



Legislation Text

File #: RES 22-1687, **Version:** 1

Resolution approving (i) the establishment of the Farwell Yards Tax Increment Financing District (a redevelopment district) in the Riverfront Redevelopment Project area, (ii) the adoption of a Tax Increment Financing Plan therefor, (iii) the execution of a tax increment development agreement and related documents, and (iv) an HRA budget amendment, all for the Farwell Yards Project, District 3, Ward 2

WHEREAS, the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "HRA") has heretofore established the Riverfront Redevelopment 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 (the "HRA Act"); and

WHEREAS, the Redevelopment Plan contains an identification of need and a statement of purpose and objectives, land uses and standards for development 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, it has been proposed that within the Project Area, the HRA create the Farwell Yards Tax Increment Financing District as a redevelopment tax increment financing district under Minnesota Statutes, Section 469.174, Subdivision 10, clause (a)(1) (the "TIF District") and adopt a Tax Increment Financing Plan therefor (the "TIF Plan"), all pursuant to Minnesota Statutes, Sections 469.174 through 469.1794 (the "TIF Act"); and

WHEREAS, the TIF District is being established to facilitate the redevelopment of industrial properties containing vacant and substandard buildings and stimulate the construction of approximately 63 units of affordable housing (the "Affordable Housing Development") and public infrastructure in connection with a proposed mixed-use redevelopment consisting of approximately 221 rental housing units, approximately 2,585 square feet of commercial space and related parking improvements (the "Mixed-Use Development" and, together with the Affordable Housing Development, the "Development"); and

WHEREAS, the HRA has investigated the facts and has caused the TIF Plan to be prepared for the TIF District; and

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

WHEREAS, on September 14, 2022 the City Council (the "Council") of the City of Saint Paul, Minnesota (the "City") (a) held a public hearing on (i) adoption of the TIF Plan and (ii) the establishment of the TIF District, (b) made the findings required by the TIF Act and the HRA Act, and (c) approved the establishment of the TIF District and the adoption of the TIF Plan; and

WHEREAS, 115 Plato, LP, a Minnesota limited partnership (or any affiliate thereof which owns or develops Affordable Housing Development, the "Affordable Housing Developer") has represented that it could not proceed with the Affordable Housing Development without tax increment assistance and that it could not proceed with the Affordable Housing Development without tax increments to be generated by the Mixed-Use

Development; and

WHEREAS, 150 Farwell Yards, LLC, a Delaware limited liability company (or any affiliate thereof which owns or develops the Mixed-Use Development, the “Mixed-Use Developer”) has represented that it could not proceed with the required reconstruction of Bidwell Street to serve the parcels in the TIF District without tax increment assistance; and

WHEREAS, the Mixed-Use Developer has requested that the HRA cause to be prepared a Development Agreement (the “Mixed-Use Development Agreement”) between the HRA and the Mixed-Use Developer setting forth the terms and conditions under which the HRA will provide tax increment financing assistance to the Mixed-Use Developer, a copy of which is on file with the Executive Director of the HRA.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners (the “Board”) of the HRA as follows:

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

1.01 The HRA hereby finds that the creation of the TIF District and the adoption of the TIF Plan therefor are intended and, in the judgment of the Board, the effect will be, to carry out the objectives of the Redevelopment Plan by creating an impetus for the development of low and moderate income housing facilities and related public infrastructure in the City, and will otherwise promote certain public purposes and accomplish certain objectives as specified in the Redevelopment Plan and the TIF Plan.

1.02 The HRA hereby finds that the TIF District qualifies as a “redevelopment district” within the meaning of the TIF Act for the following reasons:

The TIF District is, pursuant to Minnesota Statutes, Section 469.174, Subdivision 10, clause (a) (1), a “redevelopment district”. The reasons and supporting facts for these determinations are set forth in that certain Report of Inspection Procedures and Results for Determining Qualifications of a Tax Increment Financing District - Farwell Yards Redevelopment TIF District, prepared for the City of Saint Paul, Minnesota by LHB, Inc., dated August 5, 2022 (the “Redevelopment Assessment Report”), copies of which are on file with the Executive Director of the HRA. These findings are based in part upon on-site examination and written reports substantiating the structurally substandard nature of the buildings.

