

REQUEST FOR ECONOMIC DEVELOPMENT AUTHORITY ACTION

Date: 1/13/2020 Item No.: 5.c

Department Approval

Executive Director Approval

Paus / Trusgem

Janue Gundrach

Item Description: Consider Request for Financial Assistance to Gaughan Properties for

Redevelopment of 2501 Fairview Avenue North (known as the Fairview Fire

Station).

saleable parcel to Gaughan Properties.

BACKGROUND

The City of Roseville entered into an Option Agreement for 2501 Fairview Avenue North with Roseville Center Limited Partnership (Gaughan Properties) on April 6, 2018 (Attachment A). The property was formerly the Roseville Fairview Fire Station until 2013, then was used for storage by Park and Recreation and home for the Roseville Historical Society. Those uses vacated in 2019. Gaughan Properties is proposing to build 99 units of market rate housing (Attachment B). Plans remain in conceptual form, however Gaughan Properties has provided other examples of the housing they have developed/built, which includes projects in Forest Lake, St. Paul, and Shakopee. The Forest Lake project (Lighthouse Lofts) was completed 16 months ago and the St. Paul (Liffey) and Shakopee (River Bluff) projects are currently planned for construction to start in 2020 (Attachment C). At the meeting, Dan Hebert of Gaughan Properties will provide an overview of their experience in building multi-family housing, as well as details of their proposal for 2501 Fairview Avenue North.

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Ehlers, the REDA public finance advisor, has reviewed the public finance request and has determined the project would need 7 years of Tax Increment Financing assistance totaling \$1.23 million, meeting the "butfor" (Attachment D).

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Other items that will need to be addressed should the REDA desire to provide financial assistance to the project are as follows:

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• A blight analysis must be undertaken to verify findings that the Property qualifies as a redevelopment TIF district.

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• The use of multi-family apartments would require a Comp Plan change and rezoning as the site is currently zoned and guided for "institutional". Regional Business is the likely zoning choice, and 99 units of multi-family housing would trigger a Conditional Use under that zoning.

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The City will have to pursue a Minor Subdivision (at the City's cost) to create a saleable parcel (minus the City's water tower and telecommunication leases).
The City is obligated to amend the telecommunication leases to ensure they do not encumber the

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The following are other considerations that would need to be resolved with the developer to ensure the proposed project is viable:

- City water main exists along the southern boundary of the site, providing service to fill the City water tower. The line must remain active at all times. Due to the depth of the City water main and depth and proximity of the proposed underground parking garage (~50'), extraordinary measures may need to be taken, at the redeveloper's cost, to protect the City's utility asset during construction.
- Ramsey County will have to review and approve access and it should be assumed it will be reduced from its current state. The City will require the redeveloper to complete a traffic study. This is not an uncommon item to resolve as the City has faced this with other redevelopment sites, but the developer should acknowledge access limitation will be imposed by the County.
- The timelines outlined in the option agreement leading up to closing are likely unrealistic to achieve so staff will need to work with Gaughan Properties to extend and amend the Option Agreement to create a reasonable timeline.

STAFF RECOMMENDATION

As the REDA considers the request for financial assistance, staff offers the following considerations in making a recommendation:

- The proposed project would add 99 units of market rate multi-family housing, which has been identified as a housing need in the 2018 Housing Needs Assessment.
- The proposed project would redevelop an underutilized site.
- Following seven years of TIF, the property would be returned to the tax rolls (the site does not currently generate any taxes).
- Review of the project's sources and uses reveals a gap in funding, passing the "but-for" test, meaning this project would not be viable if it were not but for the use of tax increment.
- The project meets five of seven of the City's objectives and two of 12 of the City's desired qualifications as outlined in the City's Public Assistance Policy (Attachment E).
- If the REDA is not interested in providing financial assistance, and Gaughan Properties elects not to exercise their Option on April 1, 2020, the property could be listed on the open market.

Staff is seeking direction from the REDA in regards to support for redevelopment TIF assistance to Gaughan Properties to develop 99 units of market rate housing at 2501 Fairview Avenue North (Fairview Fire Station).

REQUESTED REDA ACTION

In reviewing the contents provided herein, discuss whether or not the REDA wishes to support use of redevelopment TIF to Gaughan Properties to develop 99 units of market rate housing at 2501 Fairview Avenue North (Fairview Fire Station).

