

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 4, 2019

**REGARDING: RESOLUTION (I) APPROVING AN AMENDMENT TO THE HRA BUDGET, (II) ADMINISTRATIVELY AMENDING THE BUDGET SET FORTH IN THE TIF PLAN FOR THE FORD SITE REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT (#322), (III) AUTHORIZING INTERFUND LOANS, (IV) DECLARING OFFICIAL INTENT TO REIMBURSE EXPENDITURES FROM THE PROCEEDS OF TAX EXEMPT BONDS, AND (V) AUTHORIZING EXECUTION OF A REDEVELOPMENT AGREEMENT AND RELATED DOCUMENTS (FORD SITE REDEVELOPMENT PROJECT) DISTRICT 15, WARD 3**

## **Requested HRA Board Action**

Approve the execution of a Redevelopment Agreement and related documents for the Ford Site Redevelopment Project; approve an administrative amendment to the Ford Site Redevelopment TIF Plan adopted in 2016; amend and restate interfund loans to be repaid with tax increments; approve an HRA budget amendment; and authorize reimbursement of capital expenditures for the Ford Site Redevelopment Project from the proceeds of tax exempt bonds.

## **Related City Council Action**

Approve the Capital Improvement Budget for the Ford Site, actions related to bond issuance, Project Labor Agreements, approval and adoption of policy on a proposed Interfund Loan and Advances, and approval and execution of the Redevelopment Agreement and Development Documents.

## **Background**

### *Community Vision and Master Plan*

Planning for redevelopment of the Ford Motor Company site in Highland Park (the “Ford site”) began in 2007, following the company’s closure announcement. There was extensive public engagement, numerous targeted studies, and planning and visioning work led by city staff, regional, and state agencies. The Ford Site Planning Task Force, appointed by the Planning

Commission, met over more than a decade to review various aspects of the work and to hear from the public and stakeholders. The analyses provided a wide and deep understanding of the site's opportunities and constraints, served as the basis of the *Ford Site Zoning and Public Realm Plan* (Ford MP) adopted by the City in 2017 and amended in 2019. The City adopted RES 19-630 and Ordinance 19-19 on April 10, 2019 supporting amendments to the Ford MP. The amendments were proposed by Ryan Companies (Ryan) and refined by stakeholders before the final adoption.

#### *Tax Increment Finance Analysis and Establishing a TIF District*

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. On March 23, 2016, the HRA adopted RES #16-548 approving the establishment of the Ford Site Redevelopment TIF district and adopting a TIF Plan therefore (the "Ford TIF District"). Additionally, the State legislature enacted a special law pertaining to the Ford TIF District in 2017 enabling the HRA additional time to commence collections of tax increments from the Ford TIF District (the "Special Law").

#### *Contamination Remediation*

After the Ford plant closed in 2011, Ford began extensive work to remediate contamination on the site, beginning remediation work on the main parcel in 2015 and completing the work in 2018. Ford chose to clean up the soil on the main parcel to Minnesota Pollution Control Agency's (MPCA) residential standards and the MPCA issued a certification of completion for remediation to residential standards on May 15, 2019.<sup>1</sup>

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<sup>1</sup> Certificate of Completion can be found here: <https://www.stpaul.gov/departments/planning-economic-development/planning/ford-site-21st-century-community/site-cleanup>

### *Master Developer Selection*

In June of 2018, Ford Land selected Ryan Companies (Ryan) as the Master Developer (the “Developer”) for the site. Ryan remains in its due diligence period to purchase the property by the end of the year. Ryan is proposing to build around 3,800 units, 20% which would be income-restricted affordable housing, 265,000 gross square feet of office, 150,000 gross square feet of retail, and 50,000 square feet of civic space. Since June of 2018, the City completed several different processes necessary for the development of the Ford Site informed by community and key stakeholders.

### *Master Plan Amendments*

Ryan requested amendments to the 2017 Ford Site Master Plan in October of 2018. Changes included amending minimum and maximum land uses in zoning districts, changes to parking requirements, and slight changes to the street grid. The amendments were reviewed, revised, and adopted by the Council in April of 2019.<sup>2</sup>

### *Design Standards*

In 2017, the City Council directed the creation of design standards when it adopted the Ford Site Master Plan (Ord 17-40). Design standards support the development of a walkable, pedestrian and bike-friendly built environment, and encourage a sense of place. They are intended to address things like how the faces of buildings meet the street, what exterior building materials should be used, and landscaping. The design standards were approved by the City Council in 2019 are now part of the amended master plan and zoning code.

