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

REPORT TO THE COMMISSIONERS **DATE: MAY 14, 2025**

REGARDING: **RESOLUTION APPROVING THE ADOPTION OF A SIXTH AMENDMENT TO THE TAX INCREMENT FINANCING PLAN FOR THE FORD SITE REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT AND AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS, INCLUDING A NEW DEVELOPMENT AGREEMENT FOR BLOCK 2 AND AMENDMENTS TO THE REDEVELOPMENT AGREEMENT, MINIMUM ASSESSMENT AGREEMENT AND RELATED DOCUMENTS; AND APPROVING AN HRA BUDGET AMENDMENT**

DISTRICT 15, WARD 3

Requested HRA Board Action

Authorization to approve the following:

1. A sixth amendment to the Ford Site Redevelopment Tax Increment Financing Plan (the "TIF Plan Amendment") for the Ford Site Redevelopment TIF District (the "TIF District") and an HRA budget amendment consistent with the TIF Plan Amendment.
2. A second amendment to the Minimum Assessment Agreement pertaining to certain lots within the TIF District (the "MAA Amendment").
3. A second amendment to the Redevelopment Agreement (the "RDA Amendment").
4. A TIF Development Agreement with Highland Bridge Property Owner, LLC (a subsidiary of Ryan Companies, the "Block 2 Developer") pertaining to vertical development of a portion of Block 2 (the "Block 2 Project") which is now known as Lots 2 and 3 of Block 1, Northern Highland Bridge (the "Block 2 Agreement").

Background

The City Council and HRA Board approved a redevelopment agreement with Project Paul/Ryan Companies (the "Developer") for redevelopment of the Ford site, now known as "Highland Bridge", on December 4, 2019 (RES 19-2066 and RES PH 19-388) (the "Original RDA"), which include, among other sources, tax increment assistance from the Ford Site Redevelopment TIF District (the "TIF District") originally established by the HRA in 2016 (with a first amendment

included at this meeting). Additionally, the HRA, City, Developer and Weidner executed a Minimum Assessment Agreement certified by the Ramsey County Assessor (the "Assessor") to establish minimum values for parcels within the TIF District for the purpose of the payment of property taxes (the "Original MAA"). On October 14, 2020, the HRA adopted RES 20-1418 that approved a second amendment to the TIF Plan to expand the project area and to adjust the TIF Plan budget. On June 23, 2021, the HRA approved a third and fourth amendment to the TIF Plan to remove parcels from the TIF district that were included in new affordable housing TIF districts (RES 21-920 and RES 21-923). On June 28, 2023, the HRA approved a fifth amendment to the TIF Plan to remove portions of the TIF District (parks property) to facilitate the University of St. Thomas project to be completed on CP Rail property excluded from the TIF District (RES 23-963).

In accordance with the Original RDA, Developer has undertaken improvements within the TIF District with certain public roads, public trails, public parks, stormwater facilities, and other public utility and infrastructure improvements in order to create development-ready land parcels for the development and construction of certain privately owned and maintained vertical improvements within the TIF District.

Vertical development, including development on the Weidner lots, has stalled at the Highland Bridge site due to many factors, including market factors both global and local, including regulatory changes, increasing construction and related costs and increasing financing costs. The City and HRA established the Original MAA, certified by the Assessor, requiring tax values to increase to incentivize the development and solidify the tax increment collections needed to fully finance the installation of the infrastructure throughout the site. The Original MAA places a tax burden on the properties without an offsetting income source. Both the City and the Developer have incurred debt to advance the infrastructure and have carefully evaluated adjustments to the minimum values to entice the stalled development to proceed.

MAA Amendment

We have worked with the Assessor who is supportive of adjustments to certain lots. The resulting MAA Amendment will reduce values for the certain lots in the short term; however, the minimum values for the certain lots will exceed the original values beginning in Tax Pay Year 2041 and

continue to increase through 2047, the final year of the TIF District. In the final year of the TIF District the amended values will exceed the originally set values for the certain lots by approximately 20%. Due to the specific nature of the MAA Amendment (reducing minimum values in the short-term), MN TIF laws require the MAA Amendment to be approved by the County Board, the School Board and the City Council despite the values increasing over the term of the TIF District. The School Board approved the MAA Amendment on April 22, 2025; the County Board will consider a resolution to approve the MAA Amendment at their May 13 Board meeting; and the City Council will consider a resolution on this same date of May 14.

