

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

REPORT TO THE COMMISSIONERS

DATE: OCTOBER 28, 2020

REGARDING: RESOLUTION APPROVING THE ESTABLISHMENT OF THE SNELLING MIDWAY RENEWAL AND RENOVATION TAX INCREMENT FINANCING DISTRICT AND TAX INCREMENT FINANCING PLAN THEREFOR, AND APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 13, WARD 1

Requested Board Action

Authorization to approve the establishment of the Snelling Midway Renewal and Renovation Tax Increment Financing District (the “TIF District”) and tax increment financing plan for the TIF District (the “TIF Plan”), and approve an HRA budget amendment consistent with the TIF Plan.

Background

In August 2016, the Saint Paul City Council approved the Snelling-Midway Redevelopment Site Master Plan (the “Master Plan”) following extensive public engagement through work of a community advisory committee and technical advisory committee that included city staff and regional and state agencies. Multiple public open houses were convened as well as on-line public input forums. An Alternative Urban Areawide Review (“AUAR”) was prepared for the Snelling-Midway Redevelopment Site to analyze potential impacts and was also approved by the City Council in August 2016. The AUAR includes a mitigation plan that specifies measures or procedures that will be used to avoid, minimize, or mitigate potential environmental impacts. The Master Plan identified the following program elements for the area bounded by Snelling Avenue, University Avenue, St. Anthony Avenue, and Pascal Street: 620 residential units, one million sq. ft. of office, 421,100 sq. ft. of retail, 400 hotel rooms and 4,720 parking spaces.

To prepare areas within the Snelling Midway Redevelopment Site for transit-oriented mixed-use redevelopment, existing buildings would likely need to be demolished and a site-wide infrastructure system of streets, pedestrian friendly sidewalks, walkways, and utilities, installed. Private sector investment will finance site redevelopment, but additional financial resources are

expected to be necessary in the future to assist in turning this large and complex transit-oriented development site into a vibrant community hub of diverse businesses, jobs, and housing.

A development agreement was executed between the City of Saint Paul and MUSC Holdings LLC for development of portions of the Snelling Midway Redevelopment site to advance the construction and opening of the Soccer Stadium.

In 2017, the HRA retained the services of LHB, Inc. to complete a TIF Eligibility Assessment of portions of the Snelling Midway site. This assessment determined that the area identified in the **attached** map (the “TIF Parcels”) met the qualifications of a Renewal and Renovation TIF district including the existence of one substandard building on the six tax parcels and an additional two buildings that required substantial renovation or clearance to remove existing conditions (the Bus Barn parcel owned by the Met Council is excluded). On September 13, 2017, the HRA adopted RES #17-1446, affirming the existence of a substandard building and buildings that required substantial renovation or clearances on the six tax parcels and the intention of the entity with site control (Snelling-Midway Redevelopment LLC) to demolish some or all of the buildings, and approved the execution of a Demolition Agreement with the Snelling-Midway Redevelopment LLC. This action by the HRA enabled the establishment of a Renewal and Renovation 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. MUSC Holdings, LLC commenced demolition on November 13, 2017 to advance the stadium project, which results in the need for a request for certification not later than November 13, 2020.

City staff have researched similar development components as identified in the Master Plan and estimated the costs to redevelop the TIF Parcels to include: approximately 800,000 sq. ft. of office development, approximately 399,250 sq. ft. of retail development, approximately 400 hotel rooms, approximately 3,350 stalls of structured parking, and approximately 620 housing units, with a planned goal for 30% of the rental units income restricted consistent with the Housing Chapter of the City’s Comprehensive Plan. Results determined a gap between the post-development value and the cost of redeveloping the site consistent with the adopted Master Plan and the City’s Comprehensive Plan. Therefore, staff is recommending we proceed with the creation of a new TIF district at the Snelling Midway site.

A City Council public hearing will be held on November 4, 2020, to consider the proposal to approve the TIF District and TIF Plan.

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 Snelling Midway site as a mixed-use transit-oriented development with a walkable street grid, public open spaces and limited surfaced parking. No commitment for TIF assistance is provided with the approval included herein.

The Property is zoned T4M, traditional neighborhood district master plan. 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 **attached**. The neighborhood profile for Planning District 13 is **attached**.

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 the **attached Financial Analysis**.

Future Action

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

Financing Structure

The tax increment revenue projections included in the TIF Plan were prepared by PED staff based on the mix of development detailed in the adopted Master Plan. A copy of the TIF Plan is **attached**. The proposed development, based on site capacity, is projected to:

- Include approximately 800,000 sq. ft. of office, 399,250 sq. ft. of retail, 400 hotel rooms and 3,350 structured parking spaces.

- Include approximately 620 rental housing units, with the goal to have 30% of the units income restricted consistent with the Housing Chapter of the City’s Comprehensive Plan (30% affordable to households earning 60% or less of Area Median Income (AMI), with at least one third affordable to households earning not more than 50% AMI, and one third affordable to households earning 30% AMI).
- Start construction of buildings in 2021 with full completion by the end of 2030 (10-year build out).
- Have a taxable base value for the TIF district of \$28 million.
- Contribute to the fiscal disparity pool within the TIF district.
- Commence TIF collections in 2024.

