

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

**REPORT TO THE COMMISSIONERS**

**DATE: March 23, 2016**

**REGARDING: RESOLUTION APPROVING THE ESTABLISHMENT OF THE FORD SITE REDEVELOPMENT PROJECT AREA AND THE FORD SITE REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT, APPROVING A REDEVELOPMENT PLAN AND TAX INCREMENT FINANCING PLAN THEREFOR, AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 15, WARD 3**

## **Requested Board Action**

Authorization to approve the establishment of a redevelopment project area for the Ford site (the “Project Area”), approve the establishment of the Ford Site Redevelopment Tax Increment Financing District (the “TIF District”), approve the redevelopment plan (the “Redevelopment Plan”) and tax increment financing plan for the TIF District (the “TIF Plan”), and approve an HRA budget amendment consistent with the TIF Plan.

## **Background**

Planning for redevelopment of the Ford Motor Company site in Highland Park (the “Ford site”) has been underway since 2007, following the company’s closure announcement. There has been extensive public engagement, targeted studies, and planning work by city staff, regional, and state agencies. The Ford site Planning Task Force, appointed by the Planning Commission, has met dozens of times to review various aspects of the work and to hear from the public and stakeholders. All of the work and analyses have provided a wide and deep understanding of the site’s opportunities and constraints, and will serve as the foundation for a zoning and public realm plan to be brought to the Planning Commission and City Council later this year.

In 2012, the HRA retained the service of Compass Rose Consulting to complete a TIF Eligibility Assessment of the Ford site. This assessment determined that the area met the qualifications of a Redevelopment TIF district including the existence of substandard buildings on the two tax parcels. On February 27, 2013, the HRA adopted RES #13-347, affirming the existence of substandard buildings on the two tax parcels and the intention of the Ford Motor Company to

demolish some or all of the substandard buildings, and approved the execution of a Demolition Agreement with the Ford Motor Company. This action by the HRA enabled the establishment of a Redevelopment TIF district in the future provided that a request for certification of the tax parcels as part of a TIF district is requested within three years from the demolition date (this date is March 26, 2016).

The Ford site had a large and complex set of buildings and conditions, and required a multi-stage decommissioning process that required reviews and approvals by four permitting entities, as well as Ford Motor Company's own contracting, budgeting and approval processes. As a result, the property is still in final stages of decommissioning and environmental assessment, and remediation planning is ongoing. All of the structures on the main tax parcel were demolished by Ford by late 2015.

The City hired the services of Perry Rose consulting from Jonathan Rose Companies to provide real estate advisory services on the Ford site redevelopment work since we do not yet have a redevelopment proposal from Ford or a developer. The team was asked to analyze the market potential of the Ford site as a mixed-use redevelopment and the associated costs to reposition it. They hired a market study analyst to examine market options and value, hired an engineering firm to estimate infrastructure costs, and worked with other city staff and agencies to consider other anticipated costs. Results determined a gap between the value of the site and the costs to reposition it for development. This finding was consistent with the consultants' experience on other large brownfield sites being converted to mixed use. The size of the site, brownfield impacts that drive up preparation costs, and the magnitude of infrastructure needed to get it development-ready, require up-front financing that the market cannot fully support given the long buildout and returns timeline.

During last year's legislative session, the City of Saint Paul sought flexibility in the TIF law to extend our three-year deadline to give us more time to make a decision for the Ford site. Our request made it into the tax bill, but ultimately the tax bill was not passed. The legislation will be considered again this session, but there is no chance that a decision will be made before the end of March when our deadline expires.

Therefore, staff is recommending we proceed with the creation of a new TIF district at the Ford site. As part of the creation of a new TIF district we have also prepared the Redevelopment Plan, which is a statutory requirement. The Redevelopment Plan describes a series of objectives for a mixed-use redevelopment at the Ford site that is highly consistent with a wide range of Comprehensive Plan goals. It complies with the *District 15 Highland Park Neighborhood Plan Summary* (2007), which identifies the Ford site as appropriate for a mixed-use development. The Planning Commission adopted resolution number 16-08 declaring that they find the Redevelopment Plan consistent with the Saint Paul Comprehensive Plan. A copy of the Redevelopment Plan is included in **Attachment B**.

A City Council public hearing will be held on March 16, 2016, to consider the proposal to approve the Project Area, Redevelopment Plan, TIF District, and TIF Plan.

Ford has conducted extensive environmental testing on the site and is beginning its remediation activities. Ford expects to market the property for sale to a Master Developer when the remediation plans for all parts of the site are approved and proceeding. Ford will complete all remediation on the site prior to a sale. The approval of the TIF District now will preserve the ability to use TIF as a potential financing tool, if needed, to support redevelopment of the Ford site as a vibrant mixed-use neighborhood and sustainable community. No commitments for TIF assistance is provided with the approval included herein.

The Property is zoned Light Industrial (I-1). Rezoning for the site will be advanced by the City to support and require a high quality, mixed-use development at the site, consistent with the vision and objectives for the site identified by the city, the public, and the market over the past eight years of planning. The envisioned redevelopment is consistent with the Saint Paul Comprehensive Plan, which identifies the Property as a “Mixed-Use Corridor.”

A map of the proposed TIF district and project area is included in **Attachment D**. The neighborhood profile for Planning District 15 is included in **Attachment E**.

## **Budget Action**

The HRA is approving a budget amendment to align with the financing and spending included in the TIF Plan. The budget amendment is included in **Attachment A**.

