

UPDATED MEMORANDUM

To: CREDIT COMMITTEE
BOARD OF COMMISSIONERS

Meeting Date: December 16, 2025

From: Michael Solomon 

Subject: **APPROVAL OF RESOLUTIONS AUTHORIZING REDEVELOPMENT OF A PORTION OF THE ST. JOSEPH'S HOSPITAL SITE:**

**RESOLUTION APPROVING A TAX INCREMENT PLAN AND TAKING RELATED ACTIONS INCLUDING REQUESTING THE CITY OF SAINT PAUL APPROVE THE FORMATION OF SUCH TAX INCREMENT FINANCING DISTRICT AND THE ISSUANCE OF GENERAL OBLIGATION TAX INCREMENT BONDS IN CONNECTION WITH THE ST. JOSEPH'S HOSPITAL SITE; DISTRICT 17, WARD 2
RESOLUTION NO. 4843**

**RESOLUTION AUTHORIZING AN INTERFUND LOAN FOR ADVANCE OF CERTAIN TAX INCREMENT ELIGIBLE COSTS IN CONNECTION WITH THE ST. JOSEPH'S HOSPITAL SITE; DISTRICT 17, WARD 2
RESOLUTION NO. 4844**

Action Requested:

Approval of resolutions authorizing the Port Authority of the City of Saint Paul's (the "Port Authority") participation in the redevelopment of a portion of the St. Joseph's Hospital site (the "Project") at or about 69 Exchange Street, Saint Paul (the "Site"), currently owned by Fairview Health Services ("FHS"), including the following:

- Approving the Tax Increment Financing ("TIF") Plan for the Site;
- Making a blight determination and finding that the Project is not reasonably expected to occur solely through private investment within the reasonably foreseeable future, and the use of TIF is necessary;
- Approving an Acquisition and Demolition Agreement, Disbursing Agreement, and Bond Payment Agreement, and any supporting agreements or certificates (the "Redevelopment Documents") between the Port Authority and FHS, authorizing the Port Authority's acquisition of a portion of the Site (the "Redevelopment Parcel") and the Port Authority's anticipated issuance of approximately \$6,000,000 in tax increment general obligation bonds (the "Bonds");
- Setting forth general parameters for the proposed Bonds, which will be fully determined in a future resolution to be adopted by the Board, and designating a Pricing Committee;

UPDATED MEMORANDUM

- Requesting that the City Council of the City of Saint Paul (the “City”) consider the adoption of an Ordinance for the issuance of Bonds (the “Ordinance”) and hold a related TIF public hearing; and
- Authorizing and approving an interfund loan and declaring the Port Authority’s official intent to reimburse certain expenditures from the proceeds of the Bonds.

Background:

Following the closure of St. Joseph’s Hospital in 2020, FHS has worked with the Port Authority to identify a buyer or redevelopment partner for the former hospital on the Redevelopment Parcel, consisting of the portion of FHS’s campus south of 10th Street shown in Exhibit A. In that time, it has been determined that the existing, functionally obsolete buildings are a barrier to sale or redevelopment. Therefore, a demolition project was identified as the best path to ensure the Site does not remain vacant and underused.

In July 2025, the Port Authority and FHS entered into a non-binding term sheet for the Port Authority to acquire and prepare the Site for redevelopment in a public private partnership. The Port Authority Board of Commissioners (the “Board”) previously approved a reimbursement resolution, Resolution 4821, that enabled costs, including those related to demolition planning, blight finding, and the drafting of a TIF Plan to be reimbursed from the proceeds of tax-exempt bonds, if issued in the future.

The term sheet anticipated that the Port Authority would be: (1) acquiring the Site; (2) bidding and holding contracts related to the decoupling of the dePaul Tower located on the Site (the “Wellness Hub”); and (3) demolishing the remaining hospital buildings and performing remediation work on the Site. To fund this work, the Port Authority was to issue bonds up front. FHS was to be responsible for Site holding costs and bond principal and interest for a 10-year period from the acquisition date.

Current Status and Future Actions:

Significant ongoing negotiations and analysis between FHS and the Port Authority have occurred since July, and the action described in this memo authorizes the Port Authority to enter into the Redevelopment Documents that will detail a significantly improved approach to accomplishing the public goals in a more efficient way.

