

EXHIBIT A

Resolution No. \_\_\_\_\_

PORT AUTHORITY OF THE CITY OF SAINT PAUL  
[Parcels 2 and 6 – Substandard Building and Coverage Findings]

WHEREAS, the Port Authority of the City of Saint Paul (the “Port Authority”) is considering the establishment of a Redevelopment Tax Increment District including the land generally known as the 3M Campus (the “District”) pursuant to Section 469.174, Subd. 10 of Minnesota Statutes, and specifically the parcels identified as 860 Bush Avenue and 890 E. 7th Street (collectively the “Parcels”); and

WHEREAS, for safety reasons, the Port Authority intends to demolish the buildings (collectively the “Buildings”) located on the Parcels prior to final certification of the District; and

WHEREAS, it has been proposed that, prior to demolition of the Buildings, the Port Authority make certain factual findings supporting inclusion of the Parcels in the District; and

WHEREAS, Section 469.174, Subd. 10 states that, when establishing a Redevelopment District, a parcel of land may be treated as though it is improved with a structurally substandard building if (among other things) (a) the parcel was occupied by a structurally substandard building within three years of the request for certification of the Redevelopment District, (b) the substandard building was demolished or removed by the Port Authority or the demolition or removal was financed by the Port Authority or was done by a developer under a development agreement with the Port Authority, and (c) the Port Authority finds by resolution before the demolition or removal that the parcel was occupied by a structurally substandard building and that after demolition and clearance the Port Authority intends to include the parcel within a Redevelopment District;

WHEREAS, the Port Authority Board has reviewed the TIF Eligibility Assessments prepared by Compass Rose, Inc. (“Compass Rose”) and attached as Exhibits A and B, respectively, related to the Parcels; and

WHEREAS, the Port Authority Board has also reviewed the opinion of Leonard, Street and Deinard attached hereto as Exhibit C to the effect that the findings made in the Assessments are based on a correct interpretation of applicable law; and

WHEREAS, the Credit Committee has reviewed and approved this resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Port Authority of the City of Saint Paul as follows:

1. The Port Authority hereby finds:

(a) that, on the basis of visual inspections by Port Authority personnel and the Assessments, the Parcel located at 860 Bush Avenue (“Parcel 2”) is “occupied” by buildings and other improvements within the meaning of Minnesota Statutes, Section 469.174, Subd. 10, which requires that at least 15% of each tax parcel be occupied by buildings or other improvements; and

(b) that, on the basis of visual inspections by Port Authority personnel and the Assessments, the Buildings are “structurally substandard” as defined by Section 469.174,

Subdivision 10 of Minnesota Statutes.

2. The Port Authority hereby finds that the Buildings constitute a public nuisance and danger and should be demolished.

3. The Port Authority hereby declares its intention to include the Parcels on which the Buildings are located in the District after demolition of the Buildings, and Port Authority management together with its advisors and legal counsel, are authorized to make arrangements for and proceed with the demolition of the Buildings.

4. Port Authority management, together with its advisors and legal counsel, are hereby authorized to proceed with the preparation of the District, and to negotiate, draft, prepare and present to this Board for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

5. Port Authority management is hereby further authorized to provide for the advance of Port Authority or other funds, including up to \$1,000,000 of EPA Revolving Loan Funds, as needed, to pay costs that are necessary for the Beacon Bluff development, including completion of demolition of Building 24 and remediation of the Parcel on which that Building is located, and to provide for the repayment of any such advances, from tax increment generated by the District, or other sources, over ten years with interest at the annual rate tied to five year treasuries plus 50 basis points.

Adopted: August 23, 2011

PORT AUTHORITY OF THE CITY  
OF SAINT PAUL

By \_\_\_\_\_  
Its Chair

ATTEST:

\_\_\_\_\_

## EXHIBIT A



### **Proposed Redevelopment**

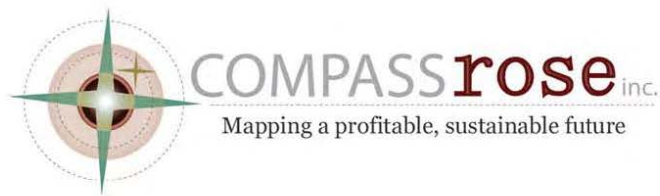
*Former St. Paul, MN 3M Corp Campus  
(Beacon Bluff Redevelopment)*

*TIF Eligibility Assessment*

Saint Paul Port Authority

Compass Rose, Inc No. STPPA-001

August 5, 2011



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# Proposed Redevelopment

## TIF Eligibility Assessment

Prepared for the Saint Paul Port Authority

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### 1.0 Purpose

Compass Rose, Inc. (CR) was hired by the Saint Paul Port Authority to survey and evaluate a specific building within the former Saint Paul Campus of the 3M Corporation, now referred to as the Beacon Bluff Redevelopment project. The project was to document existing building conditions and to determine eligibility as it relates to current Minnesota Statutes for the establishment of a Redevelopment Tax Increment Financing (TIF) District.

Currently, the Saint Paul Port Authority has no defined TIF District boundary for the project area. The building assessed straddles Arcade Street and North Forest Street along Bush Ave. Please refer to the Buildings Under Study Figure included within the report.

The purpose of our work was to independently ascertain whether the building qualification tests for tax increment eligibility, as required under current Minnesota Statute, could be met.

The findings and conclusions drawn herein are solely for the purpose of tax increment eligibility for the buildings assessed and are not intended to be used outside the scope of this assessment.

### 2.0 Scope of Work

The assessment area consists of one Ramsey County property parcel currently occupied by the building. Our scope of work included the assessment of one of the buildings within the former Campus, commonly referred to as: Building 24.

The Building is classified primarily as Industrial/multi-use with business and storage as subsidiary occupancies.

### 3.0 Evaluations

Interior and exterior inspection was completed for the building within the Scope of Work.

### 4.0 Findings

**Coverage Test** – The parcel was evaluated for coverage and met the required 15% coverage. It is listed as follows by the Tax ID and percent coverage; 282922330052-100%.

**Condition of Buildings Test** – Our assessment work included the building within the Campus area.

Building, Street Address	PIN	Percent of Code Deficiencies related to replacement costs
Building 24, 860 Bush Ave	282922330052	23.77%

The Building met both the Conditions and Code tests to justify substantial renovation or clearance.

Please refer to the definition of “structurally substandard” as follows.

### 5.0 Conclusions-

In our professional opinion, and based on our surveying and evaluation of the parcel and building 24, **the parcel met the 15% coverage test; and the building qualifies as an eligible structure** (structurally substandard) based on the coverage test and conditions test under the current statutory criteria and formulas for Redevelopment Tax Increment Financing District (State Statute 469.174 Subd. 10 (b) and (c)).

For the purposes of this assessment, we were not contracted to complete the area coverage analysis of the Ramsey County property parcels. The Saint Paul Port Authority has, at this time, no defined TIF area boundary. As a result, the 70% coverage test is not addressed by this assessment.

## **6.0 Supporting Documents Attached**

- Site Occupied/Building Substandard Determination table
- TIF Assessment Figures: Buildings Under Study, Occupied Surfaces, Percent Occupied
- Asset Detail Report on Building Condition (one per building)

## **7.0 Procedural Requirements**

The properties were surveyed and evaluated in accordance with the following requirements under Minnesota Statute Section 469.174, Subdivision 10, clause (c) which states:

**Interior Inspection** – “The municipality may not make such determination [that the building is structurally substandard] without an interior inspection of the property...”

**Exterior Inspection and Other Means** – “An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property; and after using its best efforts to obtain permission from the party that owns or controls the property; and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard.”

**Documentation** – “Written documentation of the building findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1).”

## **8.0 Procedures to Follow to Meet Requirements**

The Saint Paul Port Authority, as owners of the property, provided access to the buildings within the assessment area. Compass Rose conducted the assessment on July 28, 2011. An interior and exterior inspection and evaluation was completed for the building within the Scope of Work.

For the subject building, we were provided copies of available building permit information on record for review by Compass Rose. These permits provide a basic description of type of work completed for each permit (Building, Electrical, or Plumbing, scope of work) and, in some cases, approximate value of work to be completed. Additionally, copies of police reports and building inspection reports were also provided for the building if available. In some cases, completed and approved corrections are noted on the reports. Building data from these public records was combined with and reviewed against information gathered in the field Qualification Requirements. In addition, we were provided with detail plans and specifications for the demolition of the building under study and accessed

detailed information for the building within the Saint Paul Port Authority's Beacon Bluff Redevelopment Internet website.

