

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Meeting of April 23, 2013) DATE: April 18, 2013

FROM: Laurie Hansen 

SUBJECT: APPROVAL – SOUTHPORT RECYCLING ECONOMIC DEVELOPMENT
TAX INCREMENT FINANCING (TIF) PLAN
RESOLUTION NO. 4458

Action Requested:

The Port Authority Board of Commissioners:

- Approval of the creation of the Southport Recycling Economic Development Tax Increment Financing (TIF) District
- Approval of the Creation of a Hazardous Substance Subdistrict (HSS)
- Approval of the related tax increment plan;
- Authorization for the use of a Pay-As-You-Go note to Gerdau to repay Gerdau from tax increments for costs incurred for site preparation and construction costs incurred at the Southport location;
- Approval of notices to be sent to the Ramsey County Board and Saint Paul School District; and
- Call for a public hearing at the June 5 City Council meeting.

Public Purpose:

The proposed Tax Increment Financing District consists of one parcel of land and adjacent rights-of-way. The District is being created to facilitate the development of a recycling facility to collect steel to supply the company's steel mill at the Red Rock terminal in addition to ensuring further investment at the Red Rock facility. The tax increment financing plan is expected to achieve the objectives outlined in the Redevelopment Plan for the Redevelopment Project Area by the development of the facility. The following are some of the objectives being facilitated by the Tax Increment Financing Plan:

1. Create and Retain Jobs. The Project will create 12 new jobs at the facility. Construction would not have occurred without the proposed tax increment financing assistance.

2. Redevelop Underused Property. In order to encourage new development and the expansion of existing business in the area, and prevent the emergence of blight and blighting influences, tax increment financing must be used to encourage the expansion and development on the site.
3. Expand the Tax Base of the City of Saint Paul. It is expected that the taxable market value of parcels in the District will increase by approximately \$500,000 of building construction (plus site work) as a result of the new development.

Business Subsidy:

To support and facilitate the construction of an approximately 5,000 square foot building and the rehabilitation of an existing 5,000 square foot building on the site, the Port Authority has agreed to make the following "Business Subsidy" available to Gerdau:

- Pay-As-You-Go Tax Increment Note. The Port Authority will provide a Pay-As-You-Go tax increment note, in a principal amount of approximately \$150,000 and approximately 5% interest to assist in the construction of said facilities.

Background:

As an incentive to Gerdau to invest \$50 million in a new caster at the Red Rock facility, the City and Port Authority offered to create a Tax Increment Financing District for Gerdau's new facility on a leased parcel at Southport.

Gerdau SA (Gerdau) is a; 100-year old steel company based in Brazil with facilities/subsidiaries throughout the world. Gerdau Ameristeel US Inc. is a wholly owned subsidiary of Gerdau SA. Gerdau is the leading producer of long steel in the Americas and is one of the world's largest suppliers of specialty long steel. The Saint Paul Mill is one of its North American electric steel mini-mills. The company serves customers throughout the U.S. and Canada, offering a diverse and balanced product mix of merchant steel, rebar, structural shapes, fabricated steel, flat rolled steel and wire rod.

Gerdau was contemplating a \$50 million investment in a new caster and building to house it. Other existing facilities in the U.S. were competing for this investment, and if another site was chosen, the Saint Paul mill's future would be uncertain. The State of Minnesota in conjunction with the City of Saint Paul made a proposal to the company, including the possibility of Port Authority assistance, to bolster the likelihood of the investment being made in the Saint Paul facility. The TIF District at Southport was a part of this proposal.

Economic Development TIF District:

Section 469.174, Subd. 12 of Minnesota Statutes states that an Economic development district may be established consisting of any project, or portions of a project, which the authority finds to be in the public interest because:

- (1) It will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or
- (2) it will result in increased employment in the state; or
- (3) it will result in preservation and enhancement of the tax base of the state.

Creation of a TIF plan and TIF and HSS district:

The \$500,000 of estimated building construction plus site work investment at the Southport location would not be expected to occur in the reasonably foreseeable future without the use of tax increment financing and other incentives. In the summer of 2011, a partnership was formed including the State of Minnesota, the City of Saint Paul, the Port Authority, and various Chambers of Commerce and related entities, and a joint assistance package was created to support an investment in the Saint Paul Mill. The objective was to assist in making the Saint Paul Mill a viable economic facility for the foreseeable future. This TIF district was a part of that a joint assistance package.

Initial testing indicates contamination of soils at this site. Further test results are needed to develop an estimate of clean-up costs. We are requesting the establishment of a Hazardous Substance Subdistrict to recover the required remediation costs. The HSS would generate approximately \$20,000 per year. The HSS district would be decertified as soon as the costs are recovered (up to a maximum life of 25 years).

This plan will be reviewed by Ramsey County, the Saint Paul Public School District, and the City of Saint Paul. A City Council public hearing is planned for June 5, 2013 at 5:30 p.m. The plan must be approved by the City Council.

Recommendation:

We recommend:

- Approval of the creation of the Southport Recycling Economic Development Tax Increment Financing (TIF) District;
- Approval of the Creation of a Hazardous Substance Subdistrict;
- Approval of the related tax increment financing plan;
- Approval of a Pay-As-You-Go Note to Gerdau S.A.;
- Approval of notices to be sent to the Ramsey County Board and Saint Paul School District; and
- Call for a public hearing at the June 5 City Council meeting.

LJH:ca

Attachments:

- TIF Plan
- Resolution
- Map

Gerdau Southport Lease Exhibit



Tax parcel lines

16 foot wide pedestrian/bike trail

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