

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

REPORT TO THE COMMISSIONERS

DATE: JUNE 27, 2012

REGARDING: APPROVING THE ESTABLISHMENT OF A TAX INCREMENT FINANCING DISTRICT AND APPROVING A TAX INCREMENT PLAN AND APPROVING A HRA BUDGET AMENDMENT AND APPROVING A DEVELOPMENT AGREEMENT (PIONEER ENDICOTT REDEVELOPMENT PROJECT, DISTRICT 17, WARD 2

Requested Board Action

Approve and establish a Tax Increment Financing District and Plan, approve the HRA budget amendment and approve a Development Agreement for the Pioneer Endicott Redevelopment Project.

Background

The vacant historic Pioneer Endicott buildings were purchased on March 31, 2011 by Pioneer Endicott LLC, the developer, Rich Pakonen chief manager. The entire building is 378,000 square feet and includes the 16 story Pioneer building and the two-six (6) story Endicott buildings. The buildings were originally constructed in 1889 and are significant historic structures that include Cass Gilbert architectural design of the Endicott building, Italian marble throughout, unique stairwells, original hardwood flooring and decorative rod iron.

The buildings are being redeveloped into 234 market rate apartment units and 31,900 square feet of usable commercial space while preserving the historic integrity of the design. Public improvements will include a new grand entry to the buildings, renovated lobby areas and connection to the skyway, a green roof and skyway improvements. These improvements will contribute in making downtown Saint Paul a more walkable community for visitors, residents, employee's and add energy to the street level and skyway. The project is located adjacent to the light rail line.

Budget Action

Approve the attached budget amendment. The project will be funded by a tax increment PayGo Note. The funding source is from the newly established Pioneer Endicott Tax Increment District.

Future Action

No future action is anticipated for this project.

Financing Structure

The project private funding will be \$44,151,733 and the Tax Increment District will fund \$2,500,000. This represents 95% private funding and 5% public funding of the project for a total of \$46,651,733. The Tax Increment District is proposed to be a Redevelopment District with a term of 25 years. However, projections show the districts obligations could be met as early as 17 years. The tax increment assistance will be used for certain eligible public redevelopment costs consisting, in part, of land acquisition, demolition, rehabilitation, utilities and site improvements. The District will fund \$2,500,000 of the eligible \$17,000,000 redevelopment costs. The PayGo note will be paid from 65% of the increment, 15% of the increment will fund an affordable housing fund to enable the financing of affordable housing located anywhere in the City, 10% of the increment can be used for other eligible public redevelopment costs in the project area and 10% for administration.

The proposed sources and uses for permanent take out financing is expected five years after the project is completed to match the end of the federal historic tax credit recapture period. Pioneer Endicott is securing construction and bridge loan sources that are full recourse to the principles. See attachment E for a detailed sources and uses.

PED Credit Committee Review

The PED Credit Committee reviewed the project on June 18, 2012. The project was found to be consistent with the PED PayGo TIF note structure. The risk of non payment of taxes and the payment on the note is with the developer. Therefore, the note does not have a risk rating.

Compliance

The compliance requirements for this project are the following:

- Vendor Outreach Program
- City Davis Bacon
- Affirmative Action
- Living Wage Ordinance
- Project Labor Agreement
- Two Bid Policy

A pre-construction meeting has been completed with the developer and general contractor.

Green/Sustainable Development

The project is a renovation of a historic structure and therefore the Sustainability policy does not apply. However, the developer will be installing all energy star appliances and using energy efficient building practices through out the project.

Environmental Impact Disclosure

N/A

Historic Preservation

This project was reviewed and approved by HPC PED staff and the HPC Commission. Federal and State historic tax credits are part of the financing for this project.

Public Purpose/Comprehensive Plan Conformance

The project will put a significant vacant historic building back contributing to the downtown economy. The project will create 150 construction jobs and at least 60 new permanent jobs over the next three years. The project will create local businesses, support commercial activity and generate significant private investment. A total of 234 market rate apartments and 31,900 square feet of usable commercial space will be created.

The following details how this project is consistent with the Downtown Station Area Plan Policies:

1. 2.1 Mobility, Policy 2 advance the 4th street artway.
2. 2.2 Land Use, Policy 2 promote the innovative re-use of historic buildings.
3. 2.3 Built Form. Policy 6 activate the ground floor of buildings strategies.
4. 3.3 Re-Imagining 4th Street, Strategy 2 explore opportunities to create a green animated streetscape through a variety of planting and landscaping mediums; Strategy 4 promote infill and redevelopment sites as premier downtown mixed-use redevelopment opportunities.

Recommendation:

The Executive Director recommends approval of the attached Resolution approving the TIF district and Plan along with the amended HRA budget and Development Agreement.

Sponsored by: Commissioner Thune.

Staff: David Gontarek 266-6674 and Jenny Wolfe 266-6680.

Attachments

- **Attachment A -- Resolution**
- **Attachment B -- TIF Plan**
- **Attachment C -- Map/Address of Project, should include libraries, parks, schools.**
- **Attachment D -- *Project Summary Form***
- **Attachment E -- *Sources and Uses Summary Forms***
- **Attachment F -- *Public Purpose Form***
- **Attachment G -- Census Facts**