The property was surveyed and evaluated to ascertain whether the qualification tests for tax increment eligibility for a renewal and renovation district, required under the following Minnesota Statutes, could be met.

Minnesota Statute Section 469.174, Subdivision 10, requires three tests for occupied parcels:

**1. Coverage Test** – “parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots or similar structures . . .”

Note: The coverage required by the parcel to be considered occupied is defined under Minnesota Statute Section 469.174, Subdivision 10, clause (e) which states: “For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures unless 15% of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots or other similar structures.”

For the purposes of this assessment, we were not contracted to complete the area coverage analysis of the Ramsey County property parcels. The Saint Paul Port Authority has, at this time, no defined TIF area boundary. As a result, the 70% coverage test is not addressed by this assessment.

**2. Condition of Buildings Test** – The term ‘structurally substandard’, as used in the preceding paragraph, is defined by a two-step test:

**Conditions Test:** Under the tax increment law, specifically, Minnesota Statutes, Section 469.174, Subdivision 10, clause (b), a building is **structurally substandard** if it contains “defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”

**Code Test:** Notwithstanding the foregoing, the tax increment law, specifically, Minnesota Statutes, Section 469.174, Subdivision 10, clause (c) also provides that a building may not be considered structurally substandard if it: “. . . is in compliance with building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site.”



Based on the above requirements, the substandard determination of a particular building is a two-step process; therefore, the findings of each step are independent of each other and both steps must be satisfied in order for a building to be found structurally substandard. It is not sufficient to conclude that a building is structurally substandard solely because the Code Test is satisfied. It is theoretically possible for a building to require extensive renovation in order to meet current building codes but still not meet the main test of the Conditions Test.

Furthermore, deficiencies included in the Conditions Test may or may not include specific code deficiencies as listed in the Code Test. In many cases, specific building code deficiencies may well contribute to the data which supports satisfying the Conditions Test; conversely, it is certainly possible that identified hazards or other deficiencies which could be included in the Conditions Test do not necessarily constitute current building code deficiencies. By definition, the nature of the two steps is slightly different. The Conditions Test is more *subjective*, whereas the Code Test is an *objective* test. Conditions Test deficiencies are less technical and not necessarily measurable to the same extent of the code deficiencies in the Code Test. To the end that technical, measurable building code deficiencies support the satisfaction of the less technical Conditions Test, the following code requirements are defined in terms that go beyond the technical requirements of the code and demonstrate their relevance in terms of “... deficiencies in essential utilities and facilities, light and ventilation, etc. . .”

International Building Code (IBC): The purpose of the IBC is to provide minimum standards to safeguard public health, safety and general welfare through structural strength, means of egress facilities, stability, sanitation, adequate light and ventilation, energy conservation, and safety to life and property from fire and other hazards attributed to the built environment (IBC 101.3). A deficiency in the building code (insufficient number of building exits, insufficient door landing area, etc.) adversely affects one or more of the above standards to safeguard ‘public health . . . and safety to life’; therefore, a deficiency in the building code is considered a deficiency in one or more “essential utilities and facilities, light and ventilation, etc.”.

Minnesota Accessibility Code, Chapter 1341: This chapter sets the requirements for accessibility all building occupancies. The Minnesota Accessibility Code closely follows ANSI 117.1 (2003), which sets the guidelines for accessibility to places of public accommodations and commercial facilities as required by the Americans with Disabilities Act (ADA) of 1990. The ADA is a federal anti-discrimination statute designed to remove barriers that prevent qualified individuals with disabilities from enjoying the same opportunities that are available to persons without disabilities (ADA Handbook). Essentially, a deficiency in the accessibility code (lack of handrail extension at stairs or ramp, lack of clearance at a toilet fixture, etc.) results in a discrimination against disabled individuals; therefore, a deficiency in the accessibility code is considered a deficiency in “essential utilities and facilities”.

Minnesota Rules/Manufactured Homes, Chapter 1350: This chapter sets the requirements for manufactured homes and closely follows the Federal Manufactured Home Construction and Safety Standards. The standards provide additional safety requirements for residents in these structures. A deficiency in this code would consist of improper installation or lack of seals.

Minnesota Food Code, Chapter 4626: This chapter is enforced by the Minnesota Department of Health and is similar to the IBC in that it provides minimum standards to safeguard public health in areas of public/commercial food preparation. A deficiency in the food code (lack of non-absorbent wall or ceiling finishes, lack of hand sink, etc.) causes a condition for potential contamination of food; therefore, a deficiency in the food code is considered a deficiency in “essential utilities and facilities”.

National Electric Code (NEC): The purpose of the NEC is the practical safeguarding of persons and property from hazards arising from the use of electricity. The NEC contains provisions that are considered necessary for safety (NEC 90-1 (a) and (b)). A deficiency in the electric code (insufficient electrical service capacity, improper wiring, etc.) causes a hazard from the use of electricity; therefore, a deficiency in the electric code is considered a deficiency in “essential utilities and facilities”.

International Mechanical Code (IMC): The purpose of the IMC is to provide minimum standards to safeguard life or limb, health, property and public welfare by regulating and controlling the design, construction, installation, quality of materials, location, operation, and maintenance or use of mechanical systems (IMC 101.3). The IMC sets specific requirements for building ventilation, exhaust, intake and relief. These requirements translate into a specified number of complete clean air exchanges for a building based on its occupancy type and occupant load. A deficiency in the mechanical code adversely affects the ‘health . . . and public welfare’ of a building’s occupants; therefore, a deficiency in the mechanical code is considered a deficiency in “light and ventilation”.

Note: The above list represents some of the more common potential code deficiencies considered in the assessment of the buildings in the proposed district. This list does not necessarily include every factor included in the data used to satisfy Step 1 for a particular building. Refer to individual building reports for specific findings.

Finally, the tax increment law provides that the municipality or authority may find that a building is not disqualified as structurally substandard under the Code Test on the basis of “reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. Items of evidence that support such a conclusion [that the building is structurally substandard] include recent fire or police inspections, on-site property appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence.”

## 9.0 Measurements Against Technical Test Requirements

### Coverage Test

Compass Rose utilized a GIS (Geographic Information Systems) system database, available through Ramsey County and the City of St. Paul, to obtain information on the parcel. The GIS system contains graphic information (parcel shapes) and numerical data based on county tax records. This information was used by Compass Rose for the purposes of this assessment.

The total square foot area of the parcel was obtained from county records (GIS) and general site verification.

The total extent of site improvements on the parcel was digitized from recent aerial photography. The total square footage of site improvements was then digitally measured and confirmed by general site verification.

The total percentage of coverage of the parcel was computed to determine if the 15% requirement was met. Refer to attached maps: Occupied Surfaces map and Percent Occupied map.

### Condition of Building Test

Replacement Cost – the cost of constructing a new structure of the same size and type on site:

*R. S. Means Square Foot Costs* (2010) was used as the industry standard for base cost calculations. *R. S. Means* is a nationally published reference tool for construction cost data. Costs are updated yearly and establish a “national average” for materials and labor prices for all types of building construction. The base costs derived from *R. S. Means* were reviewed, and modified if applicable, against our professional judgment and experience.

A base cost was calculated by first establishing building type, building construction type, and construction quality level (residential construction) to obtain the appropriate Means cost per square foot. This cost was multiplied times the building square footage to obtain the total replacement cost for an individual building. Additionally, to account for regional/local pricing, a cost factor was added to the total cost according to *R.S. Means* tables. Using *R. S. Means*, consideration is made for building occupancy, building size, and construction type; therefore, the cost per square foot used to construct a new structure will vary accordingly.

Building Deficiencies: Conditions Test (Condition Deficiencies) – determining the combination of defects or deficiencies of sufficient total significance to justify substantial renovation or clearance.

On-Site evaluations - Evaluation of each building was made by reviewing available information from available records and making interior and/or exterior evaluations, as noted, sometimes limited to public spaces. Deficiencies in structural elements, essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, were noted by the evaluator. Condition Deficiencies may or may not include Code Deficiencies as defined below. Energy code compliance was not considered for the purposes of determining Condition Deficiencies. Deficiencies were combined and summarized for each building in order to determine their total significance.

Building Deficiencies: Code Test (Code Deficiencies) – determining technical conditions that are not in compliance with current building code applicable to new buildings and the cost to correct the deficiencies:

On-Site evaluations - Evaluation of each building was made by reviewing available information from available records and making interior and/or exterior evaluations, as noted, sometimes limited to public spaces. On-site evaluations were completed using a standard checklist format. The standard checklist was derived from several standard building code plan review checklists and was intended to address the most common, easily identifiable code deficiencies. Mechanical Engineers, Electrical Engineers, and Building Code Officials were also consulted in the development of the checklist.

