

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

REPORT TO THE COMMISSIONERS

DATE: MAY 24, 2023

**REGARDING: RESOLUTION AUTHORIZING A LOAN UP TO \$100,000.00  
FROM THE HRA BUSINESS ASSISTANCE FUND AND  
WAIVING CERTAIN BUSINESS ASSISTANCE FUND  
PROVISIONS TO THE MINNESOTA MUSEUM OF AMERICAN  
ART, 350 ROBERT STREET NORTH SUITE 101, DISTRICT 17,  
WARD 2**

## **Requested Board Action**

Approve a \$100,000 loan to the Minnesota Museum of American Art to assist with rehabilitation and build out of its space located at 350 Robert Street North, Suite 101 and waiving the eligibility provision that only for-profit business entities may apply for Business Assistance Fund dollars.

## **Background**

The Minnesota Museum of American Art (The M), a non-profit entity, is one of Minnesota's oldest arts organizations and it holds a collection of more than 5,000 pieces of art. Located at 350 Robert Street North in the historic Pioneer Endicott building, The M provides a unique amenity to downtown residents and attracts outside visitors to the downtown business district. The M offers a unique museum going experience for attendees and prioritizes creating a welcoming space to enjoy and learn about art for all visitors. In particular, the museum aims to elevate and celebrate art from Indigenous and person of color creators in a variety of mediums. In 2015, City of Saint Paul's Housing and Redevelopment Authority (HRA) approved a \$900,000 Tax Increment Financing (TIF) loan to the M to partially fund the build out of nearly 30,000 square feet of permanent space in the Pioneer Endicott building. The construction project is being completed in two phases and will include construction of new classrooms, community spaces, and gallery space for The M's permanent and rotating collections. Phase 1 of the project was completed in 2018 and included the buildout of The M's Center for Creativity which is a community focused space within the museum. Phase 2 will complete the renovation project and will include the build out of gallery space and roof improvements necessary to maintain and preserve the Cass Gilbert stain glass arcade ceiling in the building. Once complete, the M estimates the museum will attract nearly 60,000 visitors annually which creates increased foot traffic for nearby businesses and adds to the vitality of the downtown core.

The M requested funds through the Business Assistance Fund (BAF) to assist with cost overruns related to design and other indirect costs associated with Phase 2 of the project. In total, the project cost for phase 2 is \$14.1 million and primarily funded through State of Minnesota General Obligation Bond dollars. The M sought additional funds through several sources to cover the cost overruns and even worked to minimize the overall project costs by reducing the project scope but will need the BAF dollars to complete the project without compromising on the vision for the

space. The M anticipates partially re-opening in Fall 2023 and fully re-opening to the public in April 2024.

**Budget Action**

This loan is funded from the fiscal year 2023 budgeted funds in the HRA loan Enterprise—Business Assistance Program. No budget amendment is required. If this resolution is adopted, the balance in the program will be \$531,000.

**Future Action**

N/A

**Financing Structure**

The total project cost for phase 2 is just over \$14.1 million primarily funded through State of Minnesota General Obligation Bond funds, with the Saint Paul Port Authority as the public owner entity. The HRA Business Assistance Fund (BAF) loan of \$100,000 is less than 1% of the project costs and the M is contributing equity through committing non-restricted pledges which represents 13% of the total project sources meeting the requirements of the BAF guidelines. The sources and uses for the phase 2 project are illustrated in the table below.

Sources		Uses	
State GO Funds	\$ 10,500,000.00	Acquisition	\$ 1,816,699.00
Bigelow Foundation Loan	\$ 528,885.00	Construction	\$ 9,836,848.17
Individual Pledges	\$ 730,000.00	FFE	\$ 210,000.00
Prepaid Rent	\$ 1,065,724.00	Indirect costs	\$ 1,732,744.83
City of Saint Paul C STAR	\$ 100,000.00	Contingency	\$ 550,000.00
MMAA Equity	\$ 1,121,683.00		
City of Saint Paul BAF	\$ 100,000.00		
<b>Total</b>	<b>\$ 14,146,292.00</b>	<b>Total</b>	<b>\$ 14,146,292.00</b>

The HRA loan will be a 7-year, 1-year deferred loan with annual payments of \$16,667 but never greater than 10% of available cashflow after all other debt service has been paid. In the event an annual payment is less than \$16,667, the amount unpaid will be deferred and will be added to the following year’s annual payment. The loan will carry an interest rate of 0% and will be paid in full by 2030.

**PED Credit Committee Review**

The Credit Committee reviewed proposed loan and its terms at its April 12, 2023 meeting. The loan and terms were approved with a Risk Rating of Vulnerable.

**Compliance**

The following compliance areas apply to this project:

- Vendor Outreach Program
- Prevailing Wage
- Affirmative Action

### **Green/Sustainable Development**

The project will comply with the Saint Paul Sustainable Development Policy. The Museum will be following the State's B3 Program guidelines for the State bond financed project which is required for State Bonding.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

The project includes a designated historic structure and was reviewed by both local and State historic preservation organizations.

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

The M estimates this project will result in four new full-time and four new part-time employees at the museum. The project will also create around 60 construction jobs while being rehabilitated. Once complete, The M anticipates nearly 60,000 visitors annually to its space creating increased foot traffic for nearby commercial businesses. Additionally, the project creates a unique amenity in downtown for both residents and visitors to enjoy art in an inviting space. The M's focus on working with Indigenous and Person of Color creators allows museum-goers the opportunity to see art from creators that have traditionally not been featured prominently in museums and public spaces. Finally, The M's facilities are also used frequently by Saint Paul area schools and are seen as a "go to" space for art education for many school aged young people in the City of Saint Paul.

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

1. 2.2 Land Use, Policy 2: promote the innovative re-use of historic buildings.
2. 3.3 Re-Imagining 4<sup>th</sup> Street, Strategy 4: promote infill and redevelopment sites as premier downtown mixed-use redevelopment opportunities.

### **Recommendation**

The Executive Director recommends approval of the Resolution which approves a \$100,000 Business Assistance Fund loan to the Minnesota Museum of American Art and waiving the eligibility provision that only for-profit business entities may apply for Business Assistance Fund dollars.

**Sponsored by:** Commissioner Noecker

**Staff:** Daniela Lorenz, 651-266-6595

### **Attachments**

- Public Purpose
- Map