

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

REPORT TO THE COMMISSIONERS

DATE: NOVEMBER 14, 2018

**REGARDING: APPROVAL OF A PARKING LEASE AGREEMENT, SETTLEMENT
AGREEMENT AND BUDGET AMENDMENT FOR THE WORLD TRADE
CENTER PARKING RAMP, DISTRICT 17, WARD 2**

Requested Board Action

Approval of a resolution authorizing the execution of a Parking Lease Agreement, Settlement Agreement and budget amendment for the World Trade Center (WTC) Parking Ramp.

Background

In 1997, the HRA, together with Principal Mutual Life Insurance Company (“Principal”), at the time the owner of the World Trade Center office building (now known as Wells Fargo Place), issued parking revenue bonds to expand the WTC ramp to 1,170 spaces (the “1997 Bonds”). As a part of this transaction, Principal became the operator of the ramp, guaranteed the repayment of the 1997 Bonds, and was provided an option to purchase the WTC ramp from the HRA (the “Option”) during the Option Period, defined as the date between December 1, 2017 and May 31, 2018. Principal exercised the Option through written notice to the HRA on May 22, 2018.

Following written consent of the HRA, Principal assigned their Option rights to the current owner of the Wells Fargo Place office building (“WFP”). The Option required the HRA and WFP to each engage an appraiser, those two appraisers select a third appraiser, and all three appraisers determine a taxable value (assuming the payment of ongoing property taxes) and tax-exempt value (assuming the continued property tax-exemption) of the WTC ramp. The Option outlined a process to determine the purchase price for the WTC ramp, utilizing the three appraisers’ values that resulted in the average of the two highest appraisals. The determination process also included a deduction related to Principal’s contribution to the expansion (calculated as 12.55% of the tax-exempt value). The resulting purchase price was determined as followed: \$19,150,000 taxable value less \$3,492,038 deduction (12.55% of the tax-exempt value of \$27,825,000) equals a calculated purchase price of \$15,657,962.

If Principal/WFP had chosen not to exercise the Option, the HRA would have been required to make a settlement payment equal to \$3,492,038 to Principal (the deduction detailed above), and upon that payment Principal would have no further right to purchase the WTC ramp.

After the Option was exercised and the purchase price determined, WFP approached the HRA with a request to not purchase the ramp and instead have the HRA retain ownership and make the payment amount to WFP (detailed in the preceding paragraph), provided WFP could secure long-term parking in the WTC ramp for their office building (the “Settlement”). HRA staff was in favor of this approach to maintain control of the WTC Parking Ramp and to benefit from long-term cash flow (with a portion guaranteed) instead of receiving a one-time payment. Staff evaluated this approach by comparing the present value of the expected cash flow to the one-time influx of cash (i.e., the purchase price). The HRA and WFP reached an agreement for long-term parking and a reduced settlement payment to WFP, the terms of which are outlined below:

- The HRA will make a reduced settlement payment to WFP of \$3,300,000 and WFP will have no further right to purchase the WTC ramp.
- WFP will lease 540 unassigned spaces of the 1,170 total spaces for a term of 20 years, solely for use by their tenants and their employees (and binding upon any sale or transfer of the property).
- The rate will start at \$132 per space per month, paid quarterly in advance beginning January 1, 2019. The \$132 rate is approximately equal to the average rate currently paid by WFP tenants and is 80% of the current market rate for a monthly contract in the WTC Parking Ramp.
- The rate will increase 2% annually.
- There will be one reset of the rate at the end of the tenth year to 80% of the then current market rate with a floor of \$132.
- Once the 20-year term expires WFP will be on a month-to-month basis at the then current market rate.

Budget Action

The HRA 2018 Parking Fund budget included an estimated termination payment in the amount of \$3,000,000 (if the Option was never exercised). The attached Financial Analysis amends the budget to increase the amount to \$3,300,000.

Future Action

N/A

Financing Structure

N/A

PED Credit Committee Review

N/A

Compliance

N/A

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

A public purpose is met by maintaining long-term control of parking in downtown to service employers and generate economic development.

Recommendation:

The HRA Executive Director recommends approval of the resolution authorizing the execution of the Parking Lease Agreement, Settlement Agreement and amending the HRA Budget.

Sponsored by: **Commissioner Noecker**

Staff: Gary Grabko (266-6709) and Jenny Wolfe (266-6680)

Attachments

- **Financial Analysis**
- **Map**