

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

**REPORT TO THE COMMISSIONERS**

**DATE: SEPTEMBER 13, 2023**

**REGARDING: RESOLUTION APPROVING THE EXECUTION OF A DEVELOPMENT AND LOAN AGREEMENT UNDER TAX INCREMENT FINANCING SPENDING PLAN AUTHORITY, FOR A PROJECT LOCATED AT 678 SNELLING AVENUE NORTH; AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 11, WARD 4**

## **Requested Board Action**

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

- Approve a \$1,832,997 loan to Little Africa Plaza, LLC for the renovation of a vacant building primarily located at 678 Snelling Ave N; and
- Approving an HRA budget amendment

## **Background**

African Economic Development Solutions is a non-profit organization that has been providing business technical assistance to primarily African immigrant entrepreneurs since 2008, has been a direct lender to these small businesses since 2014 and has been a federally certified Community Development Financial Institution (CDFI) since 2016 (“AEDS”).

Little Africa Plaza, LLC (“LAP”) is a limited liability company that was formed in 2020 by the leaders of AEDS to acquire the property at 678 Snelling Ave N. LAP will remain the owners of building, will operate the building, and will lease space to its tenants, including AEDS. AEDS are the sole member of LAP.

AEDS organized the Little Africa Business and Cultural District in Saint Paul in 2013 and acquired the vacant building at 678 Snelling Avenue N (using the entity LAP) in the heart of this district in 2021. The building requires significant renovation. The renovation work is targeted to begin early in October 2023 and be complete by August 2024.

The redevelopment plan includes main floor uses of a grocery market/food hub, two micro retail spaces, a community room/museum, and parking stalls. The mezzanine level will be the new office headquarters for AEDS.

AEDS have secured several foundational grants totaling over \$1 million, a state appropriation of \$1.5 million as well as a DEED Main Street Revitalization grant of \$750,000, a Ramsey County grant of \$103,507, and City of Saint Paul STAR funding of \$265,000. They have been approved for a \$450,000 bank loan from Sunrise Bank. They are seeking \$1,832,997 in HRA assistance to complete the design and construction of the existing building to open for operations in August 2024 (the “Project”). The property is zoned T-2 and the uses are allowed under current zoning (a map is **attached**). The Project is in the Hamline-Midway/District 11 Planning District and the District Profile is **attached**. The current taxable market value of the acquired property is \$0. Once the Project is completed, the portion of the building used for AEDS’ offices will remain tax exempt (as a qualifying non-profit), but the main floor uses will be taxable at an estimated \$21,800 annually (using 2022 estimation values).

Due to its longstanding status as a vacant, then condemned, building, 678 Snelling Ave N has been the subject of many Legislative Hearing and City Council meetings over the past three years as item RLH RR 20-22. Orders were originally given for the building to begin rehabilitation or be razed within fifteen (15) days of May 27, 2020. Since then, the deadline to begin rehabilitation on the building has been extended multiple times due to the significance of the project, uncontrollable delays due to the pandemic, and because additional funding sources were needed to proceed. Most recently, on July 12, 2023, the City Council approved a new 180-day extension to the deadline. Failure to begin the rehabilitation project by the extended deadline would result in an order for the building to be razed.

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 advance the private development of underutilized, privately-owned redevelopment sites within the City. The Little Africa Plaza 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. 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 Temporary TIF Spending Plan. An HRA budget amendment is needed to allocate the \$1,832,997 to this Project as shown in the attached Financial Analysis.

### **Future Action**

If approved, a Supplement to the Temporary TIF 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 \$6,529,504. A \$450,000 commercial mortgage has been secured from Sunrise Banks, and LAP has additional sources for the remaining development costs outlined in the table below. The Project has a financing gap of \$1,832,997, largely to cover the costs related to design and construction.

<b><u>Sources</u></b>		<b><u>Uses</u></b>	
Otto Bremer Trust	\$ 500,000	Acquisition	\$ 300,000
Bigelow Foundation	\$ 200,000	Construction	\$4,435,200
St. Paul & Minnesota Foundation	\$ 150,000	B3 Construction	\$ 351,552
Hardenburgh Foundation	\$ 100,000	Contingency	\$ 478,675
McKnight Foundation	\$ 100,000	Allowances	\$ 123,184
Neighbors United	\$ 5,000	FF&E	\$ 108,135
AEDS equity – acquisition	\$ 100,000	Architect	\$ 280,288
AEDS match for LCDA grant	\$ 22,500	B3 Costs	\$ 107,000
Met Council LCDA	\$ 37,500	Architect Reimbursable	\$ 25,000
St. Paul Year-Round STAR	\$ 65,000	Owner Inspections	\$ 3,500
St. Paul Neighborhood STAR	\$ 200,000	Phase I, II, HazMat survey	\$ 21,420
Ramsey County Critical Corridors	\$ 103,507	Survey	\$ 3,000
DEED Main Street Grant	\$ 750,000	Legal	\$ 10,000