If there is a desire to provide support, by motion adopt the following resolution outlining conditions of support (Attachment F).

- 71 Prepared by: Jeanne Kelsey, Housing and Economic Development Program Manager, 651-792-7086
 - Attachment A: Option Agreement for 2501 Fairview Avenue North
 - B: Narrative and Concept site plan
 - C: Examples of other projects planned
 - D: Underwriting summary from Ehlers
 - E: Public Subsidy Policy
 - F: Resolution of support

OPTION AGREEMENT

THIS OPTION AGREEMENT (the "Agreement") is made and entered into this 6th day of April, 2018, by and between Roseville Center Limited Partnership, a Minnesota limited partnership ("Gaughan Properties") or its assigns, and the City of Roseville, a Minnesota municipal corporation ("City").

RECITALS

- 1. The City is the fee simple owner of real property located at 2501 Fairview Avenue North, Roseville, Minnesota, as legally described in Exhibit A (the "City Property").
- 2. Gaughan Properties desires to secure an exclusive option to purchase a portion of the City Property.
- 3. The purchase will require a minor subdivision (lot split), at City's cost, of the City Property into two parcels legally described in Exhibit B as "Parcel A" and "Parcel B".
- 4. This exclusive option will be for Gaughan Properties or its assigns to purchase Parcel B in fee simple, upon the terms and conditions hereinafter set forth, subject to covenants, conditions, restrictions, declarations, and easements of record on the Effective Date, and subject to a thirty foot (30') easement appurtenant that will be reserved in favor of the City for access to Parcel A across Parcel B and also subject to the access and utility easements depicted on Exhibit C ("City Easements"). The parties currently anticipate that the access Easement area will be over the south thirty (30) feet of Parcel B. However, the City will work with Gaughan Properties to address its reasonable requests concerning the entrance road location, depending on other site design considerations.

NOW THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows:

- 1. Recitals Incorporated. The foregoing recitals are incorporated herein.
- 2. Grant of Option. In consideration for one dollar in hand and other good and valuable consideration ("Option Price"), the receipt and sufficiency of which are hereby acknowledged, the City hereby grants to Gaughan Properties or its assigns the exclusive and irrevocable option ("Option") to

purchase Parcel B, subject to and in accordance with the terms and conditions set forth in this Agreement.

3. Option Term; Exercise.

- 3.1 Gaughan Properties shall exercise its option to purchase the Parcel B by giving written notice to the City ("Notice of Exercise") in any of the manners set forth in Provision 11 below, or to the then fee simple owner(s) of record of the City Property by mailing such written notice to the address then on file with Ramsey County where real estate tax statements for the City Property are sent.
- 3.2 The Notice of Exercise may be given at any time on or before the one (1) year anniversary of the Effective Date of this Agreement ("Option Term").
- 3.3 In the event Gaughan Properties exercises its option, Gaughan Properties shall be required to purchase the entire Parcel B rather than only part or parts thereof.
- The Option Term may be extended by one additional year if before the one (1) year anniversary of the Effective Date, Gaughan Properties delivers an extension notice and the sum of \$2,000.00 to the City, in which case the Option Term will be extended to the two (2) year anniversary of the Effective Date. Otherwise, the Option Term may not be extended unless agreed by both Gaughan Properties and the City in a signed writing. If Gaughan Properties exercises this option to purchase Parcel B during the Option Term, the \$2,000.00 will be credited toward the purchase price. If Gaughan Properties does not exercise this option to purchase Parcel B during the Option Term, the option granted hereunder will forever terminate and be of no further force or effect, and Gaughan Properties will not be entitled to any refund.
- 4. Purchase Price. The purchase price for Parcel B shall be \$867,000.00 which amount shall be paid to the City or the then current owner of Parcel B. The purchase price shall be net to the City, and Gaughan Properties shall be responsible for all transaction costs, including without limitation, the costs of title examination, all state deed taxes, any policy of title insurance that Gaughan Properties may elect to purchase, recording fees, surveying fees, its broker's commission, if any, and similar costs. The real estate taxes and special assessments shall be allocated between the parties as set forth in Provision 7 below. Regardless of any provision to the contrary in this Paragraph 4, the City shall be obligated to deliver marketable title to Parcel B. Marketable title shall be determined as of the Effective Date. The Purchase Price will be adjusted based upon a per square foot Purchase Price of \$21.25 if the 16.5 feet Highway Easement