The preceding redevelopment uses and phasing results in the following market value and tax increment revenue assumptions:

- \$485 million of market value by the end of 2032 generating annual tax increment of \$8.78 million
- Produce total Tax Increments over 16 total years of \$112 million

The budget included in the TIF plan is for \$115 million as follows:

Estimated Sources of Revenue	
Tax Increment Revenues	\$112,030,000
Interest and Investment Earnings	\$3,370,000
Total Tax Increment Revenues	\$115,400,000
 Estimated Project Costs	
Qualifying Public Improvements	\$42,360,000
Construction of Affordable Housing	\$25,150,000
Administrative Expenses	\$11,000,000
Interest Expenses	\$36,890,000
Total Estimated Project Costs	\$115,400,000

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 Developer.

Compliance

Not applicable at this stage.

Green/Sustainable Development

The City's key objective for the Snelling Midway Redevelopment site included a comprehensive storm water system, and any development agreements will align with City goals including using best practice technologies in energy, building design, 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. The City's Sustainable Building Ordinance will be a requirement within any future development agreement.

Environmental Impact Disclosure

An Alternative Urban Areawide Review (AUAR) and Mitigation Plan was prepared for the redevelopment site. Mitigation will be regulated through the City's development approval and permitting process. Implementation of mitigation measures will be assured through any and all development agreements with the city, and/or through the withholding or revocation of building permits and/or certificates of occupancy until such time as all relevant mitigation measures have been addressed and/or financial sureties sufficient to ensure completion of mitigation measures have been obtained. The AUAR must be updated by early August 2021. An update is required every five years until redevelopment on the site is complete.

Historic Preservation

The AUAR concluded that no impacts to archeological sites or traditional cultural properties have been found to date and are not anticipated.

Mitigation Strategies

1. A formal monitoring plan by a qualified archaeologist was completed with the stadium project phase. Redevelopment of the remainder of the site requires a monitoring plan by a qualified archaeologist to ensure no archaeological features exist. The qualified archaeologist will coordinate with the Minnesota State Historic Preservation Office and the Office of the State Archeologist on a monitoring plan and during monitoring.

2. In conformance with the AUAR Mitigation Plan, an Area of Potential Effect (APE) was identified for the soccer stadium project and a Phase I Survey of properties within the APE is being conducted to determine whether any are eligible for National Register of Historic Places listing. A Phase II (more in-depth) analysis is in process for a subset of those properties that have potential for National Register listing.

Public Purpose/Comprehensive Plan Conformance

Redevelopment of the Snelling-Midway site in the Union Park neighborhood, and immediately across University Avenue from the Hamline Midway neighborhood, is a priority for the City.

A 22-member community advisory committee (CAC) was appointed by the Mayor's Office in 2015. They met nine times between December 2015 and May 2016. Their role was to:

- Help determine the community needs and desires for the project.
- Review plan concepts and provide input on major design elements and themes.
- Bring suggestions from community, stakeholders, and respective organizations to the attention of the City staff and officials.
- Help communicate project progress to community members.
- Provide guidance to City staff on final recommendations for the redevelopment site.
- Ensure that the full range of issues are discussed during the design process.

In addition to the CAC, a series of four additional public meetings were held. These involved a combination of presentations, open house-style board sessions for input, and open mics for questions.

The Planning Commission and City Council held public hearings on the Master Plan for the overall site and the stadium site plan on July 8 and August 3 of 2016, respectively.

Saint Paul Comprehensive Plan

In the Land Use Plan the redevelopment site is shown as a neighborhood center located along a mixed-use corridor; the bus barn site is identified as an undeveloped opportunity site.

1. Land use policies are identified below.

- 1.2 Permit high density residential development in neighborhood centers, mixed use corridors, the Central Corridor, and downtown.
- 1.12 Balance the following objectives for Neighborhood Centers through the density and scale of development: accommodating growth, supporting transit use and walking, providing a range of housing types, providing housing at densities that support transit, and providing open space and recreational opportunities.
- 1.15 Promote Neighborhood Centers as compact, mixed use communities that provide services and employment close to residences.
- 1.54 Snelling-Midway is identified as an opportunity site - bus barn site (Snelling/I-94)
- 2.14 Promote the development of employment opportunities in the Central Corridor, consistent with the Central Corridor Development Strategy.

Recommendation:

The Executive Director recommends approval of the attached resolution which shall: i) approve the establishment of the Snelling Midway Renewal and Renovation Tax Increment Financing District; ii) approve the tax increment financing plan for the TIF District; and (iii) approve an HRA budget amendment consistent with the TIF Plan.

Sponsored by: **Commissioner Thao**

Staff: Claudia Klinkhammer (266-8685) & Jenny Wolfe (266-6680)

Attachments:

- Map of TIF District and Project Area
- District 13 Profile
- Budget Amendment/Financial Analysis
- Snelling Midway Renewal and Renovation TIF Plan