



## Legislation Text

**File #:** RES PH 14-168, **Version:** 1

Approving the establishment of a tax increment financing district and approving a tax increment plan for the Custom House/Post Office redevelopment project.

WHEREAS, the City Council of the City of Saint Paul (the "Council") has the statutory responsibility under Minnesota Statutes, Section 469.028, to approve redevelopment plans and projects of the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "HRA"), after a public hearing thereon; and

WHEREAS, the HRA heretofore established the Riverfront Project Area (the "Project Area") and has adopted a redevelopment plan therefor (the "Redevelopment Plan") pursuant to Minnesota Statutes, Sections 469.001 to 469.047, as amended; and

WHEREAS, said Redevelopment Plan contains an identification of need and statement of objectives and program of the HRA for carrying out a redevelopment project, including property to be acquired, public improvements to be provided, development and redevelopment to occur, and sources of revenue to pay redevelopment costs within the Project Area; and

WHEREAS, Minnesota Statutes, Section 469.175 requires that before a county auditor may certify a tax increment financing district created under Minnesota Statutes, Section 469.174 to 469.1794 (the "Tax Increment Act") the governing body of the municipality must approve the tax increment financing plan after a public hearing thereon; and

WHEREAS, the HRA has asked the Council to approve, within the Project Area, the creation of Custom House/Post Office Redevelopment Tax Increment Financing District as a redevelopment tax increment financing district under Minnesota Statutes, Section 469.174, Subdivision 10 (the "TIF District"), and the adoption of a Tax Increment Financing Plan therefor (the "TIF Plan"), all pursuant to and in accordance with the Tax Increment Act; and

WHEREAS, the TIF District is being established to facilitate the redevelopment of a substandard building by the construction of a new mixed use facility consisting of approximately 202 units of rental housing, approximately 350,000 square feet of hotel, restaurant and commercial space and underground parking (the "Development"); and

WHEREAS, the HRA has, or at the time of its approval of the TIF Plan will have, performed all actions required by law to be performed prior to the creation of the TIF District and adoption of the TIF Plan therefor, including, but not limited to, notification of the Ramsey County Commissioner representing the area of the County in which the TIF District is located, and delivering a copy of the TIF Plan to Ramsey County and Independent School District Number 625, which have taxing jurisdiction over the property to be included in the TIF District; and

WHEREAS, on this date, the City Council conducted a public hearing on the TIF Plan, after published notice thereof; and

WHEREAS, at said public hearing the City Council heard testimony from all interested parties on the TIF Plan; and

WHEREAS, the parcel to be included in the TIF District, PID # 06.28.22.11.0025 (the "Property") was included in the Riverfront Tax Increment Financing District No. 87 (the "Prior TIF District"); and

WHEREAS, in order to include the Property in the TIF District, the Authority has determined to amend the tax increment financing plan for the Prior TIF District to remove the Property from the Prior TIF District, thereby reducing the size thereof; and

WHEREAS, the total current net tax capacity of the Property is at least equal to its original net tax capacity, and therefore the amendment to the tax increment financing plan for the Prior TIF District may be accomplished without notice or hearing pursuant to Section 469.175, Subdivision 4(e)(2)(A) of the Tax Increment Act; and

WHEREAS, the City Council has considered the findings and determinations of the HRA respecting the TIF District and TIF Plan, together with the documentation submitted in support of the same and has taken into account the information and knowledge gained in hearings upon and during consideration of other matters relating to the developments proposed within the Project Area.

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Saint Paul, as follows:

Section 1. Findings for the Creation of the TIF District and Adoption of a TIF Plan therefor.

1.01 The City Council hereby finds that the creation of the TIF District and adoption of the TIF Plan therefor, are intended and, in the judgment of the City Council, its effect will be, to carry out the objectives of the Redevelopment Plan and to create an impetus for the redevelopment of blighted structures and the construction of rental housing and will otherwise promote certain public purposes and accomplish certain objectives as specified in the Redevelopment Plan and TIF Plan.