### *Environmental Review*

The Ford Site Development proposed by Ryan required an environmental review due to the number of residential units proposed. A detailed transportation study was conducted to review transportation access to and from, as well as within, the site, as well as identifying tactics to

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<sup>2</sup> For more information on amendments to the master plan please visit:  
<https://www.stpaul.gov/departments/planning-economic-development/planning/ford-site-21st-century-community/ford-site-master>

mitigate any potential concerns. The development proposal underwent a full environmental analysis as part of the Alternative Urban Areawide Review (AUAR).

The AUAR concluded that the surrounding transportation network is able to support the redevelopment proposal. The AUAR transportation study and analysis also identified certain traffic improvements that may be implemented over time to address future traffic impacts that could occur as a result of redevelopment within the AUAR study area.<sup>3</sup>

### *Subdivision of Land*

Ryan applied to subdivide the Ford Parcel into private lots, public right of way, and dedicated parkland through the City's platting process. The Ford site is subject to the parkland dedication ordinance which required up to nine (9) percent of developable land to be dedicated as City parkland. Ryan is dedicating over 10 acres of City parkland or around 11% of developable area. The subdivision application (the plat) was approved by the City Council on November 20, 2019.

### **Financing Structure**

The TIF Plan budget adopted in 2016 included \$275 million of revenues based on an analysis and market study that identified a gap between the value of the improved site and the costs to install infrastructure in accordance with the adopted Master Plan. The TIF Plan budget anticipated the redevelopment of the site including 3,900 units of housing, and 750,00 square feet of commercial and civic uses. It anticipated a 14-year phasing producing total tax increments over 26 years of \$366 million.

Ryan Companies submitted an application to the HRA for financial assistance requesting tax increment financing to complete the public infrastructure of the site and assist in the financing of the affordable housing required within the site. Their application requested pay-as-you-go TIF financing as well as City issued bonds to be repaid with tax increments, among other City financing tools.

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<sup>3</sup> For more information on environmental review please visit. <http://www.stpaul.gov/ford-auar>

The City and Ryan have been working diligently over many months to prepare a financing proposal to be incorporated in the attached Redevelopment Agreement. The proposed public investment on the site is budgeted for public infrastructure and related expenditures. The financing proposal keeps to the vision of the Ford Master Plan through deeply affordable housing located throughout the site, public infrastructure connecting the site to the existing neighborhood, an innovative stormwater feature that sustainably manages runoff, and expansive public space. The public infrastructure, including privately owned public spaces, is estimated to cost \$92.5 million and will be financed through a variety of public and private sources as shown in the table below.

<u>Sources</u>	<u>Amount</u>	<u>Uses</u>	<u>Amount</u>
Developer Funds	\$14,594,666	Streets/sidewalks	\$27,375,017
HRA Issued TIF Pay-Go Note	\$34,493,927	Site Utilities, excluding Storm	\$17,772,268
City 429 Assessed Project Costs	\$9,230,736	Mass Grading	\$6,682,505
City Green Infrast. Financing	\$8,431,687	Storm Utilities	\$16,488,059
City GO TIF Bonds	\$9,010,124	Privately Owned Public Space	\$10,351,898
City TIF Advance	\$9,857,567	Publicly Owned Green Space	\$5,292,125
Capital Imprv. Bonds (CIB)	\$5,612,298	Off-Site Improvements	\$6,464,023
Municipal State Aid (MSA)	<u>\$1,343,656</u>	Public Art (1% elig. sources)	\$146,960
		City Project Oversight	<u>\$2,001,806</u>
<b>Total Sources</b>	<b>\$92,574,66</b>	<b>Total Uses</b>	<b>\$92,574,66</b>

Below is a summary of sources and uses in the amendment to the City’s budget needed to fund infrastructure on the site and the HRA’s budget for the Ford TIF District.