In summary, the parties will still collaborate to ready the Site for redevelopment, bringing needed vitality to this area of downtown Saint Paul. The Port Authority will still pursue the establishment of a TIF district via a City Council public hearing and issuance of \$6M of General Obligation Bonds authorized via City Council ordinance.

However, multiple changes have been incorporated to reduce the risk to the public in the Project. Most significantly, FHS will now retain ownership of the Site through the decoupling, demolition, and remediation phases of the Project. FHS will hold the contracts for the decoupling, demolition,

UPDATED MEMORANDUM

and remediation and pay vendors directly under a Project Labor Agreement and other labor standards. The Port Authority will review and approve FHS's plans for the decoupling, demolition, subdivision, and remediation (the "Project Plans") throughout the Project, which is expected to last 24 months. Upon completion of the decoupling, demolition, subdivision, and remediation, the Port Authority will then acquire the Redevelopment Parcel, which will be a portion of the Site, for \$1. On or before the acquisition, the Port Authority will issue the Bonds to reimburse FHS for TIF eligible costs up to \$6M for the demolition and remediation portions of the Project, not the decoupling.

Project Details:

Notably, FHS must retain a portion of the Site to support the continued operation of the existing Wellness Hub, including an ambulance bay and loading dock (the "Retained Property"). The Port Authority has the right to approve the design of the Retained Property. Upon approval by the Port Authority, the Retained Property will be subdivided from the Site, and the remaining area will constitute the Redevelopment Parcel that will be acquired by the Port Authority and marketed for redevelopment. The Port Authority will retain the right to future (1) access easements; (2) air rights; and (3) signage rights over the Retained Property, maximizing the potential for shared amenities benefiting the Redevelopment Parcel. The existing 9th Street Parking Ramp will be acquired by the Port Authority and is anticipated to be a tool to facilitate the sale of the Redevelopment Parcel.

After executing the Redevelopment Documents, FHS and the Port Authority plan to move forward with work on the design of the Retained Property and the development of the Project Plans. If upon review the parties are unable to agree on the Project Plans, and remedies for resolving disagreement including mediation are unsuccessful:

1. Either party can terminate the Redevelopment Documents;
2. The Port Authority will not acquire the Redevelopment Parcel;
3. FHS will reimburse the Port Authority for its costs incurred to date, as further outlined below; and
4. No Bonds will be issued.

If the Project moves forward as anticipated, the Port Authority will acquire the Redevelopment Parcel and then issue the Bonds to reimburse FHS for eligible project costs incurred up to \$6M. This amount would be reduced by any grants awarded to assist in the Project.

Financial Details:

As contemplated in the original term sheet, FHS is responsible for principal and interest payments on the Bonds for the first 10 years after issuance or until the sale of the Redevelopment Parcel, whichever comes first. It is anticipated that the Bonds would be issued as Temporary General Obligation Bonds, with interest only payments in years 1-6 after issuance, and permanent debt with an anticipated term of 25 years and principal repayment starting in year 7. Additionally, FHS is responsible for the costs of bond issuance, TIF development, and Site holding costs for a period

UPDATED MEMORANDUM

of 10 years from the date of issuance, anticipated to be 24 months after the Project begins or until sale, whichever comes first.

Payments on the Bonds will be made under the terms of the Bond Payment Agreement, which includes the requirement for FHS to deposit funds 90 days prior to a Bond payment date. Additionally, FHS will be required to post a Letter of Credit securing their payments under the Bond Payment Agreement in the case of a material downgrade to their credit rating, to below Baa3/BBB-.

FHS is also required to reimburse the Port Authority for legal, financial, construction project management costs, and costs related to its development and execution of the Redevelopment Documents, in addition to staff costs, excluding the President and CFO, and costs related to the future redevelopment of the Site.