## **Future Action**

The HRA Board will be asked to authorize execution of a development agreement with a Master Developer for the Ford site, if and when deemed appropriate.

## **Financing Structure**

The tax increment revenue projections included in the TIF Plan were prepared by Springsted, Inc. through assistance from the HRA and Jonathan Rose Companies. A copy of the TIF Plan is included in **Attachment C**. The proposed development, based on site capacity, is projected to:

- Include approximately 750,000 sf of commercial and civic uses
- Include approximately 3,900 housing units
  - 1,350 owner-occupied units (45%) – includes townhomes, attached multifamily units, senior units
  - 2,550 rental units (65%) – includes market rate and affordable apartments, with the goal to have 25% of the rental units income restricted
- Start construction of infrastructure in 2019, with the first buildings constructed in 2020 and completed by end of 2033 (14-year phasing)
- Have a base value for the TIF district of \$37 million
- Result in the following market value and tax increment revenue assumptions based on the above redevelopment uses and phasing:
  - \$588 million of market value by the end of first five years (2024) generating annual tax increment of \$8.3 million
  - \$1 billion of market value by the end of ten years (2029) generating annual tax increment of \$15.5 million
  - \$1.367 billion of market value by the end of 14 years (2033) generating annual tax increment of \$20.2 million
- Produce total Tax Increments over 25 years of \$366 million

The budget included in the TIF plan is for \$275 million as follows:

**Estimated Sources of Revenue**

Tax Increment Revenues	\$272,000,000
Interest and Investment Earnings	\$3,000,000
<b>Total Tax Increment Revenues</b>	<b>\$275,000,000</b>

**Estimated Project Costs**

Public Improvements	\$50,000,000
Construction of Affordable Housing	\$27,200,000
Administrative Expenses	\$13,600,000
Interest Expenses	\$184,200,000
<b>Total Estimated Project Costs</b>	<b>\$275,000,000</b>

**PED Credit Committee Review**

Review will be required upon a request for further action of the HRA Board to execute a development agreement with a Master Developer.

**Compliance**

Not applicable at this stage. To be determined at a later date.

**Green/Sustainable Development**

The City's key objective for the Ford site is that it be a highly sustainable redevelopment, using best practice technologies in energy, building design, stormwater, housing, and transportation to achieve a place that is economically, environmentally, and socially sustainable. Elements of sustainable design will be addressed through zoning, and infrastructure design.

**Environmental Impact Disclosure**

Not applicable, but the Property is undergoing a Phase II environmental assessment, paid for by the property owner, with oversight from the Minnesota Pollution Control Agency through the Voluntary Investigation and Cleanup, and Petroleum Brownfields programs. In addition, the City of Saint Paul anticipates requesting that an Alternative Urban Areawide Review be conducted on redevelopment scenarios for the property to identify potential environmental impacts. This study will be paid for by the property owner or future master developer, and is likely to occur in 2017-2018.

## **Historic Preservation**

A 2007 study, *Ford Motor Company Twin Cities Assembly Plant: An Assessment of Significance and Eligibility*, conducted by Hess, Roise and Company, and paid for by Ford, found that the Ford Twin Cities Assembly Plant has had so many alterations over time that the integrity of the structures was too compromised for the property to qualify for listing in the National Register of Historic Places.

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

Redevelopment of the Ford Twin Cities Assembly Plant site in Highland Park is a priority of the City of Saint Paul. Ford plans to sell the property to a master developer and, in preparation, has demolished buildings and is completing environmental assessments. Future redevelopment of the site envisions a mix of uses – commercial, industrial, residential, open space – consistent with the Saint Paul Comprehensive Plan.

In order to prepare the site for mixed use redevelopment, a site-wide infrastructure system of streets, stormwater management, sewers, utilities, and public open space must be installed. Private sector investment will finance site redevelopment, but additional financial resources may be necessary to assist in turning this large and complex brownfield into a vibrant community of diverse jobs, housing, and recreation along the banks of the Mississippi River.

### Saint Paul Comprehensive Plan (2010)

- Land Use Plan (page 21) – “1.54 Identify opportunity sites for future development consistent with the Saint Paul Comprehensive Plan, either as mixed-use development or as employment centers, including, but not limited to ...Ford site...”
- Land Use Plan (page 29) – “...the redevelopment of brownfields restores and enhances a city’s employment and property tax base.”

Highland Park / District 15 Neighborhood Plan Summary (2007), page 3:

- Action 7 – *“Conduct a planning study of the Ford Plant site and the adjacent railroad corridor to consider future land use options”*

**Recommendation:**

The Executive Director recommends approval of the attached resolution which shall: i) approve the establishment of a redevelopment project area for the Ford Site (the “Project Area”); ii) approve the establishment of the Ford Site Redevelopment Tax Increment Financing District (the “TIF District”); iii) approve the redevelopment plan for the Ford Site (the “Redevelopment Plan”); iv) approve the tax increment financing plan for the TIF District (the “TIF Plan”); and (v) approve an HRA budget amendment consistent with the TIF Plan.

**Sponsored by:**            **Commissioner Tolbert**

**Staff:**            Merritt Clapp-Smith (266-6547) & Jenny Wolfe (266-6680)

**Attachments:**

- **Attachment A** – Budget Amendment
- **Attachment B** – Ford Site Redevelopment Plan
- **Attachment C** – Ford Site TIF Plan
- **Attachment D** – Map of Ford Site TIF District and Project Area
- **Attachment E** – District 15 Neighborhood Profile