The TIF District currently contains two parcels. Both of the parcels are occupied since they meet the requirements of Section 469.174, Subd. 10(e) in that at least 15% of the area of each of these parcels is occupied by buildings, streets, utilities, paved or gravel parking lots or similar structures. The occupied parcels comprise 100% of the area of the TIF District, which is greater than 70%. In addition, there are four buildings located in the TIF District. As set forth in the Redevelopment Assessment Report, all four buildings (i.e. 100%) are “structurally substandard” to a degree requiring substantial renovation or clearance. The “structurally substandard” buildings are not in compliance with the building code applicable to new buildings, and the costs to modify the building to satisfy the building code would be more than 15% of the cost of constructing new structures of the same square footage and type on the site.

1.03 The HRA further finds that the Development, in the opinion of the HRA, 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 is:

The property on which the Development will occur has not been redeveloped for several years, requires environmental remediation and lacks the necessary infrastructure for redevelopment, and this finding is consistent with the HRA’s experience on other brownfield sites being converted to rental housing, due to the condition of the site and the buildings thereon and the higher cost of redevelopment compared to the development of bare land as well as the costs of infrastructure, including without limitation, the sanitary sewer upgrade necessary to support development of any kind, the improvement and reinstitution of Bidwell Street as

a public right-of-way, and the creation of 63 units of income-restricted rental housing.

1.04 The HRA 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 Development contemplated is or will be in substantial accordance with the City's comprehensive plan.

1.05 The HRA 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 TIF District by private enterprise. The specific basis for such finding being:

The proposed Development to occur within the TIF District is a mixed-use project consisting primarily of affordable and market rate housing and is consistent with other uses in the area. The Development will increase the taxable market valuation of the City. The available housing in the City will expand by approximately 284 rental units with the completion of the Development contemplated by the TIF Plan. Of those approximately 284 rental units, approximately 63 of them will be affordable rental housing units restricted, on average, to 50% of area median income.

1.06 The HRA 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, Subdivision 3(a).

1.07 The HRA elects to delay the receipt of the first increment until tax payable year 2025.

1.08 For purposes of compliance with Minnesota Statutes, Section 469.175, Subdivision 3(2), the HRA 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 \$47,153,886 which is the increase in the market value estimated to result from the proposed development (i.e., approximately \$59,003,800), after subtracting the present value of the projected tax increments for the maximum duration of the TIF District (i.e. approximately \$11,849,914). In making these findings, the Council has noted that the property is underutilized and has not been redeveloped for several years and lacks necessary infrastructure for redevelopment so the development that could occur on the site without the use of tax increment would be greatly limited due to insufficient sanitary sewer capacity and would not include any housing units. 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.

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

Section 2. Approval of Creation of the TIF District and Approval of the TIF Plan Therefor; Other Authorizations.

2.01 In the period after approval of the TIF Plan by the City Council, it has been proposed that the HRA amend the budget for the TIF District set forth in the TIF Plan to administratively adjust amounts allocated to expenditures listed in the budget as set forth therein. The line-item adjustments to the budget do not increase the estimate of the cost of the project to be paid or financed with tax increments, the amount of bonded indebtedness, capitalized interest, or make any other changes described in Minnesota Statutes, Section 469.175, subd. 4, that would require a new public hearing.

2.02 The creation of the TIF District and the adoption of the TIF Plan, as amended, are hereby approved and the TIF Plan shall be placed on file in the office of the Executive Director of the HRA.

2.03 The HRA's Executive Director and staff of the HRA and the HRA's advisors and legal counsel are authorized and directed to proceed with the establishment and implementation of the TIF District, the TIF Plan and this Resolution. The HRA's Executive Director and staff of the HRA and the City and the HRA's and City's advisors and legal counsel are authorized and directed to negotiate, draft, prepare and execute all further plans, resolutions, documents, notes and contracts necessary to accomplish these actions.

2.04 The staff of the HRA is hereby directed to file a copy of the TIF Plan with the County Auditor of the County (the "County Auditor") and to request the County Auditor to certify the original tax capacity of the TIF District.

2.05 The staff of the HRA is also directed to file a copy of the TIF Plan with the Commissioner of Revenue and the Office of the State Auditor within 60 days after the latest of: (a) the filing of the request with the County Auditor to certify the TIF District and (b) the date of approval of the TIF Plan by the City and the HRA.

Section 3. Approval and Adoption of Policy on Interfund Loans and Advances. The HRA hereby approves a policy on interfund loans or advances ("Loans") for the TIF District, as follows:

3.01 The authorized tax increment eligible costs (including without limitation out-of-pocket administrative expenses in an amount up to \$2,353,000, interest in an amount up to \$7,715,000 and other project costs in an amount up to \$14,170,000) payable from the TIF District, as its TIF Plan is originally adopted or may be amended, may need to be financed on a short-term and/or long-term basis via one or more Loans, as may be determined by the Executive Director from time to time.

