

Requested Board Action:

Authorization to approve a Fourth Amendment to the Tax Increment Financing Plan for the Housing Tax Increment Financing District No. 2 (Shepard Davern Rental Housing Project) and the approval of an HRA budget amendment consistent with the amended TIF Plan budget. A City Council public hearing will be held on this same date considering a companion resolution approving the same documents.

Background

In August 2003, the City and HRA approved the establishment of the Housing Tax Increment Financing District No. 2 (Shepard Davern Rental Housing Project) within the Shepard Davern Gateway Redevelopment Project Area (TIF District #244) and adopted a TIF Plan. TIF District #244 was established to provide affordable housing for Saint Paul residents, and specifically to provide approximately 314 units of rental housing (the “Development”). The TIF Plan was amended in 2003, 2005 and 2006. A map of the TIF District and Project Area is **attached**.

The Development includes 325 rental housing units in two buildings, known as River Crossing (a few larger units were renovated into separate rental units, increasing the number of units by 11).

The Development includes the following affordable restrictions:

- 10% of the units restricted to households at 30% AMI or below.
- 15% of the units restricted to households at 50% AMI or below.
- 55% of the units restricted to households at 120% AMI or below; and
- 20% of the units are unrestricted (market rate).

The TIF Development Agreement required ongoing compliance with the Housing Tax Increment Financing District No. 3 (Shepard Davern Senior Rental Housing Project) within the Project Area (TIF District #245, known as Graham Place) adjacent to this Development. The HRA issued Pay As You Go TIF Notes for both developments, each pledging 90% of the tax increments received from their respective TIF District.

Tax increment collections for TIF District #244 began in 2006 and the TIF Note was recently paid in full (i.e., the developer was reimbursed for eligible costs incurred when the Development was constructed). The final collection year for TIF District #244 is 2031.

The TIF Plan authorized the expenditure of tax increments for qualifying costs of affordable housing, including acquisition and site improvements, as well as administrative expenditures and interest expenses. The TIF Plan budget included total revenue and spending of \$10.7 million.

Staff is proposing a fourth amendment to the TIF Plan for TIF District #244 to increase the budgeted revenues and to increase the authorized expenditures to expand affordable housing opportunities anywhere within the City. Based on the final collection year, the proposed amendment increases the tax increment revenue by over \$6.6 million.

Housing TIF districts are not subject to spending restrictions like redevelopment TIF districts. Therefore, the collected tax increments can be spent for affordable housing if a sufficient budget is in place.

Tax increments, once collected, may be expended on qualifying housing projects anywhere in the City, which includes:

1. **Rental housing** with at least 20% of the units affordable at 50% AMI or 40% of the units affordable at 60% AMI (qualifying as a low-income building under the Internal Revenue Code).
2. **Ownership housing** with at least 95% of the units initially purchased by households with incomes at or below 110% AMI (qualifying mortgage bond project under the Internal Revenue Code).

All housing projects would need to meet the But-For requirement and be approved by the HRA Board. Current estimate is \$1.5 million will be available following Pay 2024 tax increment collections if the amendment is adopted. The Fourth Amendment to the TIF Plan is **attached** (the “Fourth Amendment”).

Budget Action

The HRA is approving a budget amendment to align with the revenues and expenditures included in the TIF budget included in the Fourth Amendment. The budget amendment is included in the **attached** Financial Analysis.

The budget amendment included in the Fourth Amendment is shown below.

	TIF Budget as previously amended	Changes (Nov, 2024)	Amended TIF Plan Budget
Tax Increment Revenue			
Tax Increment Revenues	\$10,709,676	\$5,820,324	\$16,530,000
Interest and Investment Earnings	\$0	\$550,000	\$550,000
Loan/Advance Repayments	\$0	\$255,074	\$255,074
Total Tax Increment Revenue	\$10,709,676	\$6,625,398	\$17,335,074
Project/Financing Costs:			
Land/building acquisition	\$4,042,261	\$0	\$4,042,261
Site improvement/prep costs	\$261,620	(\$261,620)	\$0
Other qualifying improvements	\$0	\$777,739	\$777,739
Temp Jobs Stimulus (4m)	\$0	\$255,000	\$255,000
Temp Transfer Authority (4n)	\$0	\$2,113,000	\$2,113,000
Construction of affordable housing	\$0	\$7,221,107	\$7,221,107
Admin costs (HRA)	\$1,020,967	(\$800,000)	\$220,967
Total Project/Financing Costs	\$5,324,848	\$9,305,226	\$14,630,074
Est. Financing Costs/Interest Expense	\$5,318,708	(\$2,613,708)	\$2,705,000
Total Est. Costs Paid from Tax Increment	\$10,643,556	\$6,691,518	\$17,335,074

Future Action:

The Fourth Amendment will authorize future expenditures for affordable housing once tax increments are collected but does not detail any specific projects or obligations. Any obligation to

provide tax increment assistance must be evidenced by a development agreement approved by the HRA Board, consistent with the Fourth Amendment.

Financing Structure

Individual project financing will be authorized at the appropriate time with future HRA Board action.

PED Credit Committee Review

Individual projects will be reviewed by the PED Credit Committee prior to future requested HRA Board action.

Compliance

All projects will meet required compliance, which will be detailed at the appropriate time with future HRA Board action.

Green/Sustainable Development

All projects will meet sustainable development requirements, if applicable, and as determined with future HRA Board action.

Environmental Impact Disclosure

All projects will meet environmental impact requirements, if applicable, and as determined with future HRA Board action.

Historic Preservation

All projects will meet historic preservation requirements, if applicable, and as determined with future HRA Board action.

Public Purpose/Comprehensive Plan Conformance

The Fourth Amendment will expand resources for affordable housing projects within the City. All projects will conform with the City's Comprehensive Plan, and such conformance will be documented with project approval through future HRA Board action.

Recommendation:

The Executive Director recommends approval of the resolution authorizing the adoption of the Fourth Amendment to the Housing Tax Increment Financing District No. 2 (Shepard Davern Rental Housing Project) and approval of an HRA budget amendment consistent with the amended TIF Plan budget.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe (651-266-6680)

Attachments

- **Financial Analysis**
- **Map**
- **Fourth Amendment**