- on East side of the Property is taken or expanded by Ramsey County or if the City Easements are altered from the areas depicted on Exhibit C.
- 5. Closing. The closing ("Closing") shall take place 40 days after the Notice of Exercise is delivered to the City ("Date of Closing"). At Closing, the City shall execute and deliver to Gaughan Properties a limited warranty deed conveying title to Parcel B (subject to the Easement described below) and all other documents required by Gaughan Properties' title company in order for the title company to provide Gaughan Properties with an ALTA Owner's Title Insurance Policy showing Gaughan Properties as the fee simple owner of Parcel B with no exceptions to title except for the Easement and covenants, conditions, restrictions, declarations and easements of record on the Effective Date. Notwithstanding the foregoing, the City will amend the leases described in Exhibit D so at the time of the Closing such leases do not encumber Parcel B. Gaughan Properties shall be allowed access to Parcel B between the date of the exercise of the option and the date of closing to conduct tests (including taking soil borings) on and to inspect Parcel B. Gaughan Properties shall have the right to revoke the exercise of its option at any time before Closing if it finds Parcel B to be unsuitable, title unmarketable, or Gaughan Properties otherwise determines that it does not want to close on the acquisition of Parcel B. Upon such revocation, neither the City nor Gaughan Properties shall have any future rights or obligations under or in connection with this Agreement.
- 6. Easement Rights. The conveyance of Parcel B to Gaughan Properties shall be subject to such easements that will be reserved in favor of the City in the locations as shown on Exhibit C. Upon request from Gaughan Properties, the City shall cause the Easement to be prepared and delivered to Gaughan Properties for review. If the Easement is not acceptable to Gaughan Properties, the parties shall thereafter proceed to negotiate in good faith an Easement which is mutually agreeable to the parties.
- 7. Taxes and Special Assessments. At Closing, the parties shall prorate real estate taxes pertaining to Parcel B which are due and payable in the year of closing as of the Date of Closing. If the real estate statement for the real estate taxes due and payable in the year of closing pertaining to the City Property includes real estate taxes for property in addition to Parcel B, the parties shall prorate the real estate taxes for the entire area covered by the real estate tax statement between Parcel B and Parcel A/the other property on a per-square-foot basis. Gaughan Properties shall be solely responsible for payment of all real estate taxes due and payable against Parcel B in all years following the year of closing, except as otherwise stated below. The City shall be responsible for the payment of all real estate taxes due and payable pertaining to Parcel B in all years prior to the year of closing. The City shall pay all special assessments levied and pending against Parcel B at Closing.

- 8. "As Is; Where Is." Notwithstanding anything to the contrary contained in this Agreement, it is expressly understood and agreed that if Gaughan Properties exercises its purchase option hereunder, Gaughan Properties will purchase Parcel B "As Is" and "Where Is" as of the time of Closing, and with all faults and defects, latent or otherwise, and that the City is making and will make no representations or warranties, either expressed or implied, by operation of law or otherwise, with respect to the title, quality, physical conditions or value of Parcel B, its habitability, suitability, merchantability or fitness for a particular purpose, the presence or absence of conditions on Parcel B that could give rise to a claim for personal injury, property or natural resource damages; the presence of hazardous or toxic substances, materials or waste, substances, contaminants, or pollutants on, under or about Parcel B; or the income or expenses from or of Parcel B. This provision shall survive the Closing or earlier termination of this Agreement.
- 9. Title. Prior to the Effective Date, City shall at its cost provide Gaughan Properties with a commitment for an owner's policy of title insurance, and within 30 days after receipt by the City of said commitment, provide a survey for the Property at the City's cost. Prior to Closing on the acquisition of Parcel B, Gaughan Properties shall obtain, at its cost, any title insurance commitments and surveys which it deems necessary. In the event title to Parcel B is not marketable, at the time of Closing, Gaughan Properties shall have the following rights:
 - a. Revoke the exercise of its option; or
 - b. Waive any exceptions to title which make title to Parcel B unmarketable and proceed to close.
- 10. Condemnation. In the event that more than 15% of Parcel B shall be taken under the power of eminent domain by a party other than the City prior to closing, the purchase option right accorded hereunder shall terminate upon such taking and Gaughan Properties shall have no further purchase rights hereunder. All damages awarded for any such taking prior to Closing shall belong to and be the property of the City.
- Notices. Any notice required or permitted under this Agreement shall be deemed given if delivered by personal delivery upon the City Manager if delivery is upon the City or an officer of Gaughan Properties if service is upon Gaughan Properties, if deposited in the United States mail, postage prepaid and sent certified mail, return receipt requested; or if deposited with a nationally-recognized overnight courier, with costs prepaid. Notices shall be addressed as follows:

