

**CITY OF WEST ST. PAUL
DAKOTA COUNTY, MINNESOTA**

**ECONOMIC DEVELOPMENT AUTHORITY
RESOLUTION NO. 20-**

**RESOLUTION APPROVING A MODIFICATION TO THE REDEVELOPMENT PLAN
FOR SOUTH ROBERT STREET REDEVELOPMENT PROJECT NO. 1,
ESTABLISHING THE KMART TIF DISTRICT THEREIN, APPROVING A TAX
INCREMENT FINANCING PLAN THEREFOR, AND AUTHORIZING THE
EXECUTION OF DEVELOPMENT AGREEMENTS RELATED THERETO**

WHEREAS, it has been proposed that the West St. Paul Economic Development Authority (the “EDA”) modify the Redevelopment Plan for its South Robert Street Redevelopment Project No. 1 (the “Project Area”); establish the Kmart TIF District, a housing tax increment financing district (the “TIF District”) within the Project Area; adopt the Tax Increment Financing Plan (the “TIF Plan”) therefor; authorize the execution of certain development agreements related thereto (as further described and defined herein); all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the “TIF Act”), Minnesota Statutes, Sections 469.001 to 469.047 and Sections 469.090 to 469.1081, all inclusive, as amended (collectively, and together with the TIF Act, the “Act”), and all as reflected in that certain document entitled in part “Modification to the Development Program for South Robert Street Redevelopment Project Area and Tax Increment Financing Plan for Kmart TIF district (a housing district)” dated August 31, 2020 (collectively, the “Plans”), presented for consideration by the Board of Commissioners of the EDA (the “Board”); and

WHEREAS, the Board has investigated the facts relating to the Plans and certain information and material (collectively, the “Materials”) relating to the TIF Plan and to the activities contemplated in the TIF District have heretofore been prepared and submitted to the Board and/or made a part of the EDA files and proceedings on the TIF Plan. The Materials include the tax increment application made and other information supplied by West St. Paul Leased Housing Associates I, LLLP, a Minnesota limited liability limited partnership (the “Workforce Housing Developer”), and West St. Paul Leased Housing Associates II, LLLP, a Minnesota limited liability limited partnership (the “Senior Housing Developer” and, together with the Workforce Housing Developer, the “Developers”) as to the activities contemplated therein, the items listed under the heading “Supporting Documentation” in the TIF Plan, and information constituting or relating to (1) why the assistance satisfies the so-called “but for” test and (2) the bases for the other findings and determinations made in this resolution. The Board hereby confirms, ratifies and adopts the Materials, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein; and

WHEREAS, the EDA has performed all actions required by law to be performed prior to the adoption and approval of the Plans, including but not limited to notice to the County Commissioner representing the area of the County to be included in the TIF District, delivery of the Plans to Dakota County and Independent School District No. 197; and the holding of a public hearing by the City Council of the City of West St. Paul, Minnesota (the “City”) thereon on the date hereof following notice thereof published in accordance with state law; and

WHEREAS, the TIF District is being established to facilitate the construction of (i) an approximately 146-unit affordable multifamily rental housing development, and all related amenities and improvements, to be completed, owned and operated by the Workforce Housing Developer on certain property within the TIF District to be constructed by the Workforce Housing Developer (the “Workforce Housing Development”), and (ii) an approximately 247-unit affordable multifamily senior rental housing development, and all related amenities and improvements, to be completed, owned and operated by the Senior Housing Developer on certain property within the TIF District to be constructed by the Senior Housing Developer (the “Senior Housing Development” and, together with the Workforce Housing Development, the “Developments”).

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners (the “Board”) of the West St. Paul Economic Development Authority (the “EDA”), as follows:

Section 1. Findings for the Adoption and Approval of the Plans.

1.01. The Board hereby finds that the boundaries of the Project Area are not being expanded and the Redevelopment Plan is not being modified other than to incorporate the establishment of the TIF District therein and therefore the Board reaffirms the findings and determinations originally made in connection with the establishment of the Project Area and the adoption of the Redevelopment Plan therefor.

