

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

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,
AND APPROVING A TAX INCREMENT FINANCING PLAN THEREFOR**

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; 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 City Council (the “Council”) of the City of West St. Paul, Minnesota (the “City”); and

WHEREAS, the Council 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 Council and/or made a part of the City 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 Council 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 City 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 thereon on the date hereof following notice thereof published in accordance with state law; and

WHEREAS, the Council has considered the documentation submitted in support of the TIF District and the Plans and has taken into account the information and knowledge gained in hearings upon and during consideration of other matters relating to the proposed development; 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 City Council (the “Council”) of the City of West St. Paul, Minnesota (the “City”), as follows:

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

1.01. The Council 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 Council reaffirms the findings and determinations originally made in connection with the establishment of the Project Area and the adoption of the Redevelopment Plan therefor. The Council hereby finds that: (a) the land within the Project Area would not be available for redevelopment without the financial aid to be sought under the Plans; (b) the Plans will afford maximum opportunity, consistent with the needs of the City as a whole, for the development of the Project Area by private enterprise; and (c) the Plans conform to the general plan for the development of the City as a whole, and otherwise promotes certain public purposes and accomplishes certain objectives as specified in the Plans, including without limitation the development of affordable housing. The purposes and development activities set forth in the Redevelopment Plan, as modified, are hereby expanded by to include all development and redevelopment activities occurring within the TIF District.

1.02. The Council 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 Council hereby makes the following additional findings in connection with the TIF District:

(a) The Council further finds that the proposed developments, in the opinion of the Council, 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 Developments infeasible without City 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 Council 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 Council further finds that the TIF Plan will afford maximum opportunity consistent with the sound needs of the City 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 City elects to retain all of the captured tax capacity to finance the costs of the TIF District and the Project Area and elects to delay the receipt of the first increment until tax payable year 2022.

1.05. 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.

1.06. The Council further finds that the Plans are intended and in the judgment of the Council 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 Council 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 Council 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 the City’s general fund or other City fund 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 City Finance Director to specify a lower rate (but not less than the City’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.

Adopted by the City Council of the City of West St. Paul, Minnesota, this 31st day of August 2020.

ATTEST:

David J. Napier, Mayor

Shirley R Buecksler, City Clerk