*Description of City non-TIF Financing Sources:*

- The City is utilizing 429 assessments as a private source of repayment to pay for the portions of the Streets and Utilities. 429 Assessments include property liens as security.
- A Green Infrastructure Finance District will be established through a separate City resolution to use a fee in lieu structure to finance the site-wide storm water utilities. This private source of repayment will pay for a district-wide storm water management system.
- The City will use CIB bonds to fund City parkland on the site and related costs.

*Description of HRA TIF Financing Sources:*

- The HRA will enter into a pledge agreement with the City to contribute tax increments to pay for or repay the City's spending budget as shown above for the City GO TIF Bonds and the City TIF Advance (both as detailed further below).
- The HRA will issue a Taxable Tax Increment Revenue Note to the Developer pledging 41.4% of the tax increments collected by the HRA from the Ford TIF District (the "Developer TIF Note"), as detailed further below.

*Tax Increment Financing*

The Ford TIF Plan is proposed to be amended to reallocate the spending anticipated in the Redevelopment Agreement. A First Amendment to the Ford TIF Plan is attached and will increase the budget for qualifying public improvements to \$53,500,000 from the \$50 million estimated for this use at the time the TIF district was established. The Special Law will enable the HRA to delay the first collection of tax increments from the Ford TIF District until 2022 to capture the improvements to the Ford TIF district that will commence in 2020, and then collections will continue until 2047 (26 total years). The terms of the Developer TIF Note include a pledge to remit 41.4% of the tax increments collected from the Ford TIF District to reimburse the Developer for eligible TIF expenditures, with interest. The HRA makes no representation that the pledged increments will be sufficient to pay all principal and accrued interest. The pledged tax increments will be used first to repay accrued interest and then reduce principal. All remaining tax increments collected by the HRA will be used under the pledge agreement with the City to ensure coverage of debt service payments and/or repayment of advances for eligible project costs incurred by the City .

*Minimum Assessment Agreement Consented to by Ramsey County*

The Developer, HRA and City will enter into a Minimum Assessment Agreement approved by Ramsey County to establish minimum values for parcels within the Ford TIF District for the purpose of the payment of property taxes. This agreement ensures that a minimum level of value is assessed leading to the generation of tax increment to service the City and Developer's TIF obligations whether or not development occurs on the anticipated timeline. The establishment of minimum values does not directly guaranty the generation of tax increments, but provides an appropriate level of assurance through limiting tax petitions.

### *Affordable Housing*

The site will provide a mix of housing types with single-family, townhome and multi-family style housing options. It will also provide rental and home ownership options in both market rate and affordable buildings.

Affordable housing priorities remain consistent with the targets described in the Master Plan. This includes delivery of affordable housing in locations throughout the site and in many forms. There is an overarching 20% affordability requirement within the site with various tiers and mix of rental and owner-occupied. Approximately 763 affordable housing units will be built in the Ford site, the mix is approximately: 5% at 60% of Area Median Income (AMI) (achieved with approximately 31 rental units within market-rate buildings representing roughly 1% of the market rate rental units and approximately 156 rental units in affordable buildings, and 6 owner-occupied townhomes), 5% at 50% AMI (achieved with approximately 190 rental units in affordable buildings), 10% at 30% AMI (achieved with approximately 380 rental units in affordable buildings). For 2019, the AMI for a family of four and rents for a 2-BR unit are shown in the table below. Ryan has partnered with CommonBond Communities, Project for Pride in Living and Habitat for Humanity to develop the affordable housing.

The land for the individual affordable buildings and owner-occupied townhomes will be deed restricted to the above-mentioned goals (11 parcels of land). Additionally, the land for the market rate rental buildings will be restricted as indicated above which represents approximately one-third of the site (see attachment EE in the Redevelopment Agreement for more detail, including a Map of locations).

