

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

REPORT TO THE COMMISSIONERS

DATE: DECEMBER 18, 2024

REGARDING: RESOLUTION APPROVING AND AUTHORIZING (I) THE USE OF UNOBLIGATED TAX INCREMENT UNDER TEMPORARY TAX INCREMENT FINANCING SPENDING PLAN AUTHORITY TO PROVIDE INFRASTRUCTURE IMPROVEMENTS NECESSARY TO ADVANCE PRIVATE DEVELOPMENT AT THE HEIGHTS, (II) THE EXECUTION OF DOCUMENTS RELATING THERETO, AND (III) APPROVING AN HRA BUDGET AMENDMENT, DISTRICT 2, WARD 6

Requested Board Action

Approval of the resolution which authorizes the expenditure of tax increments under the HRA’s adopted Temporary TIF Spending Plan in accordance with Minnesota Statutes, Section 469.176 Subd. 4n (the “Temporary TIF Act”) to assist in the financing of infrastructure improvements to advance private development at The Heights.

Background

On June 22, 2022, the HRA Board adopted RES 22-955, which approved the adoption of the Temporary TIF Spending Plan authorizing the HRA to spend unobligated tax increment from any existing tax increment financing district (the “Spending Plan”).

MN Statutes Section 469.176, subdivision 4n provided temporary authorization for the HRA to spend unobligated tax increments from any existing tax increment financing district to advance private development that includes the construction or substantial rehabilitation of buildings and that creates or retains jobs in the state, including construction jobs.

The construction must commence before December 31, 2025, and would not have without the tax increment assistance. Additionally, all spending under this temporary authorization is required to be completed by December 31, 2025.

To date, 9 projects have been approved under the adopted Spending Plan allocating \$21,768,845 of the unobligated tax increments. The total uncommitted spending authority is \$5,780,202.

The Heights is the Saint Paul Port Authority’s (the “Port Authority”) redevelopment project located at the corner of Larpenteur and McKnight, the former Hillcrest Golf Course, which site offers significant opportunities for both housing and light industrial development. The Port Authority purchased the property in 2019 and the City adopted the Master Plan in 2022. The Port Authority began work on the site in 2023 and has completed the remediation and should finish all the grading at the end of this year. The Port Authority, as the landowner, is responsible for installing infrastructure to advance private development of over 1,000 housing units and creating over 1,000 living wage jobs throughout the 112-acre site.

The Port Authority’s original budget to complete site infrastructure anticipated \$5.5M for environmental remediation, more than \$3.736 million for design and engineering, \$22.195 million for grading and site preparation and more than \$16.569 million for utilities and roads. The Port Authority’s costs have increased from the original amounts budgeted in early 2023. Some of the contributing factors include more contamination on the site than expected, the Site Plan Review process resulted in design changes and unexpected infrastructure costs, and as seen by many other developments, inflationary pressures.

Private development at The Heights, including new housing units and commercial/industrial development generating living wage jobs, requires the infrastructure to be completed in a timely manner.

The HRA has identified \$5,780,202 of unobligated tax increments authorized under the adopted Spending Plan to ensure private development at The Heights is able to commence by December 31, 2025. . This requirement necessitates the waiver of the 45-day notice period in the ENS.

Unobligated tax increments may be used to provide improvements, loans, interest rate subsidies, or assistance in any form to advance private development. The adopted Spending Plan identified six categories of spending to advance private development, including the following:

- Development of underutilized, privately owned redevelopment sites
- Developments that demonstrate substantial job impacts
- Development of all types of housing production

Xcel Energy has identified a 20-acre site at The Heights to construct their new service center retaining 350 jobs within Saint Paul. The Xcel Energy project cannot commence construction of buildings by December 31, 2025, without the infrastructure made possible with the HRA's unobligated tax increments authorized under the adopted Spending Plan.

Budget Action

An HRA budget amendment is needed to allocate the \$5,780,202 of unobligated tax increments from the adopted Spending Plan to advance private development at The Heights as shown in the attached Financial Analysis.

Future Action

N/A

Financing Structure

The HRA and the Port Authority will enter into an agreement documenting the requirements for the HRA's expenditure of unobligated tax increments under the adopted Spending Plan for infrastructure to advance private development at The Heights.

PED Credit Committee Review

N/A

Compliance

The following compliance will be followed: Affirmative Action, Labor Standards, Vendor Outreach Program and HRA Two-Bid Policy.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

The authorization to expend unobligated tax increments under the adopted Spending Plan will ensure timely completion of infrastructure at The Heights that will enable the advancement of private development and the construction of new housing units and commercial development creating and retaining jobs in the city.

The developments at The Heights is consistent with Comprehensive Plan policies, including LU-30 (growth at Neighborhood Nodes), LU-2 (pursuing redevelopment of Opportunity Sites as employment centers), LU-32 (establishing open space at Neighborhood Nodes), LU-6 (facilitating business creation/attraction, supporting family-sustaining jobs, and growing the tax base), LU-34 (providing medium-density housing in Urban Neighborhoods), and H-16 (increase housing choice to maximize housing and locational choices for residents of all income levels).

Recommendation:

The Executive Director recommends approval of the resolution which authorizes the expenditure of unobligated tax increments under the adopted Spending Plan for infrastructure improvements at The Heights.

Sponsored by: Commissioner Yang

Staff: Jenny Wolfe (266-6680)

Attachments

- Map
- Financial Analysis