Deficiencies are generally grouped into the following categories (category names are followed by its applicable building code):

- Building accessibility – Minnesota Accessibility Code
- Building egress, building construction – International Building Code
- Fire protection systems – International Building Code
- Food service – Minnesota Food Code
- HVAC (heating, ventilating, and air conditioning) – International Mechanical Code
- Electrical systems – National Electric Code and Minnesota Energy Code
- Energy code compliance – Minnesota Energy Code

For the purposes of determining the Code Test (Code Deficiencies), Energy code compliance is relevant because its criteria affect the design of integral parts of a majority of a building's systems. The intent of these criteria is to

provide a means for assuring building durability, and permitting energy efficient operation (7676.0100). The energy code addresses general building construction (all forms of energy transmission in an exterior building envelope – walls, roofs, doors and windows, etc.) and energy usage by lighting and mechanical systems. A deficiency in the energy code (inadequate insulation, non-insulated window systems, improper air infiltration protection, etc.) reduces energy efficient operation and adversely affects building system durability; therefore, a deficiency in the energy code is considered to contribute to a condition requiring substantial renovation or clearance.

Office evaluations – Following the on-site evaluation, each building was then reviewed, based on on-site data, age of construction, building usage and occupancy, square footage, and known improvements (from building permit data), and an assessment was made regarding compliance with current mechanical, electrical, and energy codes. A basic code review was also completed regarding the potential need for additional egress (basement stairways, for example), sprinkler systems, or elevators.

Deficiency Cost – Costs to correct identified deficiencies were determined by using *R. S. Means Cost Data* and our professional judgment and experience. Our VFA partner Internet website has a real-time link to the *R. S. Means Cost Data*. In general, where several items of varying quality were available for selection to correct a deficiency, an item of average cost was used, as appropriate for typical commercial or residential applications. Actual construction costs are affected by many factors (bidding climate, size of project, etc.). Due to the nature of this assessment, we were only able to generalize the scope of work for each correction; that is to say that detailed plans, quantities, and qualities of materials were not possible to be known. Our approach to this matter was to determine a preliminary cost projection suitable to the level of detail that is known. This process was similar to our typical approach for a cost projection that may be given to an owner during a schematic design stage of a project.

Costs to correct deficiencies were computed for each building and compared to the building replacement cost to determine if the 15% requirement was met. Each individual Asset Summary Report contains the Requirements Index. The Requirements Index is the ratio of Requirements (Code Deficiencies) divided by current replacement value.

Technical Conditions Resources – the following list represents the current building codes applicable to new buildings used in the Building Deficiency review:

2007 Minnesota State Building Code  
2006 International Building Code  
2006 International Residential Code  
MN 1341 – Minnesota Accessibility Code, Chapter 1341  
(2007)

MN 1350 – Minnesota Rules/ Manufactured Homes, Chapter  
1350 (2007)  
2007 Minnesota Energy Code, Chapters 7672, 7674, or 7676  
2005 National Electric Code  
2000 International Mechanical Code

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## List of Figures

Figure 1 – Buildings

Figure 2 – Occupied Surfaces

Figure 3 – Percent Occupied



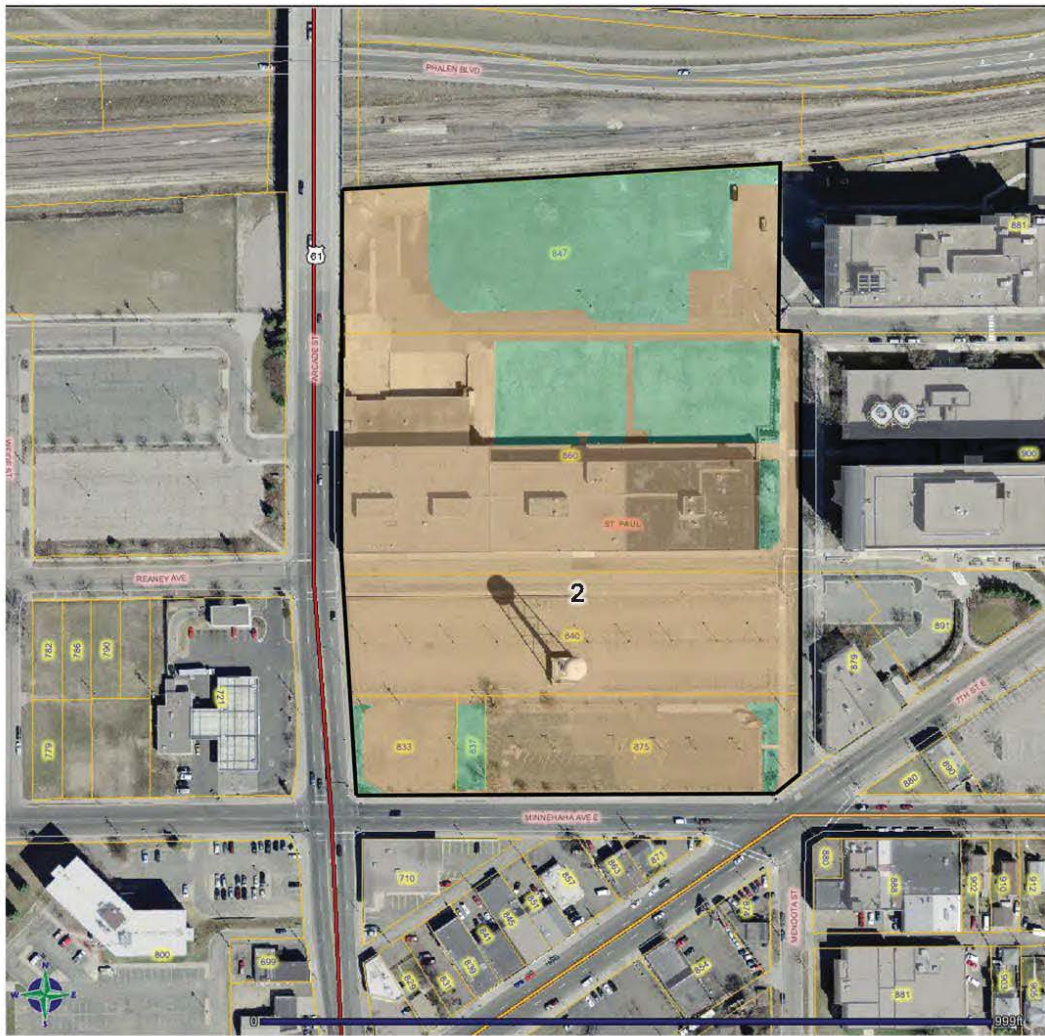
## ST. PAUL PORT AUTHORITY

Redevelopment Eligibility  
Assessment  
Beacon Bluff Redevelopment  
BUILDINGS UNDER STUDY