1.02. The Board hereby finds that the TIF District is in the public interest and is a “housing district” within the meaning of Minnesota Statutes, Section 469.174, Subdivision 11, because it consists of projects or portions of projects intended for occupancy, in part, by persons or families of low and moderate income as defined in Chapter 462A, Title II of the National Housing Act of 1934; the National Housing Act of 1959; the United States Housing Act of 1937, as amended; Title V of the Housing Act of 1949, as amended; and any other similar present or future federal, state or municipal legislation or the regulations promulgated under any of those acts. No more than 20% of the square footage of buildings that receive assistance from tax increments will consist of commercial, retail or other nonresidential uses.

The Workforce Housing Development to be constructed in the TIF District will consist of approximately 146 units of workforce rental housing. The Workforce Housing Developer has represented that at least 40% of the workforce rental housing units (i.e., 59 units) will be rented to and occupied by individuals or families whose income is not greater than 60% or less of area median income and that no more than 20% of the square footage of buildings in the Workforce Housing Development that receive assistance from tax increments will consist of commercial, retail or other nonresidential uses.

The Senior Housing Development to be constructed in the TIF District will consist of approximately 247 units of senior rental housing. The Senior Housing Developer has represented that at least 40% of the senior housing units (i.e., 99 units) will be rented to and occupied by individuals or families whose income is not greater than 60% or less of area median income and that no more than 20% of the square footage of buildings Senior Housing Development that receive assistance from tax increments will consist of commercial, retail or other nonresidential uses.

1.03. The Board hereby makes the following additional findings in connection with TIF District:

(a) The Board further finds that the proposed developments, in the opinion of the Board, 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 being:

The Kmart and Signal Hills Bank buildings in the TIF District have been vacant for many years and they have been marketed for development without success. The cost of land acquisition, site and public improvements and utilities makes the Developments infeasible without EDA assistance. Due to decreased rental income from affordable units, there is insufficient cash flow to provide a sufficient rate of return, pay operating expenses, and service the debt. This leaves a gap in the funding for the Developments and makes the Developments feasible only through assistance, in part, from tax increment financing. The Developers were asked for and provided a letter and a proforma as justification that the Developers would not have gone forward without tax increment assistance. The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the Developments after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan: This finding is justified on the grounds that the cost of land acquisition, site and public improvements, utilities and construction of affordable housing add to the total development cost. Historically, these costs as well as reduced rents required for affordable housing in the City have made development infeasible without tax increment assistance. The City reasonably determines that no other development of similar scope is anticipated on this site without substantially similar assistance being provided to the development.

(b) The Board 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 conforms with the general development plan of the City and will generally complement and serve to implement policies adopted in the City's comprehensive plan. The housing Developments contemplated on the property are in accordance with the existing zoning or approved zoning variances for the property.

(c) The Board further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the EDA as a whole for the development of the TIF District by private enterprise. The specific basis for such finding being:

The Developments to occur within the TIF District are primarily low- and moderate-income senior and workforce housing. The Developments will increase the taxable market valuation of the City, and the number of available low- and moderate-income senior and workforce housing units in the City. Through the implementation of the TIF Plan, the EDA will provide an impetus for residential development, which is desirable or necessary for increased population and an increased need for life-cycle housing within the City.

1.04. The provisions of this Section 1 are hereby incorporated by reference into and made a part of the TIF Plan and the findings set forth in Appendix C to the TIF Plan are hereby incorporated by reference into and made a part of this resolution.

1.05. The Board further finds that the Plans are intended and in the judgment of the Board their effect will be to promote the public purposes and accomplish the objectives specified in the TIF Plan for the TIF District and the Redevelopment Plan for the Project Area.

Section 2. Approval and Adoption of the Plans; Policy on Interfund Loans and Advances.

2.01. The TIF District is hereby established and the Plans, as presented to the Board on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted, and shall be placed on file in the office of the City Finance Director. Approval of the Plans does not constitute approval of any project or a development agreement with any developer. The Community & Economic Development Director, or his designee, is hereby directed to request, in writing, the Dakota County Auditor to certify the new TIF District and to file the Plans with the Commissioner of Revenue and the Office of the State Auditor.

2.02. The Board hereby approves a policy on interfund loans or advances (“Loans”) for the TIF District, as follows:

(a) The authorized tax increment eligible costs (including without limitation out-of-pocket administrative expenses in an amount up to \$1,868,103, interest in an amount up to \$7,432,721 and other development costs in an amount up to \$11,248,311) payable from the TIF District, as provided in the TIF Plan as originally adopted or as it 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 City Finance Director from time to time.