<b>Area Median Income</b>	<b>Income Family of Four</b>	<b>Rent for a 2 bedroom</b>
30%	\$30,000	\$675
50%	\$50,000	\$1,125
60%	\$60,000	\$1,350

### *Affordable Housing Finance*

All affordable housing developments seeking public subsidy will be individually underwritten to ensure that we are maximizing all available sources and carefully reviewing development costs. The Redevelopment Agreement preserves the option to create new Housing TIF Districts for individual affordable housing projects by removing parcels from the Ford TIF District and establishing new Housing TIF Districts with the removed parcels. The intended strategy is to pair market rate developments with affordable developments within a new Housing TIF district. There is also the option to use surplus tax increments from the Ford TIF District not needed for qualified redevelopment costs as a source of financing qualified affordable housing projects anywhere in the City (in addition to the \$27 million identified above). A qualifying project generally means a multifamily rental housing project that would qualify for Low Income Housing Tax Credits (but would not need to include this source) with income and rent restrictions for at least 15 years.

### **Redevelopment Agreement**

Ryan will design and construct all the public infrastructure improvements for the site, including streets, sidewalks, boulevards, trails, water distribution systems, sanitary sewers, stormwater sewers and ponds, parks, and public art. Attached is an Executive Summary of the Redevelopment Agreement. Below are a few highlights:

### *Site Improvement Performance Agreement*

Establishes City expectations for construction scope and specs of public infrastructure at various stages of design. It also establishes a process for design review and infrastructure acceptance that conforms to our City regulations.

### *Cost Overruns/Cost Savings*

Developer has responsibility for all cost overruns on the infrastructure budget established in the Redevelopment agreement. Any cost savings after allowable shifts within categories will be shared with City.

### *TIF Gap Analysis and Lookback Provision*

The HRA commissioned Baker Tilly to analyze the Developer's projected land proforma and return on investment if they are provided the proposed TIF assistance based on the expected costs



and revenues of the project, which costs include pursuit costs, acquisition and holding costs, and their contribution to the public infrastructure costs. Baker Tilly determined that the proposed TIF assistance for the Developer is reasonable and necessary for the proposed redevelopment project to proceed within the proposed development timeline. The Redevelopment Agreement includes a lookback provision that would require the Developer to share 20% of their excess profit generated through the holding and selling of all land included within the Ford Site. Baker Tilly advised on the terms of the lookback provision and indicated that the Developer would need to generate actual sales proceeds substantially greater than their projected land sales for them to realize excess profits.

### **HRA Budget Action**

The action today by the HRA will amend the adopted Ford TIF Plan Budget, originally established in 2016 with the initial approval. This amendment does not increase the total spending budget for the Ford TIF District and only reallocates individual spending categories. The HRA Budget amendment is included in the attached Financial Analysis.

### **Related City Council Action**

The City Council action will amend the 2019 Capital Improvement budget to fund the City's infrastructure budget, take steps to allow for the reimbursement of expenditures from bond proceeds, authorize interfund loans, provide for the use of Project Labor Agreements, and authorize the execution of the Redevelopment Agreement and related documents.

### **Future Action**

The action today does not approve or authorize tax increment funding for affordable housing projects to be located on the Ford Site. The existing Ford TIF District budget includes spending of \$27.2 million for the construction of affordable housing anywhere in the City, including the Ford Site. This source would be generated over time through the commitment to set-aside 10% of the annual tax increments collected. This is expected to generate over \$1 million annually for affordable housing once the Ford Site is fully built out. The \$27.2 million reserved in the Ford TIF budget for Citywide affordable housing development will also require future HRA Board action to allocate the funds to specific affordable housing projects.

## **Compliance**

The developer and secondary developers are subject to the following contract compliance requirements:

- Sustainable Building Policy
- Affirmative Action/EEO
- Prevailing Wage
- Vendor outreach and tracking
- Two Bid policy
- Project Labor Agreement

## **Green/Sustainable Development**

The buildings on the site are subject to Saint Paul's Sustainable Building Ordinance and the Sustainable Building (SB) 2030 energy efficiency requirements. Buildings consume a third of the nation's energy and contribute to one third of the nation's carbon emissions. Saint Paul's Sustainable Building Ordinance, and the SB2030 efficiency requirement set aggressive goals to reduce the energy and carbon emissions in Minnesota buildings. Buildings constructed in 2020 must achieve an 80% reduction in carbon emissions and buildings built in 2030 must achieve a 90% reduction in carbon emissions compared to a building built in 2003. This will encompass all buildings on the Ford Site. Currently, there are about 60 buildings in Saint Paul where the Sustainable Building Ordinance was applied - applying these standards to the Ford Site will significantly increase the number of very efficient buildings built in the City bringing the City closer to the City goal to achieve carbon neutrality by 2050.