Legend	
	Project Buildings
	Project Parcels
	Parcels



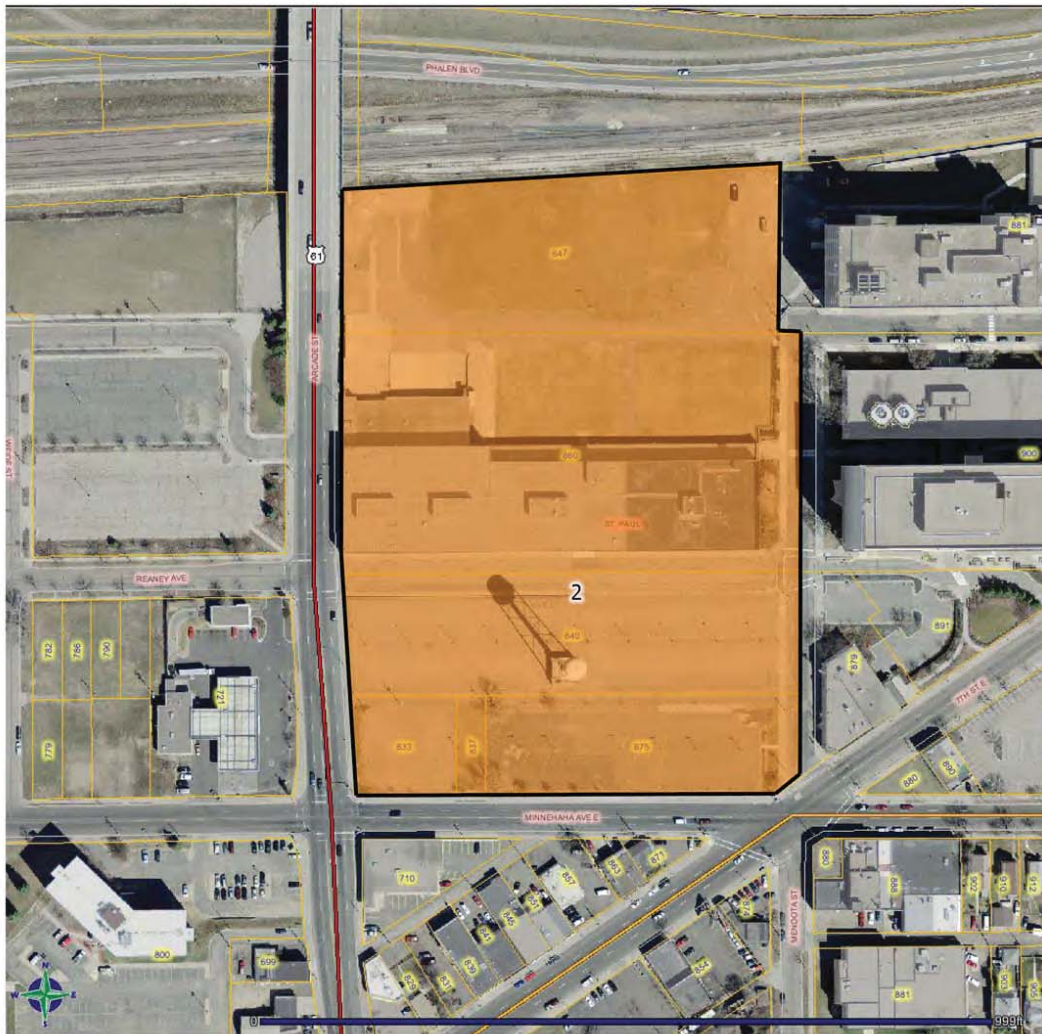


## ST. PAUL PORT AUTHORITY

Redevelopment Eligibility  
Assessment  
Beacon Bluff Redevelopment  
**OCCUPIED SURFACES**



Legend	
	Project Parcels
	Parcels
Occupied Surfaces	
	Yes
	No



## ST. PAUL PORT AUTHORITY

Redevelopment Eligibility  
Assessment  
Beacon Bluff Redevelopment  
PERCENT OCCUPIED



### Legend

- Project Parcels
- Parcels
- Percent Occupied**
- 0 % Developed
- 1 - 15 % Developed
- > 15 % Developed

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## List of Tables

Site Occupied/Building Substandard Determination

SITE OCCUPIED/BUILDING SUBSTANDARD DETERMINATION  
ST PAUL PORT AUTHORITY  
BEACON BLUFF REDEVELOPMENT  
REDEVELOPMENT ELIGIBILITY ASSESSMENT

PARCEL NUMBER	TYPE OF OCCUPATION	SITE AREA (s.f.)	COVERAGE %	SITE COVERAGE (s.f.)	COVERAGE QUANTITY	TOTAL # BUILDINGS	# SUBSTANDARD
2B.29.22.33.0052	Industrial/Multi-use	519,541.47	0.74	382,850.7	519,541.5	1	1
TOTALS		519,541	0.74	382,850	519,541	1	1
PERCENTAGES					100.00%		100.00%

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## List of Appendices

Asset Detail Report on Building Condition (one per building)



## Asset Detail Report

by Asset Name

Client: Saint Paul Port Authority  
Project\_Number: STPPA 20000

Asset Name: Building 24  
Asset Number: 24

### STATISTICS

FCI Cost:	2,397,360	FCI:	0.12
Total Requirements Cost :	4,828,933	RI:	0.24

Current Replacement Value	20,312,630	Address 1	-
Size	198,172 SF	Address 2	860 Bush Ave
Year Constructed	1950	City	St. Paul
Year Renovated	1994	State/Province/Region	MN
Commission Date	-	Zip/Postal Code	-
Decommission Date	-	Architect	-
Ownership	Client Owned	Historical Category	None
Floors	3	Construction Type	IBC - Type 3B
Type	Building	Use	Abandoned

### PHOTO



Overview

### ASSET DESCRIPTION

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MAP ID # 24

PID # 28.29.22.33.0052

Parcel Name BUILDING 24

Inspector CK

Inspection Date 7/28/2011

Survey Method INTERIOR/EXTERIOR

Bldg Occupancy Factory/ Warehouse/Office

All costs in USD.

## Asset Detail Report

by Asset Name

Bldg Type F-2/S-2/B

Wall Construction METAL/BRICK/WOOD

Roof Construction WOOD/METAL

# Stories 2 Mezzanine

Basement N/N

Story Height 14-24

Floor Area 92,750

Building Area 198,172

Year Built 1950

Sprinklered

Elevator

Report on Building Condition

Building ID/Business Name/Address 4, Former BM Factory, 860 Bush Ave, St Paul, MN

Satisfies Conditions Test for Structurally Substandard Building

Satisfies Code Test for Structurally Substandard Building

Structurally Substandard Building N/N

### Conditions Test

Under the taIncrement law, specifically, Minnesota Statutes, Section 469.174, Subdivision 10, a building is structurally substandard if it contains defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

The above building, based upon actual interior and exterior inspection and review of building permit records, exhibits the following deficiencies that contribute to justifying substantial renovation or clearance

### Structural Elements

Defects in exterior building shell Deteriorating and rotting wood structure at column and floor points, masonry foundation wall and bearing points show evidence of settlement cracks, mortar joints missing/loose voids in brick grout, cracks settling in concrete at various locations.

### Essential Utilities Facilities

Deficient in facilities for disabled Lack of accessible hardware on interior doors Lack of maneuvering clearance and accessible features in toilet rooms Lack of accessible features at drinking fountain Height, knee clearance No accessible elevator for second floor Mezzanine Installation of drinking fountains required due to building occupancy.

### Light Ventilation

Deficient in meeting Mechanical code For building construction prior to 1989, mechanical systems do not provide sufficient number of air exchanges

### Fire Protection/Egress

Deficient exterior door Deficient threshold height Deficient interior non-enclosed stairway Rise/run dimensions, handrail height, grip, Dimensions and guardrails Deficient emergency lighting. Fire doors Lack proper rating and separation. Mezzanine should be treated as a story, enclosed and assembly areas

All costs in USD

## Asset Detail Report

by Asset Name

not rated

### Layout/Condition of Interior Partitions

Chipped and/or damaged drywall in a few locations. Numerous tripping hazards and lack of guard rails at floor openings. Layout exhibits obsolescence.

### Similar Factors

Defects in exterior building shell: window frames need paint, glazing broken or missing: deteriorating brick and block: roof leakage problem exists: water-damaged ceiling areas need to be replaced: rusted exterior metal doors. Asbestos and lead hazards have been identified and is considered critical level in various locations.

### Code Test

Notwithstanding the foregoing, the ta: increment law also provides that a building may not be considered structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the current building code at a cost of less than 15 % of the cost of constructing a new building of the same square footage and type on the same site.

Estimated cost of new building of same size and type : Total Replacement Cost : \$0,312,630

Estimated cost of correction of code deficiencies : Total Deficiency Cost : \$4,828,933

Percentage of Code Deficiency to Replacement Cost : 3.77 %

Refer to the following requirements for documentation of specific code deficiencies.