If to the City:

Attention: City Manager

City of Roseville

2660 Civic Center Drive Roseville, MN 55113

With Copy To:

Attention: Erich J. S. Hartmann, City Attorney

Erickson, Bell, Beckman & Quinn, P.A.

1700 West Highway 36

Suite 110

Roseville, MN 55113

Email: ehartmann@ebbglaw.com

If to Gaughan Properties:

Attention: Patrick Gaughan, CEO

Gaughan Enterprises Inc., General Partner

Roseville Center Limited Partnership

56 East Broadway, Suite 200 Forest Lake, MN 55025

Email: patrickgaughan@gaughancompanies.com

Any party may change its address by giving written notice of such change, in the same manner as provided above; and said notice shall be effective ten (10) days from the date notice is given. For the purposes of this Agreement, notice shall be deemed given on the date notice is deposited in the United States mail, deposited with a national recognized overnight courier or personally delivered upon a party, all as provided above.

- 12. Effective Date. The Effective Date of this Agreement shall be the date on which this Agreement is recorded in the office of the Ramsey County Recorder or Ramsey County Registrar of Titles.
- 13. Successors and Assigns; Binding Effect. This Option Agreement and the Option shall be binding upon and inure to the benefit of the parties to this Agreement, and their successors and assigns, and shall run with the land. The agreements and obligations of the City under this Agreement shall be considered covenants running with the land to the benefit of Gaughan Properties, and shall be binding upon the City and its successors and assigns who become the fee simple owner(s) of the City Property. Each fee simple owner(s) now or hereafter owning any portion of the City Property shall be liable for the performance of all covenants, obligations and undertakings to be performed by the City hereunder with respect to the portion of the City Property owned. In the event that the City is not a fee simple owner of the City Property at the time of Closing, references to the City in Provisions 3 through 10 above shall refer and apply to the then fee simple owner(s) of the City Property, rather than to the City.

14. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, irrespective of the domicile of the parties. Any legal proceedings pertaining to this Agreement shall be venued in the Ramsey County District Court.

(Signatures Follow)

IN WITNESS WHEREOF, the pattern the date set forth after their signature below	arties hereto have executed this Option Agreement on w:
CITY:	By: Dan Roe Its: Mayor
	By: Patrick Trudgeon Its: City Manager
STATE OF MINNESOTA)) ss. COUNTY OF RAMSEY)	
	acknowledged before me this day of Roe, Mayor of the City of Roseville, a municipal
	Pown Marie O Chn Notary Public
STATE OF MINNESOTA)) ss. COUNTY OF RAMSEY)	DAWN MARIE O'CONNORS Notary Public-Minnesota My Commission Expires Jan 31, 2021
	acknowledged before me this day of rudgeon, City Administrator of the City of Roseville, a rporation.
LARRY MOUNTAIN NOTARY PUBLIC - MINNESOTA My Commission Expires January 31, 2020	Notary Public

GAUGHAN PROPERTIES:

ROSEVILLE CENTER LIMITED

PARTNERSHIP,

a Minnesota limited partnership

By:

Its: General Partner

STATE OF MINNESOTA) ss.

COUNTY OF RAMSEY

The foregoing instrument was acknowledged before me this 6th day of April, 2018, by Patrick Gaughan, the General Partner of Roseville Center Limited Partnership, a Minnesota limited partnership, on behalf of the limited partnership.



