



Legislation Text

File #: RES PH 12-194, **Version:** 1

Approving the creation of the Gerdau Steel Mill Economic Development Tax Increment District and the adoption of the Tax Increment Financing Plan for the District.

BE IT RESOLVED by the City Council (the "Council") of the City of Saint Paul, Minnesota (the "City"), as follows:

Section 1. Recitals.

1.01. On May 22, 2012 the Port Authority of the City of Saint Paul (the "Port Authority") approved the Tax Increment Financing Plan establishing the Gerdau Steel Mill Economic Development Tax Increment Financing District (the "District"), and authorized the issuance of a "pay-as-you-go" note to Gerdau Ameristeel US Inc. in the principal amount of approximately \$398,000 in connection therewith (the "Note"). In addition, it is proposed that the Port Authority provide an additional subsidy to Gerdau Ameristeel US Inc. through the granting of a forgivable JOBs Bill loan in the principal amount of \$500,000 (the "Loan"). It has been proposed that the City approve the District and the related Plan, the Note, and the Loan; all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.090 through 469.1081 and 469.174 through 469.179, all inclusive, as amended, all as reflected in the Plan, and presented for the Council's consideration.

1.02. The Council has investigated the facts relating to the Plan.

1.03. The Port Authority has performed all actions required by law to be performed prior to the adoption and approval of the proposed Plan, including, but not limited to, notification of Ramsey County and School District #625 having taxing jurisdiction over the property to be included in the District.

1.04. Certain written reports (the "Reports") relating to the Plan and to the activities contemplated therein have heretofore been prepared by Port Authority staff and submitted to the council and/or made a part of the City files and proceedings on the Plan, and on the basis of these Reports, the City hereby confirms that the requirements of Minn. Stat. Section 469.174 are met in connection with the proposed District. The Reports include data, information and/or substantiation constituting or relating to (1) the "studies and analyses" on why the new District meets the so-called "but for" test and (2) the bases for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

1.05. A notice of the hearing on the Plan at this meeting was published as required by Minn. Stat. §469.175, Subdivision 3, and pursuant to such notice a public hearing has been held on the creation of the District and adoption of the Plan.

Section 2. Findings for the Adoption and Approval of the Plan.

2.01. The Council hereby finds that the Plan, is intended and, in the judgment of this Council, the effect of such actions will be, to provide an impetus for development in the public purpose and accomplish certain objectives as specified in the Plan, which is hereby incorporated herein.

Section 3. Findings for the Establishment of the Gerdau Steel Mill Economic Development Tax Increment Financing District.

3.01. For the reasons described in Exhibit A hereto, among other things, the Council hereby finds that the District is in the public interest and that the District is an economic development district under Minnesota Statutes, Section 469.174, subdivision 12.

3.02. The Council further finds that the proposed development would not occur solely through private investment within the reasonably foreseeable future and that the increased market value on the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the District permitted by the Plan, that the Plan conforms to the general plan for the development or redevelopment of the City as a whole; and that the Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development of the District by private enterprise.

Section 4. Approval and Adoption of the Plan.

4.01. The Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, as hereby approved, ratified, established, and adopted and shall be placed on file in the office of the Port Authority President.

4.02. The staff of the City, the City's advisors and legal counsel are authorized and directed to cooperate with the Port Authority with respect to the implementation of the Plan and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

4.03. The Auditor of Ramsey County is requested to certify the original net tax capacity of the District, as described in the Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased; and the Port Authority is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the District, for which building permits have been issued during the 18 months immediately preceding the adoption of this resolution.

Section 5. Approval of Tax Increment Note and Loan

5.01. In accordance with the requirements of Minnesota law, including Minnesota Statutes 469.084(11), the City Council hereby approves the issuance of the aforesaid Note, and making of the aforesaid Loan, by the Port Authority for the purposes described in the Port Authority resolution adopted May 22, 2012, the exact details of which are to be determined by the Port Authority.

EXHIBIT A

The reasons and facts supporting the findings for the adoption of the Gerdau Steel Mill Economic Development Tax Increment Financing District (the "District") therein, are as follows:

1. Finding that the District is a "economic development district."

It is necessary that the Port Authority exercise its port authority powers under state law to develop, implement, and finance a program designed to encourage, ensure and facilitate the redevelopment of the two parcels to be included in the District. This development will further accomplish the public

purposes specified in the TIF Act and this paragraph:

- a. Create and Retain Jobs. The Project will create and retain jobs in the State, including construction jobs, and approximately 377 jobs that would be at risk if the Gerdau Ameristeel US Inc. does not make the investment in question in Saint Paul. Construction would not occur without the tax increment financing assistance.
- b. Redevelop Underused Property. In order to encourage new development and the expansion of existing business in the area, and prevent the emergence of blight and blighting influences, tax increment financing must be used to encourage the expansion and development on the site.
- c. Expand the Tax Base of the City of Saint Paul. It is expected that the taxable market value of parcels in the Tax Increment Financing District will increase by approximately \$3,000,000 as a result of the new development.

2. Finding that the proposed development, in the opinion of the Port Authority, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the Plan.

This project is feasible only through assistance, in part, from tax increment financing.

3. Finding that the Gerdau Steel Mill Economic Development Tax Increment Financing District conforms to the general plan for the development or redevelopment of the municipality as a whole.

The Gerdau Steel Mill Economic Development Tax Increment Financing Plan has been reviewed by the Port Authority and has been found to conform to the general development and redevelopment plan of the City.

4. Finding that the establishment of the Gerdau Steel Mill Economic Development Tax Increment Financing District for will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the project by private enterprise.

A. Provide job opportunities for Saint Paul residents.

The Port Authority's goal is to retain jobs at this site. The \$50 million investment by Gerdau SA ensures the ongoing viability of the Saint Paul Mill. The existing work force is 377 and the Port Authority will include a workforce requirement to retain these existing 377 jobs for two years following completion of construction.

B. To discourage manufacturing from moving their operations to another state or municipality.

Gerdau SA was contemplating an investment of approximately \$50 million in a state-of-the-art caster in one of its North American facilities. Gerdau SA has other facilities in North America which could support the proposed investment; at least one of said facilities has operating component costs which are significantly lower than at the Saint Paul facility. In the summer of 2011, a partnership was formed including the State of Minnesota, the City, the Port Authority, and various Chambers of Commerce and related entities, and a joint assistance package was created to support the investment in the Saint Paul Mill. The objective was to assist in making

the Saint Paul Mill a viable economic facility for the foreseeable future.

C. Expand the industrial tax base of the City of Saint Paul.

It is expected that the taxable market value of parcels in the District will increase by approximately \$3,000,000 once the proposed caster is placed in service. This value will come from approximately 24,000 square feet of buildings to house a state-of-the-art caster and related ancillary facilities.