### REQUIREMENTS

Requirement Name	Prime System	Category	Priority	Action Date	Cost
Access Ext - No exterior accessible route that does not require use of stairs: from site access to building entrance - MN 1341.0422	-	Accessibility	TIF Requirement	07/28/2011	19,085
Access Int - Bathroom without required maneuvering clearance for front or side approach at tub/shower - MN 1341.0456, MN 1341.0458	-	Accessibility	TIF Requirement	07/28/2011	8,929
Access Int - Braille elevator car call and control buttons not provided - MN 1341.043	-	Accessibility	TIF Requirement	07/28/2011	1,173
Access Int - Elevator call buttons not centered at 42" above the floor, visible/audible signals not provided - MN 1341.0436	-	Accessibility	TIF Requirement	07/28/2011	1,173

All costs in USD



## Asset Detail Report

by Asset Name

Requirement Name	Prime System	Category	Priority	Action Date	Cost
Access Int - Elevator car handrail not provided at 32" above the floor - MN 1341.0436	-	Accessibility	TIF Requirement	07/28/2011	2,487
Access Int - Less than 5' of public/common use sales/service counter at 36" max above the floor or 36" min. width - MN 1341.0720	-	Accessibility	TIF Requirement	07/28/2011	3,805
Access Int - Public/common use room without sill at 34" max height and 29" min. clear space below - MN 1341.0464	-	Accessibility	TIF Requirement	07/28/2011	3,206
Access Int - Ramp improvements required due to noncompliant landings, ramp width, or ramp slope - MN 1341.0432	-	Accessibility	TIF Requirement	07/28/2011	8,660
Access Int - Toilet room accessibility improvements due to noncompliant clearances at fixtures or doors, and heights of fixtures - MN 1341.0454	-	Accessibility	TIF Requirement	07/28/2011	194,895
Access Int - Toilet room without unobstructed 5' turning radius within room - MN 1341.0460	-	Accessibility	TIF Requirement	07/28/2011	2,696
Access Int 6 Building occupancy of floor greater than 30 occupants above or below level of access requires installation of an elevator - MN 1341.0405	-	Accessibility	TIF Requirement	07/28/2011	73,701
Access Int 7 Door on an interior accessible route without required maneuvering clearance at door approach or door opening is less than 12' clear width - MN 1341.0442	-	Accessibility	TIF Requirement	07/28/2011	7,350

All costs in USD

## Asset Detail Report

by Asset Name

Requirement Name	Prime System	Category	Priority	Action Date	Cost
Access Int c30 Bathroom without tub/shower seat at 17 ft above the floor - MN 1341.0456, MN 1341.0458	-	Accessibility	TIF Requirement	07/28/2011	422
Bldg Const - Building requires rated stair construction- IBC 302.3.3	-	Building Code	TIF Requirement	07/28/2011	59,872
Bldg Const - Building requires separation of occupancies- IBC 302.3.3	-	Building Code	TIF Requirement	07/28/2011	137,044
Bldg Const - Glazing not tempered along wallway- IBC 2406.2	-	Building Code	TIF Requirement	07/28/2011	5,952
Bldg Const 2 Occupancy of building requires installation of additional drinking fountain - IBC Chap. 29	-	Building Code	TIF Requirement	07/28/2011	6,851
Egress - Elevator opens into a corridor without an elevator lobby - IBC 707.14.1	-	Life Safety	TIF Requirement	02/01/2010	7,747
Egress - Exit door does not swing in direction of travel - IBC 1003.3.1.2	-	Life Safety	TIF Requirement	07/28/2011	3,896
Egress - Stairway improvements required due to noncompliant rise/run, width, headroom, landings, and height - IBC 1003.3.3	-	Life Safety	TIF Requirement	07/28/2011	495,253
Elec Com - Upgrade egress and emergency lighting for NFPA Life Safety Code	-	Life Safety	TIF Requirement	07/28/2011	11,135
Elec Com - Upgrade fire alarm system for UFC, NFPA and ADA requirements	-	Life Safety	TIF Requirement	07/28/2011	231,768
Elec Com 1 For building construction prior to 1980, existing lighting systems do not conform to maximum allowable energy use. Lights consume too much energy in terms of watts/s.f. D- MN 7676	-	Energy	TIF Requirement	07/28/2011	196,339

All costs in USD

## Asset Detail Report

by Asset Name

Requirement Name	Prime System	Category	Priority	Action Date	Cost
Energy 7 For building construction prior to 1976, foundation wall with less than R-5 insulation - MN 7672.0800, MN 7676.0700	-	Energy	TIF Requirement	07/28/2011	154,504
Energy 9 For building construction prior to 1976, exterior wall area with less than R-11 insulation - MN 7672.0800, MN 7676.0700	-	Energy	TIF Requirement	07/28/2011	759,308
Energy 10 For building construction prior to 1976, attic/roof area with less than R-38 insulation Residential Or R-23 insulation Commercial Or MN 7672.0800, MN 7676.0700	-	Energy	TIF Requirement	07/28/2011	1,321,422
DV AC Com 1 For building construction prior to 1989, mechanical systems do not provide sufficient number of air exchanges	-	Building Code	TIF Requirement	07/28/2011	616,810
DV AC Com 3 For building construction prior to 1989, building electrical systems are not sufficient to handle additional mechanical units associated with increased air exchanges	-	Building Code	TIF Requirement	02/01/2010	493,448
<b>Total</b>					<b>2,735,092</b>

All costs in USD



EXHIBIT B



**Proposed Redevelopment**

*Former Samai Asian Restaurant*

*TIF Eligibility Assessment*

Saint Paul Port Authority

Compass Rose No. STPPA003

*SEH No. STPPA-114573*

November 16, 2010



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## Table of Contents

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# Proposed Redevelopment

## TIF Eligibility Assessment

Prepared for the Saint Paul Port Authority

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### 1.0 Purpose

Compass Rose, Inc. was hired by the Saint Paul Port Authority to survey and evaluate the Samai Restaurant. The project was to document existing building conditions and to determine eligibility as it relates to current Minnesota Statutes for the establishment of a Redevelopment Tax Increment Financing (TIF) District.

Currently, the Saint Paul Port Authority has no defined TIF District boundary for the project area. The building assessed is located at the corner of Minnehaha Ave East and 7<sup>th</sup> St East.

The purpose of our work was to independently ascertain whether the building qualification tests for tax increment eligibility, as required under current Minnesota Statute, could be met.

The findings and conclusions drawn herein are solely for the purpose of tax increment eligibility for the buildings assessed and are not intended to be used outside the scope of this assessment.

### 2.0 Scope of Work

The assessment area consists of one Ramsey County property parcel. Our scope of work included the assessment of one structure, commonly referred to as: Samai Asian Restaurant.

The Building is classified primarily as mixed use and is comprised of Assembly (A-2) and Residential (R-2).

### 3.0 Evaluations

Interior and exterior inspection was completed for the building within the Scope of Work.

#### 4.0 Findings

**Condition of Buildings Test** – Our assessment work included the following building.

Building, Street Address	PIN	Percent of Code Deficiencies related to replacement costs
Samai Restaurant, 890 7 <sup>th</sup> St East	282922330011	26.58%

The building met both the Conditions and Code tests to justify substantial renovation or clearance.

Please refer to the definition of “structurally substandard” as follows.

#### 5.0 Conclusions-

In our professional opinion, our surveying and evaluation of the building within the assessment area determined that **the building qualifies as an eligible structure** (structurally substandard) under the current statutory criteria and formulas for Redevelopment Tax Increment Financing District (State Statute 469.174 Subd. 10 (b) and (c)).

#### 6.0 Supporting Documents Attached

- Site Occupied/Building Substandard Determination table
- Asset Detail Report on Building Condition (one per building)

#### 7.0 Procedural Requirements

The properties were surveyed and evaluated in accordance with the following requirements under Minnesota Statute Section 469.174, Subdivision 10, clause (c) which states:

**Interior Inspection** – “The municipality may not make such determination [that the building is structurally substandard] without an interior inspection of the property...”

**Exterior Inspection and Other Means** – “An interior inspection of the property is not required, if the municipality finds that (1) the municipality or authority is unable to gain access to the property; and after using its best efforts to obtain permission from the party that owns or controls the property;



and (2) the evidence otherwise supports a reasonable conclusion that the building is structurally substandard.”

**Documentation** – “Written documentation of the building findings and reasons why an interior inspection was not conducted must be made and retained under section 469.175, subdivision 3, clause (1).”

## **8.0 Procedures to Follow to Meet Requirements**

The Saint Paul Port Authority, as owners of the properties, provided access to the buildings within the assessment area. Compass Rose conducted assessment on November 9, 2010. An interior and exterior inspection and evaluation was completed for the building within the Scope of Work.

For the subject building, we were provided copies of available building permit information on record for review by Compass Rose. These permits provide a basic description of type of work completed for each permit (Building, Electrical, or Plumbing, scope of work) and, in some cases, approximate value of work to be completed. Additionally, copies of police reports and building inspection reports were also provided for the building. Building data from these public records was combined with and reviewed against information gathered in the field Qualification Requirements.

The property was surveyed and evaluated to ascertain whether the qualification tests for tax increment eligibility for a renewal and renovation district, required under the following Minnesota Statutes, could be met.

Minnesota Statute Section 469.174, Subdivision 10, requires three tests for occupied parcels:

**1. Coverage Test** – “parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots or similar structures . . .”

Note: The coverage required by the parcel to be considered occupied is defined under Minnesota Statute Section 469.174, Subdivision 10, clause (c) which states: “For purposes of this subdivision, a parcel is not occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures unless 15% of the area of the parcel contains buildings, streets, utilities, paved or gravel parking lots or other similar structures.” .

