

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

REPORT TO THE COMMISSIONERS

DATE: JULY 27, 2022

REGARDING: RESOLUTION APPROVING THE EXECUTION OF A DEVELOPMENT AND LOAN AGREEMENT UNDER TAX INCREMENT FINANCING SPENDING PLAN AUTHORITY, FOR A PROJECT LOCATED AT 421 EAST 7TH STREET; AUTHORIZING WAIVER OF THE 45-DAY NOTICE PERIOD IN THE EARLY NOTIFICATION SYSTEM (ENS), APPROVING THE USE OF A PROJECT LABOR AGREEMENT, AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 4, WARD 2

Requested Board Action

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

- Approve a \$1,400,000 loan to Listening House of St. Paul, Inc for the renovation of a vacant building primarily located at 421 East 7th Street;
- Authorization to waive the 45-day notice period in the Early Notification System (ENS);
- Approving the use of a Project Labor Agreement; and
- Approving an HRA budget amendment

Background

The Listening House of St. Paul, Inc. is a non-profit organization that has been providing daytime drop-in services to unsheltered guests since 1983 (“Listening House”). Listening House has always operated out of rented space, but now has the opportunity to move to a permanent facility in a former restaurant that has sat vacant since 2019.

The Listening House project includes the renovation of the recently purchased building, located at 421 East 7th Street, which requires significant interior demolition and renovation. The renovation work is targeted to begin early in August and be complete by January 2023. This is a fast-moving project, as it’s important for the Listening House to make their services available in time for the cold winter months. This requirement necessitates the waiver of the 45-day notice period in the ENS.

Listening House secured a bank loan and used cash reserves to acquire the existing building and adjacent parcels with surface parking. They are seeking \$1,400,000 in HRA assistance to complete the design, interior demolition, and construction of the existing building to open for operations by January (the “Project”). The property is zoned I-1 and the uses are allowed under current zoning (a map is **attached**). The Project is in the Dayton’s Bluff Neighborhood/District 4 Planning District and the District Profile is **attached**. The current taxable market value of the acquired properties is \$812,500, generating approximately \$7,500 in property taxes to the City in 2022. Listening House is a qualifying non-profit organization exempt from property taxes, which exemption will commence in 2023.

On June 22, 2022, the HRA Board adopted RES 22-955, which authorized the adoption of a Temporary TIF 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 Temporary TIF Spending Plan authorizes financial assistance to be provided to private development that advances the construction of private facilities serving unsheltered populations within the City. The Listening House project meets all other Temporary TIF Spending Plan criteria, including job creation and retention, and the project would not commence without assistance under the Temporary TIF Spending Plan. The Temporary TIF is identified as the best-fit resource for this project.

Budget Action

This loan is funded with tax increments budgeted in the Temporary TIF Spending Plan. An HRA budget amendment is needed to allocate the \$1,400,000 to this Project as shown in the attached Financial Analysis.

Future Action

N/A

Financing Structure

The total acquisition and renovation cost is \$2,824,293. A \$600,000 commercial mortgage has been secured from Sunrise Banks, and Listening House has the cash reserves for the remaining acquisition cost, furnishing the building, and the other development costs outlined in the table below. The Listening House has a financing gap of \$1,400,000, largely to cover the costs related to the demolition and renovation, including design and engineering fees.

Uses	Amount	Source	Amount
Acquisition	\$970,000	Bank loan	\$600,000
Site Development	50,000	HRA TIF Loan	1,400,000
Building & Site Fees	17,096	LH Cash	824,293
Demo and Construction	1,382,608		
Architectural and Engineering Fees	99,000		
Legal Fees	11,500		
Furnishings, Fixtures, Equipment	125,000		
Financing Fees/Soft Costs	30,482		
Contingencies	138,607		
Total Uses	\$2,824,293	Total Sources	\$2,824,293

The TIF loan to the Listening House will have a 10-year term, 0% interest rate, with no payments due. Ten percent of the principal (\$140,000) will be forgiven annually so long as Listening House is in continued operation at this location. Listening House relies on private donations to operate their facility and does not have repayment capacity. The identified terms will ensure continued operations of the facility serving the unsheltered population.

PED Credit Committee Review

The Credit Committee reviewed the proposed TIF loan request on July 19, 2022; 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

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The Project will accomplish several public purposes, including:

- Create approximately ten permanent jobs and 35 construction jobs;
- Redevelop a vacant building; and
- Provide services to unsheltered populations.

The Project is consistent with the Comprehensive Plan as follows:

The 2040 Comprehensive Plan, in Appendices A and B of the Housing Chapter, identifies a need to decrease homelessness, and to provide supporting services (such as those provided by Listening House) for those experiencing homelessness as an important City action to address the need.

Recommendation:

The Executive Director recommends approval of the resolution authorizing a TIF Loan to the Listening House for \$1,400,000 as well as: waiving the 45-day ENS period, approving the use of a Project Labor Agreement, and approving an HRA budget amendment.

Sponsored by: Commissioner Noecker

Staff: Annie Byrne, 266-8567

Attachments

- Financial Analysis
- Temporary TIF Spending Plan
- Map
- D4 Dayton's Bluff Neighborhood Profile