RDA Amendment/Weidner Agreement

The City and HRA have negotiated an amendment to the Original RDA with the Developer to further vertical development in the TIF District. The RDA Amendment will require pre-payment to the city of certain Green Infrastructure Assessments in consideration of the MAA Amendment; and will enable some public infrastructure to be delayed for up to five years, to coincide with the vertical development (internal sidewalks and landscaping). Furthermore, aside from the Block 2 Project, the Developer will agree to not pursue additional City/HRA funds for vertical development on any other land they own. Additionally, the companion item at the City Council will include an agreement with Weidner to similarly further vertical development in consideration of reducing the minimum values. The Weidner Agreement will require the construction of two buildings resulting in approximately 350 housing units over the next few years and pre-payment of all their Green Infrastructure Assessments in consideration of the MAA Amendment. Furthermore, Weidner will agree to not pursue any City/HRA funds for vertical development on all land they own.

Block 2 Agreement

Ryan Companies/Highland Bridge Property Owner, LLC (Block 2 Developer) is proposing to commence vertical development of lots 2 and 3, Block 1 of Northern Highland Bridge (Block 2 Development) to include one approximately 73,000 square foot, 4-story mixed use residential building consisting of 97 market rate rental units, with ground-floor commercial space and amenities to enhance the streetscape and adjacent public promenade and a rooftop deck, and an 190-stall structured parking facility; and four (4) single story commercial buildings consisting of an aggregate 36,500 square feet. A site rendering is **attached**.

The Block 2 Developer applied to the HRA for tax increment financing assistance to proceed with the vertical development. The original plan was for the Block 2 Project to be developed in 2021/2022 as some of the first projects at Highland Bridge. However, due to local market factors and challenges stemming from local regulatory changes, Ryan Companies was unable to secure investment or financing for the project at that time. Since then, macroeconomic factors have amplified difficulty in advancing the project. The City/HRA engaged Baker Tilly as our fiscal consultant to evaluate the project costs, financing and operations and has confirmed the need for financial assistance to advance the mixed-use project as proposed. The commercial development is expected to result in an estimated 17 full-time equivalent (FTE) and 55 part-time permanent jobs paying a Living Wage unless meeting a qualifying exemption allowed under the Living Wage Ordinance. The Block 2 Developer has secured a letter of intent for a daycare to operate in one of the stand-alone commercial buildings.

Related City Council Action

The City Council is required to hold a public hearing and adopt a resolution approving the TIF Plan Amendment. Furthermore, the Block 2 Agreement includes a Business Subsidy with the commercial development (housing development is exempted). City Council RES PH 25-97 will be presented to the City Council for their consideration on this same date. The City Council action will also authorize the above-mentioned amendments and related documents.

Financing Structure

The proposed financing plan to complete the Block 2 Project includes a private construction loan, a Pay-Go TIF Note, in the principal amount of $23,976,227, pledging 25% of the tax increments from the TIF District, Developer equity and a deferred developer fee. Pay-Go TIF Notes do not have scheduled payments, the HRA pledges tax increments as they are collected without any liability of the HRA or City for any other financial backing. The Block 2 Project budget is shown on the following page.

Uses	
Land Acquisition*	7,710,000
Site Development	452,500
Building Fee	353,500
Building Cost	40,206,692
Hard Cost Contingency	1,640,435
SAC/WAC Fees	298,850
Contractor Insurance/Bonds	1,343,033
Contractor Profit	1,373,894
Architecture & Engineering	2,252,940
Legal Fees	292,500
FF&E	675,000
Retail TI & LC	3,431,664
Developer Fee	1,910,806
Interest Reserves	3,219,009
Operating Reserves	97,160
Financing Costs	653,941
Other Soft Costs	2,273,461
Soft Cost Contingency	604,754
Total Uses	**68,790,139**

Sources	
Developer Construction Loan	30,817,982
Developer Equity	12,085,124
Deferred Developer Fee	1,910,806
HRA TIF Note	23,976,227
Total Sources	**68,790,139**

*The Original RDA requires Project Paul/Ryan to sell a property, that isn't an arm's length transaction, for the greater of the actual purchase price or the appraised value. This land price reflects the appraised value.