For the purposes of this assessment, we were not contracted to complete the area coverage analysis of the Ramsey County property parcels. The Saint Paul Port Authority has, at this time, no defined TIF area boundary

**2. Condition of Buildings Test** – The term ‘structurally substandard’, as used in the preceding paragraph, is defined by a two-step test:

**Conditions Test:** Under the tax increment law, specifically, Minnesota Statutes, Section 469.174, Subdivision 10, clause (b), a building is **structurally substandard** if it contains “defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.”

**Code Test:** Notwithstanding the foregoing, the tax increment law, specifically, Minnesota Statutes, Section 469.174, Subdivision 10, clause (c) also provides that a building may not be considered structurally substandard if it: “. . . is in compliance with building code applicable to new buildings or could be modified to satisfy the building code at a cost of less than 15 percent of the cost of constructing a new structure of the same square footage and type on the site.”

Based on the above requirements, the substandard determination of a particular building is a two-step process; therefore, the findings of each step are independent of each other and both steps must be satisfied in order for a building to be found structurally substandard. It is not sufficient to conclude that a building is structurally substandard solely because the Code Test is satisfied. It is theoretically possible for a building to require extensive renovation in order to meet current building codes but still not meet the main test of the Conditions Test.

Furthermore, deficiencies included in the Conditions Test may or may not include specific code deficiencies as listed in the Code Test. In many cases, specific building code deficiencies may well contribute to the data which supports satisfying the Conditions Test; conversely, it is certainly possible that identified hazards or other deficiencies which could be included in the Conditions Test do not necessarily constitute current building code deficiencies. By definition, the nature of the two steps is slightly different. The Conditions Test is more *subjective*, whereas the Code Test is an *objective* test. Conditions Test deficiencies are less technical and not necessarily measurable to the same extent of the code deficiencies in the Code Test. To the end that technical, measurable building code deficiencies support the satisfaction of the less technical Conditions Test, the following code requirements are defined in terms that go beyond the technical requirements of the code and demonstrate their relevance in terms of “. . . deficiencies in essential utilities and facilities, light and ventilation, etc. . .”

International Building Code (IBC): The purpose of the IBC is to provide minimum standards to safeguard public health, safety and general welfare through structural strength, means of egress facilities, stability, sanitation, adequate light and ventilation, energy conservation, and safety to life and property from fire and other hazards attributed to the built environment (IBC 101.3). A deficiency in the building code (insufficient number of building exits, insufficient door landing area, etc.) adversely affects one or more of the above standards to safeguard ‘public health . . . and safety to life’; therefore, a

deficiency in the building code is considered a deficiency in one or more “essential utilities and facilities, light and ventilation, etc.”.

Minnesota Accessibility Code, Chapter 1341: This chapter sets the requirements for accessibility all building occupancies. The Minnesota Accessibility Code closely follows ANSI 117.1 (2003), which sets the guidelines for accessibility to places of public accommodations and commercial facilities as required by the Americans with Disabilities Act (ADA) of 1990. The ADA is a federal anti-discrimination statute designed to remove barriers that prevent qualified individuals with disabilities from enjoying the same opportunities that are available to persons without disabilities (ADA Handbook). Essentially, a deficiency in the accessibility code (lack of handrail extension at stairs or ramp, lack of clearance at a toilet fixture, etc.) results in a discrimination against disabled individuals; therefore, a deficiency in the accessibility code is considered a deficiency in “essential utilities and facilities”.

Minnesota Rules/Manufactured Homes, Chapter 1350: This chapter sets the requirements for manufactured homes and closely follows the Federal Manufactured Home Construction and Safety Standards. The standards provide additional safety requirements for residents in these structures. A deficiency in this code would consist of improper installation or lack of seals.

Minnesota Food Code, Chapter 4626: This chapter is enforced by the Minnesota Department of Health and is similar to the IBC in that it provides minimum standards to safeguard public health in areas of public/commercial food preparation. A deficiency in the food code (lack of non-absorbent wall or ceiling finishes, lack of hand sink, etc.) causes a condition for potential contamination of food; therefore, a deficiency in the food code is considered a deficiency in “essential utilities and facilities”.

National Electric Code (NEC): The purpose of the NEC is the practical safeguarding of persons and property from hazards arising from the use of electricity. The NEC contains provisions that are considered necessary for safety (NEC 90-1 (a) and (b)). A deficiency in the electric code (insufficient electrical service capacity, improper wiring, etc.) causes a hazard from the use of electricity; therefore, a deficiency in the electric code is considered a deficiency in “essential utilities and facilities”.

International Mechanical Code (IMC): The purpose of the IMC is to provide minimum standards to safeguard life or limb, health, property and public welfare by regulating and controlling the design, construction, installation, quality of materials, location, operation, and maintenance or use of mechanical systems (IMC 101.3). The IMC sets specific requirements for building ventilation, exhaust, intake and relief. These requirements translate into a specified number of complete clean air exchanges for a building based on its occupancy type and occupant load. A deficiency in the mechanical code adversely affects the ‘health . . . and public welfare’ of a building’s

occupants; therefore, a deficiency in the mechanical code is considered a deficiency in “light and ventilation”.

Note: The above list represents some of the more common potential code deficiencies considered in the assessment of the buildings in the proposed district. This list does not necessarily include every factor included in the data used to satisfy Step 1 for a particular building. Refer to individual building reports for specific findings.

Finally, the tax increment law provides that the municipality or authority may find that a building is not disqualified as structurally substandard under the Code Test on the basis of “reasonably available evidence, such as the size, type, and age of the building, the average cost of plumbing, electrical, or structural repairs, or other similar reliable evidence. Items of evidence that support such a conclusion [that the building is structurally substandard] include recent fire or police inspections, on-site property appraisals or housing inspections, exterior evidence of deterioration, or other similar reliable evidence.”

## **9.0 Measurements Against Technical Test Requirements**

### **Condition of Building Test**

**Replacement Cost** – the cost of constructing a new structure of the same size and type on site:

*R. S. Means Square Foot Costs* (2010) was used as the industry standard for base cost calculations. *R. S. Means* is a nationally published reference tool for construction cost data. Costs are updated yearly and establish a “national average” for materials and labor prices for all types of building construction. The base costs derived from *R. S. Means* were reviewed, and modified if applicable, against our professional judgment and experience.

A base cost was calculated by first establishing building type, building construction type, and construction quality level (residential construction) to obtain the appropriate Means cost per square foot. This cost was multiplied times the building square footage to obtain the total replacement cost for an individual building. Additionally, to account for regional/local pricing, a cost factor was added to the total cost according to *R.S. Means* tables. Using *R. S. Means*, consideration is made for building occupancy, building size, and construction type; therefore, the cost per square foot used to construct a new structure will vary accordingly.

**Building Deficiencies: Conditions Test (Condition Deficiencies)** – determining the combination of defects or deficiencies of sufficient total significance to justify substantial renovation or clearance.

On-Site evaluations - Evaluation of each building was made by reviewing available information from available records and making interior and/or exterior evaluations, as noted, sometimes limited to public spaces. Deficiencies in structural elements, essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, were noted by the evaluator. Condition Deficiencies may or may not include Code Deficiencies as defined below. Energy code compliance was not considered for the purposes of determining Condition Deficiencies. Deficiencies were combined and summarized for each building in order to determine their total significance.

Building Deficiencies: Code Test (Code Deficiencies) – determining technical conditions that are not in compliance with current building code applicable to new buildings and the cost to correct the deficiencies:

On-Site evaluations - Evaluation of each building was made by reviewing available information from available records and making interior and/or exterior evaluations, as noted, sometimes limited to public spaces. On-site evaluations were completed using a standard checklist format. The standard checklist was derived from several standard building code plan review checklists and was intended to address the most common, easily identifiable code deficiencies. Mechanical Engineers, Electrical Engineers, and Building Code Officials were also consulted in the development of the checklist.

