

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 13, 2023

REGARDING: RESOLUTION APPROVING AND AUTHORIZING (I) THE ESTABLISHMENT OF THE SNELLING MIDWAY REDEVELOPMENT TAX INCREMENT FINANCING DISTRICT (A REDEVELOPMENT DISTRICT) IN THE SAINT PAUL NEIGHBORHOOD REDEVELOPMENT PROJECT AREA, (II) A TAX INCREMENT FINANCING PLAN THEREFOR, (III) THE DECERTIFICATION OF THE SNELLING MIDWAY RENEWAL AND RENOVATION TIF DISTRICT, NO. 344, (IV) AN HRA BUDGET AMENDMENT, AND (V) THE EXECUTION OF A TAX INCREMENT DEVELOPMENT AGREEMENT AND RELATED DOCUMENTS, CONSISTENT WITH THE TERM SHEET, INCLUDING THE ISSUANCE OF A TIF NOTE AND FORGIVABLE SPENDING PLAN TIF LOAN, DISTRICT 13, WARD 1

Requested Board Action

The purpose of this report is to request the Housing and Redevelopment Authority (HRA) Board of Commissioners:

1. Authorize the establishment of the Snelling Midway Redevelopment Tax Increment Financing District in the Saint Paul Neighborhood Redevelopment Project Area and a related Tax Increment Financing Plan, and the decertification of the Snelling Midway Renewal and Renovation TIF District No. 344
2. Authorize execution a development agreement and related documents, consistent with the terms outlined in the Term Sheet between the Housing and Redevelopment Authority of the City of Saint Paul (the “HRA”) and Snelling-Midway Redevelopment LLC (the “Term Sheet”) which includes:
3. Financial assistance pledging up to \$13,000,000 in tax increments generated by the development of certain parcels in the Snelling Midway Redevelopment TIF District in the form of a Pay-As-You-Go TIF Note (the “TIF Note”);
4. A \$4,000,000 forgivable TIF Loan funded with Spending Plan TIF Authority (the “TIF Loan”).
3. Approval of a budget amendment pertaining to the TIF District and TIF Loan

Background

The Snelling-Midway Redevelopment site is an approximately 34.5 acre development site located near the intersection of University Avenue and Snelling Avenue in Saint Paul's Midway neighborhood. Design and development of the site is guided by the adopted 2016 Snelling-Midway Redevelopment Site Master Plan which envisions a vibrant urban village anchored by a state-of-the-art stadium. The site previously included a contaminated bus barn and bus storage, extensive surface parking, the Midway Shopping Center and various commercial outbuildings including fast food restaurants and a liquor store. In 2014, the City was approached by MUSC Holdings LLC who expressed interest in developing a Major League Soccer stadium on the site. The team and developers agreed to pay for the cost of designing, constructing, and operating the more than \$400 million dollar stadium, and the City participated through the funding and construction of public infrastructure. Allianz Field began construction in 2017 and opened in 2019.

The construction of the stadium contributed approximately \$45 million in wages to construction and craftworkers, many of whom were based locally. Today, the award-winning Allianz Field hosts at least 17 professional soccer matches a year and other special events including the 2022 MLS All-Star game, a week-long event which brought more than \$4.6 million in economic impact to the City. The 19,000 seat stadium provides a field for non-professional games, meeting room spaces, and more. During soccer season, attendees provide increased foot traffic to area businesses before and after games.

In order to support continued redevelopment of the site, in October 2020 the HRA established the Snelling Midway Renewal and Renovation TIF District and in August 2021 the City Council approved the establishment of the new Snelling Midway Redevelopment TIF District.

Current Action

The proposed multi-phase United Village development presents an opportunity to advance the vision laid out in the 2016 Master Plan. Phase 1 of the project is anticipated to include the following components:

- An approximately 160 room hotel with an attached 320 stall parking ramp, which will provide parking for the hotel, restaurants, stadium attendees and other surrounding uses.
- An approximately 80,000 square foot office building with ground floor retail and underground parking.
- A restaurant pavilion which will provide space for two new restaurants.

- Public infrastructure to include, but not limited to, new segments of roadway, public sidewalks and utilities.

The first phase will also include two new Privately Owned Public Spaces (POPS), including an all-abilities playground and a sculpture garden featuring an iconic gateway sculpture, both of which will be 100% privately funded.

Budget Action

The HRA is approving a budget amendment to align with the financing and spending included in the TIF Plan. The TIF Loan is funded with tax increments budgeted in the Spending Plan. Both budget actions are as shown in the attached Financial Analysis.

Future Action

There is no future action anticipated at this time.

Financing Structure

The proposed financing plan to complete Phase 1 anticipates a private construction loan, a pay as you go TIF note pledging tax increments generated by the private development on certain parcels in the TIF District, and a forgivable TIF loan funded with Spending Plan TIF.

Budget

An overview of the Phase 1 sources and uses is shown below:

United Village Phase 1 Sources and Uses	
Sources	
PAYGO TIF	\$ 13,000,000.00
Forgivable Spending Plan TIF Loan	\$ 4,000,000.00
To be explored-- Infrastructure Financing	\$ 3,300,000.00
Equity	\$ 55,803,451.00
Debt	\$ 83,705,176.00
Total Sources	\$ 159,808,627.00
Uses	
Development/Land Costs	\$ 32,863,694.00
Hard Costs	\$ 104,145,980.00
Soft Costs	\$ 10,878,385.00
FF&E Costs	\$ 11,920,568.00
Total Uses	\$ 159,808,627.00

Tax Increment Financing (TIF) Pay-Go Note – TIF Note

Up to \$13,000,000 in tax increment generated by private development on certain parcels included in the TIF District will be made available in the form of a pay as you go TIF Note held by the Developer. The TIF Note will be issued with an interest rate of 4%, and will pledge 100% of the tax increments collected from five of the 15 TIF district parcels on the site. Those five parcels make up the phase 1 developments. An additional five of the TIF district parcels will pledge up to 80% of the increment generated. The remaining five parcels will not be pledged to this TIF Note.