TIF Details:

While FHS is required to make principal and interest payments on the Bonds for a significant period, they are supported by TIF, and so the Port Authority must take the steps to approve a future TIF district now for the Project to move forward. To support the creation of the TIF district, the Port Authority contracted with LHB to prepare a report of inspection procedures and results for determining qualifications of a TIF District (the “Report”). The Report found that the proposed TIF District meets:

1. the coverage test, having 100% of the parcels occupied by buildings, streets, utilities, paved or gravel roads, or similar structures;
2. the condition of building test, with the only existing building on the Site being structurally substandard; and,
3. the distribution test, with such conditions being reasonably distributed throughout the Site.

The Port Authority must also authorize the demolition of the existing buildings on the Site, which were found by the Report to be structurally substandard, to allow for the ability to establish a future TIF district.

Finally, to establish a TIF district, the Port Authority must approve a TIF plan (the “TIF Plan”). The TIF Plan is attached as Exhibit B and includes a copy of the Report, models a future redevelopment scenario, and establishes a TIF budget, showing that the potential tax increment a theoretical redevelopment produces is sufficient to support any obligations incurred in the redevelopment. The Port Authority must make a determination based on the TIF Plan that the redevelopment would not occur “but-for” the use of tax increment financing. Given the blighted nature of the

UPDATED MEMORANDUM

Site and significant barriers it poses to redevelopment, the “but-for” test is well supported. While the Port Authority worked with consultants and discussed redevelopment scenarios with developers, there is no certainty that the development modeled will come to fruition, and any tax increment may be larger or smaller than the amounts modeled. Utilizing expert opinions and assumptions based on what we know today, the TIF budget is conservative and fully supports the relatively small amount of debt expected to be incurred to facilitate the redevelopment by removing blight.

Acquisition and Future Redevelopment:

After completion of decoupling, subdivision, construction on the Retained Property, demolition, environmental remediation, and issuance of the Bonds, the Port Authority would finally acquire the Redevelopment Parcel for \$1. As completion nears, an advisory board consisting of the Port Authority, FHS, and the City of Saint Paul Planning and Economic Development staff would assist with the marketing of the Redevelopment Parcel and associated air rights, easements, and signage rights to potential redevelopers.

Upon sale, any proceeds would be utilized to first pay back the Bonds, then reimburse the Port Authority for any eligible unreimbursed costs incurred in the Project, and finally to reimburse FHS for any eligible costs related to unreimbursed Project work.

Timeline Overview and Next Steps:

After adoption of the proposed resolutions, FHS will begin efforts to solicit bids for design, decoupling, demolition, and further environmental testing. The Port Authority will work with the City Council to introduce a resolution and hold a public hearing authorizing the establishment of the TIF district and an ordinance authorizing the issuance of the Bonds, both of which are expected to be executed closer to the time of the acquisition. Upon receipt of the Project Plans for the Retained Property and testing results related to environmental remediation, Port Authority staff and consultants will review and approve or deny the proposed designs and remediation plans. If the parties are not able to agree on either item and mediation is not successful, the Redevelopment Documents could be amended or terminated, with FHS being responsible for any eligible Port Authority costs incurred. If the parties agree to the Project Plans, the demolition could begin as soon as Spring of 2026 and could be completed as soon as summer of 2028, allowing for an acquisition by the Port Authority to occur, anticipating a sale of the Bonds, and certification of a TIF district, in late 2027 or early 2028.

UPDATED MEMORANDUM

Recommendation:

We recommend approval of resolutions authorizing the Port Authority's participation in the redevelopment of the Project, as follows:

- Approving of the TIF Plan for the Site;
- Making a blight determination and finding the Project is not reasonably expected to occur solely through private investment within the reasonably foreseeable future, and the use of TIF is necessary;
- Approving the Redevelopment Documents, authorizing the Port Authority's acquisition of the Redevelopment Parcel and the Port Authority's anticipated issuance of the Bonds;
- Setting forth general parameters for the Bonds, which will be fully determined in a future resolution to be adopted by the Board, and designating a Pricing Committee;
- Requesting that the City Council adopt the Ordinance for the issuance of Bonds and hold a related TIF public hearing; and
- Authorizing and approving of an interfund loan and declaring the Port Authority's official intent to reimburse certain expenditures from the proceeds of the Bonds

Attachments: Exhibit A: Site Map
 Exhibit B: TIF Plan
 Resolutions