Deficiencies are generally grouped into the following categories (category names are followed by its applicable building code):

- Building accessibility – Minnesota Accessibility Code
- Building egress, building construction – International Building Code
- Fire protection systems – International Building Code
- Food service – Minnesota Food Code
- HVAC (heating, ventilating, and air conditioning) – International Mechanical Code
- Electrical systems – National Electric Code and Minnesota Energy Code
- Energy code compliance – Minnesota Energy Code

For the purposes of determining the Code Test (Code Deficiencies), Energy code compliance is relevant because its criteria affect the design of integral parts of a majority of a building's systems. The intent of these criteria is to

provide a means for assuring building durability, and permitting energy efficient operation (7676.0100). The energy code addresses general building construction (all forms of energy transmission in an exterior building envelope – walls, roofs, doors and windows, etc.) and energy usage by lighting and mechanical systems. A deficiency in the energy code (inadequate insulation, non-insulated window systems, improper air infiltration protection, etc.) reduces energy efficient operation and adversely affects building system durability; therefore, a deficiency in the energy code is considered to contribute to a condition requiring substantial renovation or clearance.

Office evaluations – Following the on-site evaluation, each building was then reviewed, based on on-site data, age of construction, building usage and occupancy, square footage, and known improvements (from building permit data), and an assessment was made regarding compliance with current mechanical, electrical, and energy codes. A basic code review was also completed regarding the potential need for additional egress (basement stairways, for example), sprinkler systems, or elevators.

Deficiency Cost – Costs to correct identified deficiencies were determined by using *R. S. Means Cost Data* and our professional judgment and experience. Our VFA partner Internet website has a real-time link to the *R. S. Means Cost Data*. In general, where several items of varying quality were available for selection to correct a deficiency, an item of average cost was used, as appropriate for typical commercial or residential applications. Actual construction costs are affected by many factors (bidding climate, size of project, etc.). Due to the nature of this assessment, we were only able to generalize the scope of work for each correction; that is to say that detailed plans, quantities, and qualities of materials were not possible to be known. Our approach to this matter was to determine a preliminary cost projection suitable to the level of detail that is known. This process was similar to our typical approach for a cost projection that may be given to an owner during a schematic design stage of a project.

Costs to correct deficiencies were computed for each building and compared to the building replacement cost to determine if the 15% requirement was met. Each individual Asset Summary Report contains the Requirements Index. The Requirements Index is the ratio of Requirements (Code Deficiencies) divided by current replacement value.

Technical Conditions Resources – the following list represents the current building codes applicable to new buildings used in the Building Deficiency review:

2007 Minnesota State Building Code  
2006 International Building Code  
2006 International Residential Code  
MN 1341 – Minnesota Accessibility Code, Chapter 1341  
(2007)

MN 1350 – Minnesota Rules/ Manufactured Homes, Chapter  
1350 (2007)  
2007 Minnesota Energy Code, Chapters 7672, 7674, or 7676  
2005 National Electric Code  
2000 International Mechanical Code

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## List of Tables

Site Occupied/Building Substandard Determination



SITE OCCUPIED/BUILDING SUBSTANDARD DETERMINATION  
ST PAUL PORT AUTHORITY  
SAMAI ASIAN RESTAURANT  
REDEVELOPMENT ELIGIBILITY ASSESSMENT

PARCEL NUMBER	TYPE OF OCCUPATION	TOTAL # BUILDINGS	# SUBSTANDARD
282922330011	Assembly	1	1
TOTALS		1	1

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## Appendix A

Asset Detail Report on Building Condition (one per building)

## Asset Detail Report

by Asset Name

Client: Saint Paul Port Authority  
Project\_Number: STPPA 114573

Asset Name: Samai Restaurant  
Asset Number: 282922330011

### STATISTICS

FCI Cost:	147,558	FCI:	0.15
Total Requirements Cost :	260,695	RI:	0.27

Current Replacement Value	980,622	Address 1	Samai Asian Restaurant
Size	6,427 SF	Address 2	890 7th St E
Year Constructed	1884	City	St. Paul
Year Renovated	-	State/Province/Region	MN
Commission Date	-	Zip/Postal Code	-
Decommission Date	-	Architect	-
Ownership	Client Owned	Historical Category	None
Floors	2	Construction Type	IBC - Type 5B
Type	Building	Use	Abandoned

### PHOTO



Overview

### ASSET DESCRIPTION

\*\*\*\*

MAP ID #NA

PID # 28.29.22.33.0011

Parcel Name Samai Asian restaurant

Inspector CK/RS

Inspection Date 11/9/2010

Survey Method INTERIOR/EXTERIOR

Bldg Occupancy Assembly (Restaurant)/Residential

All costs in USD.

## Asset Detail Report

by Asset Name

Bldg Type A-2/R-2

Wall Construction BRICK/BLOCK/WOOD

Roof Construction WOOD/EPDM - SHINGLE

# Stories 2

Basement (Y/N) Y

Story Height 11-22

Floor Area 2,142

Building Area 6,427

Year Built 1913

Sprinklered N

Elevator N

Report on Building Condition

Building ID/Business Name/Address: Sam ai Asian restaurant 890 7th St E

Satisfies Conditions Test for Structurally Substandard Building: Y

Satisfies Code Test for Structurally Substandard Building: Y

Structurally Substandard Building (Y/N): Y

### Conditions Test

Under the tax increment law, specifically, Minnesota Statutes, Section 469.174, Subdivision 10, a building is structurally substandard if it contains defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

The above building, based upon actual interior and exterior inspection and review of building permit records, exhibits the following deficiencies that contribute to justifying substantial renovation or clearance:

#### Structural Elements:

Defects in exterior building shell: deteriorating and rotting wood structure at roof and floor joists, masonry foundation wall and brick show evidence of settlement cracks. Windows and doors are broken while stairs are deflecting.

#### Essential Utilities & Facilities:

Deficient in facilities for disabled: lack of accessible hardware on interior doors; lack of maneuvering clearance and accessible features in toilet rooms; egress through intervening spaces; improper fire separations.

#### Light & Ventilation

Deficient in meeting Mechanical code: for building construction prior to 1989, mechanical systems do not provide sufficient number of air exchanges.

Deficient in meeting Electrical code: receptacle locations, receptacle types, and wiring are non-compliant with current building code.

#### Fire Protection/Egress

Deficient exterior stairways: rise/run dimensions, handrail height, grip, extensions and guardrails, deficient emergency lighting.

All costs in USD

## Asset Detail Report

by Asset Name

### Layout/Condition of Interior Partitions

Chipped and/or damaged drywall in numerous locations. Flooring is damaged and inconsistent. Roof damage creating mold and mildew. Layout exhibits obsolescence.

### Similar Factors

Defects in exterior building shell: wood window frames need paint, wooden sills are in various stages of rotting paint peeling, roof leakage problem exists, water-damaged ceiling areas need to be replaced, aged and damaged exterior doors. Asbestos and lead hazards have not been identified but may be present.

### Code Test

Notwithstanding the foregoing, the tax increment law also provides that a building may not be considered structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy the current building code at a cost of less than 15% of the cost of constructing a new building of the same square footage and type on the same site.

Estimated cost of new building of same size and type (Total Replacement Cost): \$980,622

Estimated cost of correction of code deficiencies (Total Deficiency Cost): \$260,695

Percentage of Code Deficiency to Replacement Cost: 26.58%

Refer to the following requirements for documentation of specific code deficiencies.

### REQUIREMENTS

Requirement Name	Prime System	Category	Priority	Action Date	Cost
Access Ext - Exterior entrance door on an accessible route without lever handle or loop-style hardware; MN 1341.0442	B2030-Exterior Doors	Accessibility	TIF Requirement	11/09/2010	1,080
Access Ext - Exterior entrance door on an accessible route without required maneuvering clearance at door approach or min. 48" between sets of doors - MN 1341.0442	-	Accessibility	TIF Requirement	11/09/2010	12,613
Access Ext - No disability parking available - MN 1341.0403	G2020-Parking Lots	Accessibility	TIF Requirement	11/09/2010	207
Access Ext - No van accessible parking available - MN 1341.0403	G2020-Parking Lots	Accessibility	TIF Requirement	11/09/2010	207
Access Int - Door on an interior accessible route without lever handle or loop-style hardware - MN 1341.0442	-	Accessibility	TIF Requirement	11/09/2010	2,015

