

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

REPORT TO THE COMMISSIONERS

DATE: APRIL 13, 2022

**REGARDING: RESOLUTION APPROVING THE ADOPTION OF A FIRST
AMENDMENT TO THE TAX INCREMENT FINANCING PLAN FOR
THE PIONEER ENDICOTT REDEVELOPMENT TAX INCREMENT
FINANCING DISTRICT AND APPROVING AN HRA BUDGET
AMENDMENT, DISTRICT 17, WARD 2**

Requested HRA Board Action

Authorization to approve a first amendment to the Pioneer Endicott Redevelopment Tax Increment Financing Plan (the “First Amendment”) and an HRA budget amendment consistent with the First Amendment.

Background

On June 27, 2012, by RES #12-1232, the HRA established the Pioneer Endicott Tax Increment Financing District (a redevelopment TIF district) located within the Saint Paul Neighborhood Redevelopment Project as amended (the “Project Area”) and adopted a TIF Plan. The tax increment district includes the 16-story Pioneer building, and the two six-story Endicott buildings, located at 141 East 4th Street. The buildings were originally constructed in 1889 and are nationally designated historic structures that include Cass Gilbert architectural design of the Endicott building, Italian marble throughout, unique stairwells, original hardwood flooring, and decorative wrought iron.

Pioneer Endicott LLC (Rich Pakonen, chief member) submitted a proposal to renovate the buildings into a mix of housing and commercial space. The HRA issued a \$2,500,000 Pay-As-You-Go TIF Note to Pioneer Endicott LLC, pledging 65% of the tax increments collected from the TIF District, to complete the housing and shelled commercial space in the historic structures. The buildings were redeveloped into 234 market-rate apartments and approximately 55,000 square feet of commercial space. Most of the commercial space is controlled by the Minnesota Museum of American Art (the “M”).

On December 9, 2015, and April 12, 2017, the HRA approved RES #15-2180 and RES #17-554, respectively, authorizing the execution of a TIF Development Agreement with the M providing up to \$900,000 in principal from the TIF District to reimburse the M for certain TIF-eligible public redevelopment costs for their proposed expansion project. This project, renovating approximately 20,000 square feet on the first floor of the Pioneer Endicott buildings for the Center for Creativity and constructing a public entrance from the skyway level, was completed in December 2018 at a total cost of approximately \$9,500,000.

Purpose of First Amendment

At the time the HRA authorized the TIF assistance to the M, it elected to not amend the TIF Plan Budget since the total spending was included in the budget. The TIF Plan Budget included \$2,500,000 of acquisition/site related expenditures and 10% or \$1,072,900 of “Pooling.” When a TIF district is created, the tax increments can be expended within the TIF district (“In-District Expenditures”) and outside the TIF district but within the Project Area (“Pooling”). Therefore, without an amendment to the TIF Plan Budget, the spending for the M project utilized the Pooling budget, even though the expenditure was In-District. Staff is now recommending that the TIF Plan Budget be amended, with this First Amendment, to increase the In-District expenditures by \$900,000. This amendment does not increase the total expenditure of tax increments but moves interest expenditures in the same amount to Other Qualifying Public Improvements.

Identified Pooling Expenditures

The City has requested the HRA’s assistance in funding a portion of costs incurred for the public infrastructure improvements at Allianz Field, the soccer stadium owned by the city, and within the surrounding Midway Development Site. The public infrastructure is wholly located within the Project Area, and within the proposed Snelling Midway Redevelopment TIF district. The First Amendment will increase the total project spending by \$900,000 and will enable the full Pooling budget to be made available for TIF eligible expenditures within the Project Area.

Staff has determined that only \$500,000 is available at the current time for Pooling based on the expected In-District Expenditures. A separate resolution is presented for approval by the HRA Board, on this same date, that would provide \$500,000 to the city for the identified public infrastructure improvements.

Related City Council Action

The City Council will hold a public hearing and consider authorization of a resolution approving the First Amendment to the TIF Plan on this same date.

Financing Structure

The TIF Plan Amendment includes amending the spending budget shown below:

	Original TIF Plan Budget	Changes (April, 2022)	Amended TIF Plan Budget
Tax Increment Revenue			
Tax Increment Revenues	\$10,728,000	\$0	\$10,728,000
Interest and Investment Earnings	\$0	\$0	\$0
Sales/Lease Proceeds	\$0	\$0	\$0
TIF Credits	\$0	\$0	\$0
Loan/Advance Repayments	\$0	\$0	\$0
Total Tax Increment Revenue	\$10,728,000	\$0	\$10,728,000
Project/Financing Costs:			
Land/building acquisition	\$1,100,000	\$0	\$1,100,000
Site improvement/prep costs	\$1,400,000	\$0	\$1,400,000
Utilities	\$0	\$0	\$0
Other qualifying improvements	\$1,072,800	\$900,000	\$1,972,800
Construction of affordable housing	\$1,610,000	\$0	\$1,610,000
Admin costs (HRA)	\$1,072,800	\$0	\$1,072,800
Total Project/Financing Costs	\$6,255,600	\$900,000	\$7,155,600
Est. Financing Costs/Interest Expense	\$4,472,400	(\$900,000)	\$3,572,400
Total Est. Project/Financing Costs Paid from Tax Inc	\$10,728,000	\$0	\$10,728,000
 Total Amount of Bonds to be Issued	 \$6,300,000	 \$0	 \$6,300,000

Budget Action

The resolution will authorize an amendment to the HRA's budget for the TIF District to mirror the above amendment which increases the total project spending. The HRA Budget amendment is included in the attached Financial Analysis.

Future Action

N/A

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The First Amendment will enable furthering private development through the expenditure of tax increments on public infrastructure improvements within the Snelling Midway redevelopment site and additional Pooling expenditures within the Project Area.

Recommendation:

The Executive Director recommends approval of the resolution authorizing adoption of a First Amendment to the Pioneer Endicott TIF Plan and an HRA budget amendment.

Sponsored by: **Commissioner Dai Thao**

Staff: Jenny Wolfe (266-6680)

Attachments

- Financial Analysis
- First Amendment to Pioneer Endicott TIF Plan
- Map of TIF District and Project Area