3.02 The Loans may be advanced if and as needed from available monies in any fund or account of the HRA designated by the Executive Director. Loans may be structured as draw-down or "line of credit" obligations of the lending fund(s).

3.03 Neither the maximum principal amount of any one Loan nor the aggregate principal amount of all Loans may exceed \$24,238,000 outstanding at any time.

3.04 Any Loan shall mature not later than March 1, 2051 or such earlier date as the Executive Director may specify in writing. All Loans may be pre-paid, in whole or in part, whether from tax increment revenue, TIF bond proceeds or other eligible sources.

3.05 The outstanding and unpaid principal amount of each Loan shall bear interest at the rate prescribed by the statute (Minnesota Statutes, Section 469.178, Subdivision 7), which is the greater of the rates specified under Sections 270C.40 or 549.09 at the time a Loan, or any part of it, is first made, subject to the right of the Executive Director to specify a lower rate.

3.06 Such Loans within the above guidelines are pre-approved. The Loans need not take any particular form and may be undocumented, except that the Executive Director shall maintain all necessary or applicable data on the Loans.

Section 4. Approval and Execution of Documents.

4.01 Approval of Development Documents. The Board hereby approves the Mixed-Use Development Agreement in substantially the form on file with the Executive Director, together with any related

documents necessary in connection therewith, including, without limitation, all documents, exhibits, certifications or consents referenced in or attached to the Mixed-Use Development Agreement including without limitation the TIF Note as defined therein, and any subordinations, assignments or consents necessary and appropriate and approved by the Saint Paul City Attorney to the HRA in connection with the Mixed-Use Developer's financing, (collectively, the "Development Documents").

4.02 Execution of Documents. The Chair or Commissioner and Executive Director of the HRA and the Director, Office of Financial Services of the City (the "Authorized Officers") are hereby authorized in their discretion and at such time, if any, as they may deem appropriate, to execute, on behalf of the HRA, the Development Documents and to carry out, on behalf of the HRA, directly or through one or more appointed designees, the HRA's obligations thereunder when all conditions precedent thereto have been satisfied. The approval hereby given to the Development Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by the Saint Paul City Attorney to the HRA, the appropriate HRA staff person(s) or by the Authorized Officers authorized herein to execute or accept, as the case may be, said documents prior to their execution; and said Authorized Officers or staff members are hereby authorized to approve said changes on behalf of the HRA. The execution of any instrument by the Authorized Officers shall be conclusive evidence of the approval of such document in accordance with the terms hereof. This Resolution shall not constitute an offer and the Development Documents shall not be effective until the date of execution thereof as provided herein. In the event of absence or disability of any of the Authorized Officers, any of the Development Documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any member of the Board or any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of the Saint Paul City Attorney to the HRA, may act in their behalf. The electronic signature of a party to the Development Documents, including all acknowledgements, authorizations, directions, waivers and consents thereto (or any amendment or supplement thereto) shall be as valid as an original signature of such party and shall be effective to bind such party to the Development Documents. Any electronically signed Development Documents shall be deemed (i) to be "written" or "in writing," (ii) to have been signed, and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. For purposes hereof, "electronic signature" means a manually-signed original signature that is then transmitted by electronic means; "transmitted by electronic means" means sent in the form of a facsimile or sent via the Internet as a pdf (portable document format) or other replicating image attached to an e-mail message; and, "electronically signed document" means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

4.03 Future Amendments. The authority to approve, execute and deliver future amendments to the Development Documents entered into by the HRA and consents required under the Development Documents is hereby delegated to the Authorized Officers of the HRA, subject to the following conditions: (a) such amendments or consents do not materially adversely affect the interests of the HRA; (b) such amendments or consents do not contravene or violate any policy of the HRA; and (c) such amendments or consents are acceptable in form and substance to the Saint Paul City Attorney to the HRA or the counsel retained by the HRA to review such amendments. The authorization hereby given shall be further construed as authorization for the execution and delivery of such certificates and related items as may be required to demonstrate compliance with the agreements being amended and the terms of this Resolution. The execution of any instrument by the Authorized Officers of the HRA shall be conclusive evidence of the approval of such instruments in accordance with the terms hereof. In the event of absence or disability of the Authorized Officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Board by any member of the Board or any duly designated acting official, or by such other officer or officers of the Board as, in the opinion of the Saint Paul City Attorney to the HRA, may act in their behalf.

Section 5. Approving an HRA Budget Amendment. The Board hereby approves the HRA budget as set

forth in the attached Financial Analysis.