All costs in USD

## Asset Detail Report

by Asset Name

Requirement Name	Prime System	Category	Priority	Action Date	Cost
Access Int - Door on an interior accessible route without required maneuvering clearance at door approach or door opening is less than 12" clear width - MN 1341.0442	-	Accessibility	TIF Requirement	11/09/2010	1,760
Access Int - Less than 5% of public/common use sales/service counter/window at 36" max. above the floor or 36" min. width - MN 1341.0720	-	Accessibility	TIF Requirement	11/09/2010	1,520
Access Int - Public/common use rooms without plumbing insulation/covering for a sink - MN 1341.0454	-	Accessibility	TIF Requirement	11/09/2010	132
Access Int - Ramp improvements required due to noncompliant landings, ramp width, or ramp slope - MN 1341.0432	-	Accessibility	TIF Requirement	11/09/2010	5,381
Access Int - Toilet room accessibility improvements due to noncompliant clearances at fixtures or doors, and heights of fixtures - MN 1341.0454	-	Accessibility	TIF Requirement	11/09/2010	20,085
Bldg Const - Building requires separation of occupancies - IBC 302.3.3	-	Building Code	TIF Requirement	11/09/2010	20,117
Bldg Const - Faucet lacking proper vacuum breaker - MN Plumbing Code 4715.1920	-	Building Code	TIF Requirement	11/09/2010	333
Bldg Const - Deck with noncompliant guardrail (42" min. height, 4" or 21" min. spacing between intermediate rails) (residential exception = 34" - 38" height) - IBC 1003.2.12	-	Life Safety	TIF Requirement	11/09/2010	4,101

All costs in USD

## Asset Detail Report

by Asset Name

Requirement Name	Prime System	Category	Priority	Action Date	Cost
Egress - Exit path travels through intervening room - IBC 1004.3.2.5	-	Life Safety	TIF Requirement	11/09/2010	5,992
Egress - Exterior door landing less than 44" min. in direction of travel (residential exception = 36") or greater than 7" rise for non-accessible exterior doors in groups F, H, R, S, and U - IBC 1003.3.1.5, IBC 1003.3.1.4	-	Life Safety	TIF Requirement	11/09/2010	2,064
Egress - Exterior door with greater than 1/2 threshold (accessible) - IBC 1003.3.1.6	-	Life Safety	TIF Requirement	11/09/2010	1,564
Egress - Exterior flight of stairs with noncompliant rise/run (7" max. rise/11" min. run) (residential exception: 7.75" max. rise/10" min. run) - IBC 1003.3.3.3	-	Life Safety	TIF Requirement	11/09/2010	6,129
Egress - Stairway improvements required due to noncompliant rise/run - IBC 1003.3.3	-	Life Safety	TIF Requirement	11/09/2010	15,749
Elec Com - For building construction prior to 1980, existing lighting systems do not conform to maximum allowable energy use (lights consume too much energy in terms of watts/s.f.) - MN 7676	D5020-Lighting and Branch Wiring	Energy	TIF Requirement	11/09/2010	8,225
Elec Res - Kitchen countertop outlet receptacle without GFCI protection - NEC 210-8	-	Building Code	TIF Requirement	11/09/2010	713
Energy - For building construction prior to 1976, attic/roof area with less than R-38 insulation (residential) or R-23 insulation (commercial) - MN 7672.0800, MN 7676.0700	B1020-Roof Construction	Energy	TIF Requirement	11/09/2010	20,298

All costs in USD

## Asset Detail Report

by Asset Name

Requirement Name	Prime System	Category	Priority	Action Date	Cost
Energy - For building construction prior to 1976, exterior wall area with less than R-11 insulation - MN 7672.0800, MN 7676.0700	B2010-Exterior Walls	Energy	TIF Requirement	11/09/2010	72,072
Energy - For building construction prior to 1976, foundation wall with less than R-5 insulation - MN 7672.0800, MN 7676.0700	A10-Foundations	Energy	TIF Requirement	11/09/2010	12,543
Fire Sys - Occupancy, area, and construction type of building require installation of fire sprinkler system - IBC Chap. 5, UBC 903	-	Life Safety	TIF Requirement	11/09/2010	28,857
Fire Sys - Smoke detector/detection system not provided in each sleeping room - IBC 907.2.10	-	Life Safety	TIF Requirement	11/09/2010	728
HVAC Com - Ductwork system observed to contain mold and dirt	D3040-Distribution Systems	Building Code	TIF Requirement	11/09/2010	522
HVAC Com - Ductwork system observed to not adequately distribute supply air to entire space; Per IMC 2000-603	D3040-Distribution Systems	Building Code	TIF Requirement	11/09/2010	1,872
HVAC Com - For building construction prior to 1989, building electrical systems are not sufficient to handle additional mechanical units associated with increased air exchanges	D3040-Distribution Systems	Building Code	TIF Requirement	11/09/2010	6,909
HVAC Com - For building construction prior to 1989, mechanical systems do not provide sufficient number of air exchanges	D3040-Distribution Systems	Building Code	TIF Requirement	11/09/2010	6,909
<b>Total</b>					<b>20000000</b>

All costs in USD





EXHIBIT C

Leonard, Street and Deinard Opinion

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August 16, 2011

Port Authority of the City of Saint Paul  
1900 Landmark Towers  
345 St. Peter Street  
Saint Paul, MN 55102-1661

Re: Beacon Bluff – Proposed Demolition of Building

The Port Authority of the City of Saint Paul (the “**Port Authority**”) is considering the creation of a Redevelopment Tax Increment District pursuant to Section 469.174, Subd. 10 of Minnesota Statutes. This district may include the two parcels (the “**Parcels**”) which are part of the area of Saint Paul, Minnesota generally known as the former 3M Main Plant Campus and occupied by (a) the building located at 860 Bush Avenue and commonly referred to as Building 24 and (b) the building located at 890 E. 7th Street (collectively the “**Buildings**”).

Before creating a Redevelopment Tax Increment District, the Port Authority must make the following factual findings:

- (1) parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots or other similar structures, and in order to be treated as occupied for this purpose, at least 15% of the area of the Parcel must contain buildings, streets, utilities, paved or gravel parking lots or other similar structures; and
- (2) more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

We will refer to the first finding as the “Coverage Test” and the second finding as the “Condition of Improvements Test.” Based on our review of the TIF Eligibility Assessments prepared by Compass Rose, Inc. and (a) dated August 5, 2011, relating to Building 24 and (b) dated November 16, 2010, relating to the 890 East 7<sup>th</sup> Street (collectively the “**Assessments**”), we believe the Port Authority has a sound basis for making certain factual findings with respect to the **Parcels**.

### **Coverage Test**

Based on our discussions with you and on the Assessments and other information to be provided to the Port Authority Board, we understand that the following facts apply to the Parcels:

- (a) There are two separate tax parcels.
- (b) The Parcels each contain one building classified with respect to Building 24 as primarily as Industrial/Multi-use with business and storage as subsidiary occupancies; and with respect to the building located at 890 East 7<sup>th</sup> Street as mixed use.
- (c) More than 15% of the surface area of the Parcel located at 860 Bush Avenue contains improvements.

Based on these facts, the Port Authority has a sound basis for finding that the Parcel located at 860 East Bush Avenue meets the statutory 15% coverage test. Once the Port Authority identifies the area to be included in a Redevelopment Tax Increment District, it will have to be shown that the tax parcels to be included in the District, and containing improvements, constitute more than 70% of the total area of the District.

### **Condition of Improvements Test**

To create a redevelopment tax increment district, the Port Authority must find that more than 50% of the buildings located within the proposed district are “structurally substandard to a degree requiring substantial renovation or clearance.” *Minn. Stat. § 469.174, Subd. 10(a)(1)*. To be structurally substandard the building must contain “defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.” *Minn. Stat. § 469.174, Subd. 10(b)*. In addition, no building can be considered structurally substandard if it is in compliance with the building code applicable to new buildings or can be modified to satisfy such building code at a cost of less than 15% of the cost of constructing a new structure of the same square footage and type on the site. *Minn. Stat. § 469.174, Subd. 10(c)*.

The Parcels contain the two Buildings identified above. In the Assessments, Compass Rose has, concluded that each of the Buildings is structurally substandard in that it contains structural deficiencies and other deficiencies of the kind outlined in the statute which, in total, justify substantial renovation or clearance of such Building. In addition, Compass Rose has determined that the Buildings do not comply with the building code applicable to new buildings and that the cost of modifying each of the Buildings to comply with code requirements would exceed 15% of the cost of constructing a new building. In reaching these conclusions Compass Rose has correctly stated the statutory requirements as interpreted by recent case law.

We believe the Assessments unambiguously support the conclusion that the Buildings located on the Parcels (comprising more than 50% of the buildings located on the Parcels) are structurally substandard. We therefore believe that, based on the Assessments, the Port Authority has a sound basis for finding that the Parcels meet the Condition of Improvements Test.

Please let us know if we can be of any further assistance.

Very truly yours,

LEONARD, STREET AND DEINARD  
Professional Association

Robyn Hansen