today's HRA meeting.

There will be future budget actions regarding expenditure of fund balance.

## **Green/Sustainable Development**

- The Penfield achieved LEED Silver Certification and was built in compliance with the State SB2030 energy efficiency requirements.
- A green roof was constructed that retains storm water on-site, helps filter and clean the water before it enters the storm sewer system, and reduces the heat island effect.
- The project is located one block from the 10<sup>th</sup> and Cedar Green line transit stop, and is located near a Nice-Ride station, fostering multi-modal transit options.

## **Historic Preservation**

Per the Memorandum of Agreement with the State Historic Preservation Office, an historic interpretive display was installed at the corner of 10<sup>th</sup> and Minnesota, three local designation studies were completed and documentation of the historic public safety building was completed.

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

- The former Public Safety Building, a functionally obsolete and deteriorated structure, with adjacent contaminated soils, was redeveloped and put on the property tax roll.
- The Penfield established the market for new higher end apartments in downtown St. Paul. The City has seen approximately \$252 million in private investment in market rate housing downtown including the Pioneer Endicott, Rayette, Custom House, Oxbo, and 333 Sibley projects since the successful completion of The Penfield.
- The Penfield brought a Lunds & Byerlys full-service grocery to downtown. The store is an important amenity for residents, workers, businesses and property owners. This amenity has helped attract additional investment in downtown.
- Sale of the Penfield will return funds to the HRA that can be reinvested in new projects.
- The project was built to meet the City Sustainable Development Policy and LEED Silver Certification requirements and has a model green roof that mitigates storm water run-off.
- With decertification of the Penfield tax increment finance district, property taxes generated by the property will flow to the City, County and School

district. Penfield property taxes for 2016 total \$863,520 and will increase with future revenue growth.

**Recommendation:**

The Executive Director recommends approval of the attached resolution.

**Sponsored by:** Commissioner Noecker

**Staff:** Marie Franchett, 266-6702

**Attachments**

- **Attachment** – Budget Amendment
- **Attachment** – Penfield Net Cash from Sale
- **Attachment** – Uses of Penfield Sales Proceeds
- **Attachment** – First Amendment to Penfield TIF Plan
- **Attachment** – Map