A **Lookback** provision is included in the Block 2 Agreement. Baker Tilly has recommended a Lookback tied to a full sale of the project. The principal amount of the TIF Note will be reduced if the calculated Internal Rate of Return (IRR) exceeds a certain threshold. As mentioned above, the proposed financial assistance is a "Business Subsidy" under MN State law. The Block 2 Agreement will require that the Block 2 Developer cause at least 12 full-time equivalent (FTE) jobs to be created in connection with the commercial portion of the Block 2 Project at an hourly wage which at least satisfies the requirements of the City's Living Wage Ordinance.

TIF Plan Amendment

To support the additional Pay-Go TIF Note to advance the Block 2 Project and to increase our pooling opportunities, the adopted TIF Plan budget will need to be amended. The total spending for the TIF district is not increasing, and we are reallocating spending from interest to project costs. The addition of expenditures for the Block 2 Project enables increased pooling opportunities. State law limits the total spending in a Redevelopment TIF district beginning in the 6th year. Pooling expenditures are measured by the actual incurred In-District costs within the first five years including interest expenses related to those actual costs (In-District expenditures). The Block 2

Agreement will limit actual incurred costs to the period within the first five years, to ensure they will qualify as In-District. State law enables Pooling of 35% with In-District equal to 65% (including interest expenses), provided at least 10% of the 35% is for qualifying affordable housing projects. As shown in the budget amendment below, we expect to spend over 20% on affordable housing. The TIF Plan Amendment is **attached** and includes amending the spending budget shown below:

Estimated Tax Increment Revenues	Current Budget as previously amended	Changes (May 2025)	New Amended Budget
Tax Increment revenues distributed from the County	272,000,000	-	272,000,000
Interest and Investment Earnings	3,000,000	-	3,000,000
Sales/lease proceeds	-	-	-
TIF Credits	-	-	-
Total Estimated Tax Increment Revenue	**275,000,000**	**-**	**275,000,000**
Estimated Project/Financing Costs			
Land/Building Acquisition	-	-	-
Site Improvements/preparation costs	-	-	-
Utilities	-	-	-
Other public improvements	53,700,000	42,300,000	96,000,000
Construction of Affordable Housing	27,200,000	27,800,000	55,000,000
Administrative Costs	10,100,000	(8,100,000)	2,000,000
Estimated Tax Increment Project Costs	**91,000,000**	**62,000,000**	**153,000,000**
Estimated Financing Costs			
Interest Expense	184,000,000	(62,000,000)	122,000,000
Total Est. Project/Financing Costs Paid from Tax Inc	**275,000,000**	**-**	**275,000,000**
Total Amount of Bonds to be Issued	**275,000,000**	**-**	**275,000,000**

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 by shifting interest expenses to project costs. The HRA Budget amendment is included in the **attached** Financial Analysis.

PED Credit Committee Review

On May 6, 2025, the PED Credit Committee reviewed the request for the Pay-Go TIF Note and found it to be consistent with PED practices.

Compliance

The following compliance requirements will apply to this project: Vendor Outreach, Affirmative Action, City Labor Standards, Project Labor Agreement, Two-Bid Policy, Living Wage Ordinance and Minnesota Business Subsidy.

Green/Sustainable Development

The Block 2 Project in the TIF district will comply with the Saint Paul Sustainable Building Ordinance.

Public Purpose/Comprehensive Plan Conformance

The proposed Block 2 development is consistent with the Land Use chapter of the 2040 Comprehensive Plan, which identifies the site as mixed-use, an opportunity site and a partial contributor to the Highland Village/Ford Site neighborhood node. The site is adjacent to Ford Parkway and provides a vital pedestrian connection into Highland Bridge, aligning with policy direction for pedestrian-oriented development and high-quality urban design. With the approval of the variances, the proposed Block 2 development also aligns with the Ford Site Zoning and Public Realm Master Plan and the Highland Park District 15 Plan, which references the Ford Master Plan and describes a future site consistent with it in the Land Use chapter.

Recommendation:

The Executive Director recommends approval of the resolution authorizing the amendment to the TIF Plan and HRA budget amendment and related documents and approval of a Block 2 development agreement.

Sponsored by: **Commissioner Saura Jost**

Staff: Melanie McMahon (266-6610) and Jenny Wolfe (266-6680)

Attachments

- Block 2 Site Rendering
- Sixth Amendment to TIF Plan
- Financial Analysis