Notary Public

This Instrument Was Drafted By: Erickson, Bell, Beckman & Quinn, P.A. Attorneys at Law Rosedale Tower, Suite 110 1700 West Highway 36 Roseville, MN 55113 (651) 223-4999

EXHIBIT A

Legal Description City Property

The South two hundred feet (S. 200 feet) of the North two hundred sixty-six feet (N. 266 feet) of the West three hundred seventy-seven feet (W. 377 feet) of the East four hundred ten feet (E 410 feet) of the Southeast quarter of the Northwest quarter (SE 1/4 of NW 1/4), Section 9, Township 29, Range 23, Ramsey County, Minnesota.

Abstract Property

EXHIBIT B

Minor Subdivision Legal Descriptions

PARCEL A

The southerly 200 feet of the northerly 266 feet of the westerly 160 feet of the easterly 410 feet of the Southeast Quarter of the Northwest Quarter of Section 9, Township 29, Range 23, together with access and utility easements over, under and across the southerly 30 feet, the westerly 20 feet and the northerly 10 feet of the southerly 200 feet of the northerly 266 feet of the westerly 217 feet of the easterly 250 feet of the said Southeast Quarter of the Northwest Quarter, described Parcel A also being subject to a road easement to NSP per document number 1750180 as shown on ALTA/NSPS Land Title Survey for City of Roseville, dated February 14, 2018, prepared by Sunde Land Surveying, Ramsey County, Minnesota.

PARCEL B

The southerly 200 feet of the northerly 266 feet of the westerly 217 feet of the easterly 250 feet of the Southeast Quarter of the Northwest Quarter of Section 9, Township 29, Range 23, subject to a highway easement benefitting Ramsey County over, under and across the easterly 16.5 feet of the described Parcel B, the described Parcel B also being subject to an access and utility easement over, under and across the southerly 30 feet, the westerly 20 feet and the northerly 10 feet of the westerly 217 feet of the described Parcel B, said access and utility easement benefitting the southerly 200 feet of the northerly 266 feet of the westerly 160 feet of the easterly 410 feet of the said Southeast Quarter of the Northwest Quarter, the described Parcel B also being subject to a road easement to NSP per document number 1750180 as shown on ALTA/NSPS Land Title Survey for City of Roseville, dated February 14, 2018, prepared by Sunde Land Surveying, Ramsey County, Minnesota.

EXHIBIT C

Easements/Survey Exhibit

The survey exhibit depicting the County Highway Easement and City Easements follows.

EAST LIME, SECTION 14, 9 - 29 - 23	N S S S S S S S S S S S S S S S S S S S
ACCESS AND UTILITY EASEMENT PARCEL B 16.5 PARCEL B 16.5 PARCESS AND UTILITY EASEMENT	
ACCESS AND UTILITY EASEMENT	Dis Berna of Creates as 25/11 (1992) Compared to Creates as 25/11 (1992) Compared to Create as 25/11 (1992) Compared to Create as 25/11 (1992) Compared to Creates as 25/11 (1
NORTHLINE, SE 14 OF THE NW 14, 9-29-23 PARCEL A PARCEL A RESERVED DITILITY EACH A ACCUESSS AND DITILITY EACH A ACCUESS AND DITILITY EACH A ACCUEST	(c) Proposed Lot Split See separate Word document for legal descriptions.
	2501 Fairview Ave

EXHIBIT D

Leases

- 1. Memorandum of Lease between City of Roseville (lessor) and C-Call Corp., dated November 1, 1994, filed January 24, 1995 as Document Number 2851405.
- 2. Memorandum of PCS Site Agreement between City of Roseville and Sprint Spectrum L.P., dated November 11, 1996, filed January 6, 1997 as Document Number 2972185.
- 3. Memorandum of Agreement between City of Roseville and APT Minneapolis, Inc., dated July 22, 1996, filed February 7, 1997 as Document Number 2977748.
- 4. Memorandum of Lease between City of Roseville and C-Call Corp., dated November 1, 1994, filed June 23, 1998 as Document Number 3066050. Note: Appears to be a duplicate filing of Document Number 2851405.
- Memorandum of Lease between City of Roseville and Verizon Wireless (VAW) LLC, dba Verizon Wireless dated July 18, 2000, filed January 11, 2001 as Document Number 3369246.
- Memorandum of Lease between City of Roseville and New Cingular Wireless PCS, LLC dated March 13, 2006, filed October 6, 2008 as Document Number 4120080 and First Amendment to Memorandum of Lease filed October 28, 2013 as Document Number 4430510.
- 7. Memorandum of Lease Amendment between City of Roseville and T-Mobil Central LLC dated October 17, 2014, filed January 20, 2016 as Document Number A04592249.