(b) The Loans may be advanced if and as needed from available monies in any fund or account of the EDA designated by the City Finance Director. Loans may be structured as draw-down or “line of credit” obligations of the lending fund(s).

(c) Neither the maximum principal amount of any one Loan nor the aggregate principal amount of all Loans may exceed \$20,549,135 outstanding at any time.

(d) All Loans shall mature not later than February 1, 2048 or such earlier date as the City Finance Director may specify in writing. All Loans may be pre-paid, in whole or in part, whether from tax increment revenue, tax increment revenue bond proceeds or other eligible sources.

(e) 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 EDA Finance Director to specify a lower rate (but not less than the EDA's then-current average investment return for similar amount and term).

(f) Such Loans within the above guidelines are pre-approved. The Loans need not take any particular form and may be undocumented, except that the City Finance Director shall specify the principal amount and interest rate and maintain all necessary or applicable data on the Loans.

Section 3. Approval of TIF Assistance Agreement.

3.01. The Workforce Housing Developer has presented the EDA with a proposal for the construction of the Workforce Housing Development by the Workforce Housing Developer, and there has been prepared and presented to the Board for its consideration a certain Development Agreement (the "Workforce Housing Agreement") between the EDA and the Workforce Housing Developer, stating the Workforce Housing Developer's responsibilities and the terms and conditions the EDA's assistance with the financing of certain costs of the Workforce Housing Development.

3.02. The Senior Housing Developer has presented the EDA with a proposal for the construction of the Senior Housing Development by the Senior Housing Developer, and there has been prepared and presented to the Board for its consideration a certain Development Agreement (the "Senior Housing Agreement") between the EDA and the Senior Housing Developer, stating the Senior Housing Developer's responsibilities and the terms and conditions the EDA's assistance with the financing of certain costs of the Senior Housing Development.

3.03. The Board hereby approves the Workforce Housing Agreement in substantially the form presented to the Board, together with any related documents necessary in connection therewith, including without limitation all documents, exhibits, certifications or consents referenced in or attached to the Workforce Housing Agreement including without limitation the TIF Note, the Declaration of Restrictive Covenants, and the Minimum Assessment Agreement (all as defined in the Workforce Housing Agreement) (collectively, the "Workforce Housing Development Documents"), and hereby authorizes the President and Executive Director, in their discretion and at such time, if any, as they may deem appropriate, to execute the same on behalf of the EDA, and to carry out, on behalf of the EDA, the EDA's obligations thereunder when all conditions precedent thereto have been satisfied.

3.04. The Board hereby approves the Senior Housing Agreement in substantially the form presented to the Board, together with any related documents necessary in connection therewith, including without limitation all documents, exhibits, certifications or consents referenced in or attached to the Senior Housing Agreement including without limitation the TIF Note, the Declaration of Restrictive Covenants, and the Minimum Assessment Agreement (all as defined in the Senior Housing Agreement) (collectively, the “Senior Housing Development Documents” and, together with the Workforce Housing Development Documents, the “Development Documents”), and hereby authorizes the President and Executive Director, in their discretion and at such time, if any, as they may deem appropriate, to execute the same on behalf of the EDA, and to carry out, on behalf of the EDA, the EDA’s obligations thereunder when all conditions precedent thereto have been satisfied.

3.05. 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 legal counsel to the EDA and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the EDA. The execution of any instrument by the appropriate officers of the EDA herein authorized 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.

3.06. In the event of absence or disability of the 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 duly designated acting official, or by such other officer or officers of the Board as, in the opinion of the City Attorney, may act in their behalf. Upon execution and delivery of the Development Documents, the officers and employees of the Board are hereby authorized and directed to take or cause to be taken such actions as may be necessary on behalf of the Board to implement the Development Documents, including without limitation the issuance of tax increment revenue obligations thereunder when all conditions precedent thereto have been satisfied and reserving funds for the payment thereof in the applicable tax increment accounts.

3.07. The Board hereby determines that the execution and performance of the Development Documents will help realize the public purposes of the Act.

Passed by the Economic Development Authority of the City of West St. Paul, Minnesota, this 31st day of August 2020.

ECONOMIC DEVELOPMENT AUTHORITY OF
THE CITY OF WEST ST. PAUL

David J. Napier, President

ATTEST:

Shirley R Buecksler, Secretary/City Clerk