The Developer agrees to release from the TIF Note any pledged parcel, and the HRA's corresponding obligation to the pay the increments derived from the released parcel, developed in the future for which financial support is provided by the HRA. The TIF Note will be issued by the HRA upon completion of the public infrastructure by the Developer and City acceptance of the public infrastructure, including any roads, and proof of expenditure of \$13,000,000 for TIF eligible expenditures. The size of the TIF Note will be determined once the Developer's full financing of the infrastructure and vertical elements are known and committed to the Phase 1 Development, and construction of one or more of the vertical elements has commenced. The TIF Note payments and potential future phase TIF note payments will be subject to the five-year rule in Minnesota Statutes

section 469.1763, subdivision 3. Accordingly, TIF qualified costs which are eligible for reimbursement from tax increment under the TIF Act must be incurred and paid for by the Developer by the deadline determined under the five-year rule.

TIF Loan

On June 22, 2022, the HRA Board adopted RES 22-955, which authorized the adoption of a Spending Plan, authorizing the HRA to spend available tax increment from any existing tax increment financing district; which authority was provided under the Omnibus Tax Bill of 2021 (the “Spending Plan”). The Spending Plan authorizes financial assistance that advances private development of underutilized, privately owned redevelopment sites within the City. The Project will also be financed with an HRA allocation of available tax increments authorized under the Spending Plan in the amount of up to \$4,000,000. The Spending Plan TIF Loan (the “TIF Loan”) will be issued to assist with the costs of vertical development associated with both the restaurant pavilion and the office building. The term of the TIF Loan will be no less than the term of any construction loan secured to finance the development of those buildings. The interest rate on the TIF Loan shall be 0%. The TIF Loan will be risk rated as “Forgivable”, with the following conditions required to forgive the principal amount of the TIF Loan in full:

- a. A jobs report is submitted by the developer to PED by December 31, 2025
- b. All funds are disbursed by December 31, 2025
- c. Construction of the office and restaurant pavilion have been completed and certificates of occupancy for the office and restaurant pavilion have been issued to the Developer by the City.

The term sheet requires the developer to provide evidence to the HRA by December 31, 2024 that both the restaurant and office buildings can incur up to \$4M in eligible costs before the December 31, 2025 spending deadline.

TIF Lookback Provision

The TIF Note for this project will be subject to a lookback provision which will analyze the project and its performance to ensure it is aligned with stated HRA and State policies related to TIF financing. The Lookback will be designed to allow the HRA to confirm the “but for” test and ensure the developer is not unduly enriched by the financial assistance from the HRA. Per the term sheet, the lookback assumes the sale of each asset constructed in phase 1 in year 10 and caps the developer’s rate of return at 12%. In the event the developer has a rate of return greater than 12%, the Pay -Go TIF note will be reduced by 50% the amount of cashflow in excess of the amount

needed to achieve the 12% rate of return.

PED Credit Committee Review

On December 12, 2023, the PED Credit Committee considered the following actions related to this project

- Reviewed the request for the \$13,000,000 TIF Note and determined it is consistent with HRA policies
- Reviewed the \$4,000,000 TIF Loan to be forgiven under the conditions as stated above and risk rated it as “Forgivable”.

Compliance

The following compliance requirements may be applicable to the project:

- Affirmative Action/Equal Economic Opportunity
- Vendor Outreach Program
- Labor Standards
- Two Bid Policy
- Project Labor Agreement
- Living Wage
- Early Notification System (ENS)
- Business Subsidy

Green/Sustainable Development

The development in the TIF District will comply with the Saint Paul Sustainable Building Policy and Sustainable Building Ordinance.

Environmental Impact Disclosure

An Alternative Urban Area Review (AUAR) was completed in the area in 2016 to understand how different development scenarios will impact the environment of their community before development occurs. The AUAR was recently updated in 2022. Per the process laid out by the Minnesota Environmental Quality Board (EQB) the AUAR must be updated every five years until all development on the site is approved.

Public Purpose/Comprehensive Plan Conformance

This project meets the public purpose objective of removing blight and pollution, providing public improvements, and increasing the City's tax base. The project also meets a number of goals as outlined in the City of Saint Paul's 2040 Comprehensive Plan including:

- Policy LU-1: Pursue redevelopment of opportunity sites as higher density mixed-use development
- Policy LU-10: Activate streetscapes with active first-floor uses, street trees, public art, outdoor commercial uses, and other uses that contribute to a vibrant street life
- Policy LU-32 Establish or enhance open space close to neighborhood nodes such as public parks, publicly accessible private open spaces, and school playground

Recommendation:

The Executive Director recommends approval of the resolution which shall authorize the following: The decertification of the Snelling Midway Renewal and Renovation TIF District; the establishment of the Snelling Midway Redevelopment Tax Increment Financing District and a related Tax Increment Financing Plan, execution of a development agreement consistent with the terms outlined in the Term Sheet, including the issuance of a TIF Note and a forgivable Spending Plan TIF Loan, and an HRA budget amendment.

Sponsored by: **Commissioner Balenger**

Staff: **Daniela Lorenz (266-6595) and Jenny Wolfe (266-6680)**

Attachments:

- Financial Analysis
- Map
- Snelling Midway Redevelopment District TIF Plan