

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2023

REGARDING: RESOLUTION APPROVING THE EXECUTION OF A LOAN AGREEMENT UNDER TAX INCREMENT FINANCING SPENDING PLAN AUTHORITY, FOR A PROJECT LOCATED AT 576 FRONT AVE; AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 6, WARD 5

Requested Board Action

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

- Approve a \$440,000 Spending Plan TIF loan to TMREIT, LLC or a related entity for the substantial rehabilitation of a building located at 576 Front Ave; and
- Approving an HRA budget amendment

Background

Tyrone Minor has operated The F.I.T Lab just outside of Saint Paul in a rented facility and is facing displacement from his landlord. Tyrone's vision is to expand The F.I.T. Lab and create a business hub that supports businesses including BIPOC- and women-owned businesses.

In 2022, Tyrone established TMREIT, LLC as a development company to fulfill this vision by purchasing and renovating a building to become the Mali Center, a health- and wealth-focused business hub that embraces diversity in an inclusive environment while providing equitable access and opportunity to BIPOC and women-owned businesses and nonprofits operating in Saint Paul. The Mali Center will provide a culturally responsible environment and gives its community members the support they need to grow and scale their businesses.

TMREIT, LLC, has a purchase agreement in place to acquire 576 Front Ave with a closing date of January 15th. The building is a 5,416 square foot, stand-alone, multi-level flex space that was built in 2004. The F.I.T Lab will occupy just over 50% of the building and the remainder of the space will be leasable offices, retail space, and community rooms, available at affordable rental rates. The project includes significant updates to bring the building to code and more accessible to tenants and users. Rehabilitation could include but is not limited to a new floor, a new HVAC

system, fire suppression system, ADA compliant lift system, new electrical work, plumbing including adding showers, complete buildout of the mezzanine level and more. The work is slated to begin immediately after closing (January 2024) and be completed in May 2024.

TMREIT, LLC has secured primary financing through Sunrise Bank's New Market Tax Credit (NMTC) program. The NMTCs will use similar job creation, tax base expansion, and community impact goals and reporting requirements that align with Saint Paul's development goals. The developer also pursued funding from MEDA, NDC and MCCD but their cost of capital was too high to make the project feasible and to provide reasonable rents to the tenants. TMREIT then applied for financing through the City of Saint Paul to close the gap.

On June 22, 2022, the HRA Board adopted RES 22-955, which authorized the adoption of a Spending Plan (**attached**), authorizing the HRA to spend available tax increment from any existing tax increment financing district, which authority was provided under the Omnibus Tax Bill of 2021 (the "Spending Plan"). The Spending Plan authorizes financial assistance to advance private development of commercial and mixed-use properties for the purpose of preventing displacement of emerging and small businesses from within the City. The Mali Center project meets all other Spending Plan criteria, including job creation and retention, and that the project would not commence without financial assistance authorized by the Spending Plan. Financial assistance authorized by the Spending Plan is identified as the best-fit resource for this project. Additionally, on February 22, 2023, the HRA Board adopted RES 23-252, which authorized the adoption of a Supplement to the Spending Plan.

Budget Action

This loan is funded with tax increments budgeted in the Spending Plan. An HRA budget amendment is needed to allocate the \$440,000 to this Project as shown in the attached Financial Analysis.

Future Action

If approved, a Supplement to the Spending Plan will need to be brought forward with a resolution and authorized by both the HRA Board and the City Council (including a public hearing). A Project Labor Agreement will need to be approved by City Council.

Financing Structure

The total acquisition and renovation cost is estimated at \$2,040,000. Sunrise Banks will be the lead lender with a New Market Tax Credit loan of up to \$1,400,000 and TMREIT’s owner, Tyrone Minor, is contributing \$200,000. The Project has a financing gap of \$440,000, largely to cover the costs related to design and construction. The final project financing is still being finalized; if significant changes occur the project will be brought back to HRA for additional review.

Sources		Uses	
Borrower Equity	\$200,000	Acquisition Costs	\$765,000
Sunrise Bank NMTC Note	\$1,400,000	Construction	\$1,000,000
Spending Plan TIF Loan	\$440,000	Soft Costs	\$275,000
Total Sources	\$2,040,000	Total Uses	\$2,040,000

The Spending Plan TIF loan will have a 15-year term at 0% interest, deferred for 7 years with 50% due on July 20, 2030, which amount is forgivable contingent on meeting the annual job retention and tenancy goals. The remaining 8 years will be structured with annual payments of \$27,500, also forgivable dependent on the same annual reporting criteria as years 1-7.

Annual Reporting and Goals

The developer will complete construction of the project and all loan funds will be disbursed by December 31, 2025. Starting in July 2024, the Developer will annually report on their job retention, tenant make-up, and use of financing.

PED Credit Committee Review

The Credit Committee reviewed the proposed Spending Plan TIF loan request on November 14, 2023; the Credit Committee approved the staff recommendation of the terms listed above with a Risk Rating of Forgivable.

Compliance

The Project will comply with Vendor Outreach, Affirmative Action, City & State labor standards, Project Labor Agreement, and the Two Bid Policy.

Green/Sustainable Development

The Sustainable Building Ordinance will not apply.

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will accomplish several public purposes, including:

- Retain at least 4.5 FTE and 2 new FTE jobs at The F.I.T. Lab and create 12 new construction jobs;

The Project is consistent with several goals and objectives in the 2040 Comprehensive Plan, including:

- Land Use, Goal 2 – Neighborhood Nodes that support daily needs within walking distance.
- Land Use, Goal 7: Quality full-time jobs and livable wages.
- LU-5: Encourage flexible building design to ensure ongoing functionality and viability, and to respond to new market opportunities.
- LU-6: Foster equitable and sustainable economic growth by: 1. facilitating business creation, attraction, retention and expansion; 2. supporting family-sustaining jobs and enhancing workers' skills to excel at those jobs; 3. growing Saint Paul's tax base in order to maintain and expand City services, amenities and infrastructure; 4. proactively directing new development to high-priority geographies, such as Neighborhood Nodes, ACP50 Areas and Opportunity Sites; 5. encouraging cultural and arts-based businesses and business districts, such as Little Mekong, Little Africa, Rondo and the Creative Enterprise Zone; 6. supporting business, real estate and financial models that keep more money locally, such as locally-owned businesses, local-prioritized employment, employee owned businesses and commercial land trusts; 7. building and expanding neighborhood economic and cultural assets through the development of the local micro-economies of our Neighborhood Nodes;
- LU-30, 31: Invest in Neighborhood Nodes to achieve development that enables people to meet their daily needs within walking distance and improves equitable access to amenities, retail and services.

Recommendation:

The Executive Director recommends approval of the resolution authorizing a Spending Plan TIF Loan to TMREIT, LLC or a related entity for \$440,000 as well as approving an HRA budget amendment.

Sponsored by: Council President Brendmoen

Staff: Rachael Weiker

Attachments

- Financial Analysis
- Public Purpose
- Map
- D6 North End Neighborhood Profile
- Temporary TIF Spending Plan