Federal HFFI Grant – acquisition	\$ 200,000	Loan Fees & Interest	\$ 36,000
LISC – 2022 earmark	\$ 213,000	Appraisal	\$ 4,050
State Appropriation	\$ 1,500,000	Market Study	\$ 22,500
Sunrise Bank Loan	\$ 450,000	Project Management	\$ 120,000
HRA Temp TIF Loan	\$ 1,832,997	Operating Reserve	\$ 50,000
		Replacement Reserve	\$ 50,000
<b>TOTAL</b>	<b>\$ 6,529,504</b>	<b>TOTAL</b>	<b>\$ 6,529,504</b>

The TIF loan to LAP will have a 30-year term, 0% interest rate, with no monthly payments due. LAP agrees to pay to the HRA, commencing on October 1, 2028, and on October 1, 2033, October 1, 2043, and October 1, 2053, a payment as defined below.

<u>Payment Name</u>	<u>Due Date</u>	<u>Payment Amount</u>
First Payment	October 1, 2028	\$916,498.50
Second Payment	October 1, 2033	\$305,499.50
Third Payment	October 1, 2043	\$305,499.50
Fourth Payment/Final Maturity	October 1, 2053	\$305,499.50

If the developer completes construction of the project by October 1, 2026, has met the Jobs Goals (defined below) and is operating the facility, the Payment Amount due on October 1, 2028, shall be deemed forgiven in full. If the developer has completed construction but has not met the Jobs Goals in full, the HRA shall forgive a pro-rata portion of the Payment Amount due based on the level of Jobs Goals met calculated by multiplying the Payment Amount by the percentage of the jobs goals met. The balance of the Payment Amount will be deferred until Final Maturity.

If the developer has met the Jobs Goals and is operating the facility, the Payment Amount due on each October 1, 2033, October 1, 2043, and October 1, 2053, shall be deemed forgiven in full. If the Developer has met the Operation of the Facility requirements, but has not met the Jobs Goals in full, the HRA shall forgive a pro-rata portion of the Payment Amount due based on the level of Jobs Goals met, calculated by multiplying the Payment Amount by the percentage of the Jobs Goals met, and the balance of the Payment Amount shall be deferred until Final Maturity. Failure to meet the Operation of the Facility requirement will result in immediate payment due of the Payment Amount.

Jobs Goals: Five (5) FTE for the grocery operation, One-and-a-half (1.5) FTE for the micro-retail spaces operations, and Twelve (12) FTE for African Economic Development Solutions. These Jobs Goals are jobs to be created and retained. The number of FTE jobs per identified category can be met individually or collectively (a total of 18.5 FTE), provided there are the following minimum jobs attained per category: Three (3) FTE for the grocery operation, One (1) FTE for the micro-retail spaces operations, and Ten (10) FTE for African Economic Development Solutions.

### **PED Credit Committee Review**

The Credit Committee reviewed the proposed TIF loan request on August 8, 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. Living Wage would apply to any tenants of the development that do not qualify for exemption.

### **Green/Sustainable Development**

The Sustainable Building Ordinance will apply.

### **Environmental Impact Disclosure**

N/A

### **Historic Preservation**

N/A

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

The Project will accomplish several public purposes, including:

- Create approximately nine permanent jobs and 34 construction jobs;
- Redevelop a vacant building; and
- Increase entrepreneurship opportunities for emerging and immigrant-owned businesses

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.  
14
- Land Use, Goal 6 – Efficient, adaptable and sustainable land use and development patterns and processes.
- 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-15: Ensure that stand-alone parking uses are limited, and that structured parking is mixed-use and/or convertible to other uses.
- LU-16: Encourage the equitable spatial distribution of community food assets, including urban farms, community gardens, food markets, healthy retail food options and food hubs.
- 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.
- Heritage and Cultural Preservation, Goal 4: City investments in built, cultural and natural environments and in historic and cultural resources that reflect broader City priorities.
- HP-3: Pursue funding to evaluate, maintain, renovate and preserve City-owned eligible and potentially eligible property, and assist private owners to do the same.

**Recommendation:**

The Executive Director recommends approval of the resolution authorizing a TIF Loan to Little Africa Plaza, LLC for \$1,832,997 as well as approving an HRA budget amendment.

**Sponsored by:** Commissioner Jalali

**Staff:** Jonathan Reisetter, 266-9119

**Attachments**

- Financial Analysis
- Map
- D11 Hamline Midway Neighborhood Profile
- Temporary TIF Spending Plan