1.02 The City Council hereby finds that the TIF District qualifies as a "redevelopment district" within the meaning of the Tax Increment Act for the following reasons:

The TIF District is, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10(a)(1), a "redevelopment district" because it consists of a project or portions of a project within which the following conditions, reasonably distributed throughout the District, exist: parcels consisting of at least 70% of the area of the District are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures.

The District consists of one parcel, and the parcel is "occupied" as defined in Minnesota Statutes, Section 469.174, Subd. 10(a)(1), in that at least 15% of the area of the parcel, is occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures. There is one building in the Tax Increment District, which building is structurally substandard to a degree requiring substantial renovation or clearance. In addition, the costs of bringing the structurally substandard building into compliance with building codes applicable to new buildings would exceed 15% of the cost of constructing new structures of the same size and type on the site.

The report of LHB, Inc. dated March 6, 2014, including without limitation the supporting facts for these determinations, is on file with the staff of the Authority. There have been no building permits issued or improvements made to the building since the date of the report.

1.03 The City Council hereby makes the following additional findings:

(a) The City Council further finds that the proposed Development, in the opinion of the City Council, would not occur solely through private investment within the reasonably foreseeable future and, therefore, the use of tax increment financing is deemed necessary. The specific basis for such finding being:

The property on which the proposed Development will occur has not been developed or occupied for several years. The costs of rehabilitating an existing building of the age, size and condition of the building in the TIF District are higher than for new development and the developer of the Development has represented that it could not proceed with the Development without tax increment assistance.

(b) The City Council further finds that the TIF Plan conforms to the general plan for the development or redevelopment of the City as a whole. The specific basis for such finding being: The TIF Plan will generally complement and serve to implement policies adopted in the City's comprehensive plan. The construction of the Development contemplated is or will be in substantial accordance with the existing zoning or any permitted exception for the property.

(c) The City Council further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the City as a whole for the development of the Project Area by private enterprise. The specific basis for such finding being:

The proposed Development to occur within the TIF District is mixed use rental housing and commercial/hotel and is consistent with other uses in the area. The Development will increase the taxable market valuation of the City.

(d) For purposes of compliance with Minnesota Statutes, Section 469.175, Subdivision 3(2), the City Council hereby finds that the increased market value of the property to be developed within the Tax Increment District that could reasonably be expected to occur without the use of tax increment

financing is \$0, which is less than the market value estimated to result from the proposed development (\$31,987,600), after subtracting the present value of the projected tax increments for the maximum duration of the TIF District (i.e., \$8,755,670). In making these findings, the City Council has noted that the property has not been developed or occupied for several years and would likely remain so if tax increment financing is not available. Thus, the use of tax increment financing will be a positive net gain to the City, the School District, and the County, and the tax increment assistance does not exceed the benefit which will be derived therefrom.

(e) The City elects to retain all of the captured tax capacity to finance the costs of the TIF District. The City elects the method of tax increment computation set forth in Minnesota Statutes, Section 469.177, Subd. 3(a).

(f) The City elects to delay the receipt of the first increment until tax payable year 2017.

1.04 The provisions of this Section 1 are hereby incorporated by reference into and made a part of the TIF Plan.

Section 2. Creation of the TIF District and Approval of the TIF Plan.

2.01 The creation of the Custom House/Post Office Redevelopment Tax Increment Financing District and the TIF Plan therefor are hereby approved.

2.02 The staff of the HRA and the HRA's advisors and legal counsel are authorized and directed to proceed with the implementation of the TIF District and the TIF Plan and for this purpose to negotiate, draft, prepare and present to the Board of Commissioners of the HRA for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

2.03 The City Council hereby approves an amendment to the tax increment financing plan for the Prior TIF District to remove the Property therefrom. The HRA is authorized and directed to notify the County Auditor of this modification pursuant to Section 469.175, Subdivision 4(e) of the TIF Act.

2.04 The staff is directed to submit the request to Ramsey County to certify the original tax capacity of the TIF District.