

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

REPORT TO THE COMMISSIONERS

DATE: AUGUST 28, 2019

REGARDING: RESOLUTION AMENDING THE REDEVELOPMENT PLAN FOR THE RIVERFRONT REDEVELOPMENT PROJECT AREA; APPROVING THE ADOPTION OF AN AMENDMENT TO THE TAX INCREMENT FINANCING PLAN FOR THE RIVERFRONT RENAISSANCE REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT; APPROVING RECORD OF RESTATED AND COMBINED INTER DEPARTMENT LOANS AND EXECUTION OF RELATED DOCUMENTS; AND APPROVING AN HRA BUDGET AMENDMENT; DISTRICTS 3 AND 17, WARD 2

Requested Board Action

The specific actions being requested of the HRA Board are as follows:

- Approval of an Amendment to the Riverfront Renaissance TIF Plan and Redevelopment Plan
- Approval for transfer of TIF funds from the HRA to the Department of Public Works in the amount of \$2,485,909, in the form of an \$2,167,189 inter-department loan and a \$318,720 grant for the upgrade of the Riverview sanitary sewer lift station, authorizing execution of a restated and combined loan and grant agreement, and related budget amendment

Background

The Department of Public Works has determined the existing Riverview sanitary sewer lift station (Lift Station) does not have the capacity to serve new development within the area serviced by the Lift Station. No new development in the West Side Flats area will be possible without the upgrade of the Lift Station.

On December 13, 2017 the HRA Board approved the transfer of TIF funds from the HRA to the City of Saint Paul Department of Public Works (Public Works) in the amount of \$2,278,918, in the form of an inter-department loan, estimated to be \$1,528,736, and a grant estimated to be \$750,182, for the upgrade of the Riverview sanitary sewer lift station (Lift Station). At that time, it was agreed the loan would be repaid from assessments imposed on benefiting properties

Due to concern regarding the difficulty in determining assessment valuations in a fair manner for multiple property owners, with developments being implemented over an extended time, the City Attorney's office is recommending payment of the loan through the establishment of a Special Sanitary Sewer Availability Connection Charge (SSSACC) district. SSSACC fees will be charged for developments within the SSSACC district based on the increased Sewer Availability Charge (SAC) demand of each project.

On August 21, the City Council held a public hearing regarding the establishment of the Riverview SSSACC and budget for the Lift Station upgrade and adopted RES PH 19-252.

The lift station upgrade will provide 2,018 SAC units of capacity. The cost of the upgrade divided by the 2,018 SACs results in an initial per unit SSSACC charge of \$1,245. The proposed West Side Flats III HRA development has a total of 256 apartment units resulting in a SAC/SSSACC contribution cost of \$318,720. That amount will be contributed to Public Works as a grant instead of a SSSACC fee. The remaining HRA loan amount will be \$2,167,189.

Sources of Funds for the Lift Station Upgrade

HRA Loan	\$2,167,189
HRA Grant	\$318,720
Public Works Funds	<u>\$26, 553</u>
Total Project Cost	\$2,512,462

Budget Action

The HRA is approving a budget amendment to align with the financing and spending included in the amended TIF Plan. The budget amendment is included in the attached Financial Analysis.

Future Action

HRA will request approval of the WSF Phase III Project including:

- Creation of a housing TIF district and financing plan; and
- Amendment to the Development Agreement regarding tax increment pay-go note financing;

- Livable Communities Demonstration Account grant of \$800,000 and a Tax Base Revitalization Account grant of \$343,700;
- A \$1,120,000 HOME loan agreement; and
- Sale of HRA land for the market rate and affordable projects.

Financing Structure

The HRA will execute a restated and amended loan agreement with the Department of Public Works. This loan agreement will combine previous HRA loans for study and design of the upgrade with funds needed for the construction. The HRA loan will be repaid to the extent the City collects SSSACC fees from new development. An annual inflation fee will be added to the SSSACC fee at the rate determined by the Department of Labor.

Since Riverfront Renaissance tax increment funds are being used to finance the upgrade of the Riverview Lift Station, the Riverfront Redevelopment project area needs to be expanded to include the Riverview lift station sanitary sewer service area that could potentially generate SAC demand due to new development. At this time, the generation of new SAC demand is primarily anticipated from the area west of Robert Street, north of the bluffs and south of the Mississippi River.

PED Credit Committee Review

On June 18, 2019, the Credit Committee reviewed and approved the proposed loan and grant.

Compliance

The project will be bid and constructed in compliance with the City of Saint Paul Department of Public Works procedures.

Green/Sustainable Development

NA

Environmental Impact Disclosure

NA

Historic Preservation

NA

Public Purpose/Comprehensive Plan Conformance

The Lift Station upgrade project will provide additional capacity to enable the redevelopment of blighted and vacant land generating private investment, commercial activity, new local business opportunities and market rate and affordable rental housing opportunities. Without this Lift Station upgrade, redevelopment of the property within the Lift Station service area, which includes the West Side Flats, could not proceed.

The Project is consistent with the following strategies from the West Side Flats Master Plan and Development Guidelines (2015):

- LU1. Promote active commercial, civic and institutional land uses at street level within buildings facing Mixed-Use Corridors, including the Riverfront Esplanade.
- LU3. Attract a broad range of housing types, densities and developers.

Recommendation:

Staff recommends HRA approval of the resolution regarding amendment of the Riverfront Renaissance Tax Increment Finance Plan and Redevelopment Plan, execution of the amended and restated loan agreement and related HRA budget amendment.

Sponsored by: Commissioner Noecker

Staff: Marie Franchett

Attachments:

- **Map of SSSACC District**
- **Amended Redevelopment Plan**
- **Amended TIF Plan**
- **Financial Analysis**
- **District 3 Profile**