## **Environmental Impact Disclosure**

The Ford Site redevelopment required an environmental review due to the number of residential uses proposed in the form of an Alternative Urban Areawide Review or AUAR.<sup>4</sup> Described above pp 3-4.

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<sup>4</sup> Specifically, MN State rules (4410.4400). dictate that the number of units proposed (more than 1,000) requires this level of environmental review.

## **Historic Preservation**

A historic survey was completed for the main parcel in 2007. Due to the multiple changes including additions to the main assembly building, the survey found that the Ford Site was not considered eligible for listing on the National Register of Historic Places.<sup>5</sup> Additionally, as part of the AUAR historic properties were analyzed. No adverse impacts to historic properties are reasonably foreseeable. Due to the highly disturbed nature of the site, no archaeological resources are anticipated within the 122-acre Ford Site parcel. The only areas of the AUAR study area that contain undisturbed or minimally disturbed soils are located on the adjacent Canadian Pacific Railway property that is included in the Ford Master Plan, but not subject to the Redevelopment Agreement. An archaeological survey will be required prior to development of the Canadian Pacific Railway property and currently there is no development proposed at that site.

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

### *Public Purpose*

The proposed development will: (i) be a transformational opportunity that will build a new 21<sup>st</sup> century neighborhood ; (ii) realize more than a decade of work with community and key stakeholders to realize the vision of the Ford MP; (iii) include 3,800 housing units with at least 20% of these units income-restricted affordable housing; (iv) harness energy from carbon-free renewable sources; (v) include 150,000 square feet of retail and service space and 265,000 square feet of office and employment space. The site will also include a mixture of retailers in a pedestrian friendly environment that will include plazas, ample landscaping, outdoor seating, and pedestrian-only sections; (vi) allow residents to live, work, and play in an environment that is close enough to walk from one to the other. The site includes 50 acres of open space including parks, recreation fields, open spaces, walking paths, waterways, and over 1,000 trees and plantings for Saint Paul residents to walk, bike, drive, and recreate in addition to 50,000 square feet of civic and institutional use; (vii) the new road network will allow multiple modes including biking, walking, transit, and driving; (viii) once fully built out, and after the public investment is paid for, an estimated \$18 million per year in new tax revenue will be generated by the site. This long-term impact will improve the current taxes generated from the site by 1,000%; (ix) the value of the infrastructure and buildings is estimated to be in excess of \$1 billion, making it the largest private

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<sup>5</sup> The historical survey report can be found in Appendix C of the final AUAR: [www.stpaul.gov/Ford-aur](http://www.stpaul.gov/Ford-aur)

real estate development in Saint Paul's history. This will contribute significantly to the local and regional economy; (x) development on the site will create approximately 14,500 construction jobs and 1,300 full-time jobs. The commercial construction portions of the project will be executed with building trade-affiliated labor. The City will establish goals for minority and woman-owned business participation and hiring for the site.

#### *Conformance with Comprehensive Plan*

The application is in conformance with the Land Use Chapter of the 2030 Comprehensive Plan, which identifies the site as part of a mixed-use corridor and an opportunity site. While not yet fully adopted, it is also consistent with the draft 2040 Comprehensive Plan submitted to the Metropolitan Council. The 2040 Comprehensive Plan identifies the site as mixed-use, an opportunity site and a contributor to the Highland Village/Ford Site neighborhood node.

#### **Recommendation:**

The Executive Director recommends approval of the attached Resolution authorizing the First Amendment to the Ford TIF Plan, the TIF budget amendment to allocate TIF funds to finance a portion of the Ford Site infrastructure, and approval and execution of the Redevelopment Agreement and related documents.

**Sponsored by:**           **Chair Chris Tolbert**

**Staff:**                   Menaka Mohan (266-6093) and Jenny Wolfe (266-6680)

#### **Attachments**

- First Amendment to TIF Plan
- Map of Ford Site TIF District and Project Area
- Financial Analysis
- District 15 Neighborhood Profile
- Executive Summary of Ford Site Redevelopment Agreement
- Ford Site Redevelopment Agreement