ROSEVILLE WATER TOWER SITE REDEVELOPMENT

PROJECT NARRATIVE

2501 Fairview Avenue, Roseville MN

The Gaughan Companies, a family owned developer located in Forest Lake, is proposing to redevelop the Water Tower Site in Roseville. The site consists of approximately 1.73 acres, and is located across from the Rosedale Shopping Center on Fairview Avenue.

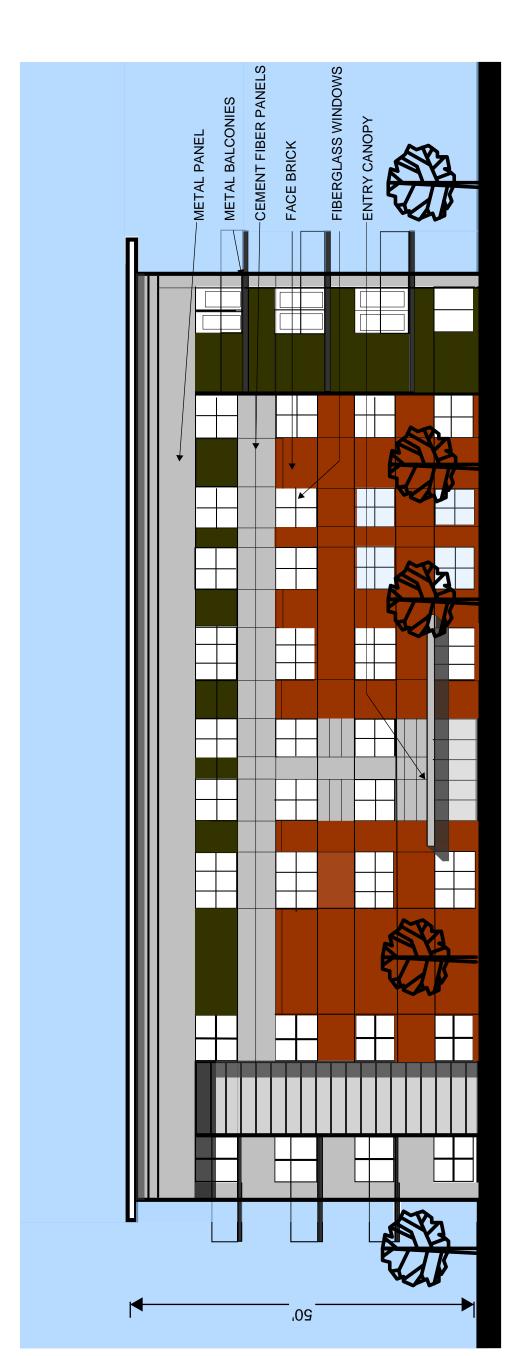
Gaughan Companies propose to redevelop the Project for 99 market rate apartment units. The location is excellent for a market rate apartment project, with good access to transit, retail and recreational opportunities.

The project will consist of an L shaped, 4 story (50') building; and will contain 99 apartment units. These units will include Studio, 1 Bedroom and 2 Bedroom apartments. Area information is depicted on the Concept Site plan. The building is designed as an L shape, to minimize noise and traffic from Fairview, while at the same time providing a strong streetscape, with high quality materials and generous fenestration along Fairview Ave.

Building materials are varied and of high quality. These are depicted on the Concept Elevation. These materials include face brick, metal balconies, cement fiber panels and metal panels. The developer has submitted the concept elevation, and will continue to explore material selections as the project progresses forward.

The building surrounds an internal green space/parking court. Access to the underground parking garage is located adjacent to the water tower, along the west side of the parcel. The parking ratio for the project is proposed at 1.3 spaces/unit. This includes both underground and surface parking. Building amenities include Fitness Area, Community Room, package concierge service, and a Bike Storage Room.

Sustainable building practices are utilized as well. Locally sourced materials are used wherever possible, with low-flow plumbing fixtures, LED lighting and controls, native landscaping, complete bike storage room/shop/, underground parking and excellent access to mass transit.



IEW AVENUE CONCEPT ELEVATION FAIRV

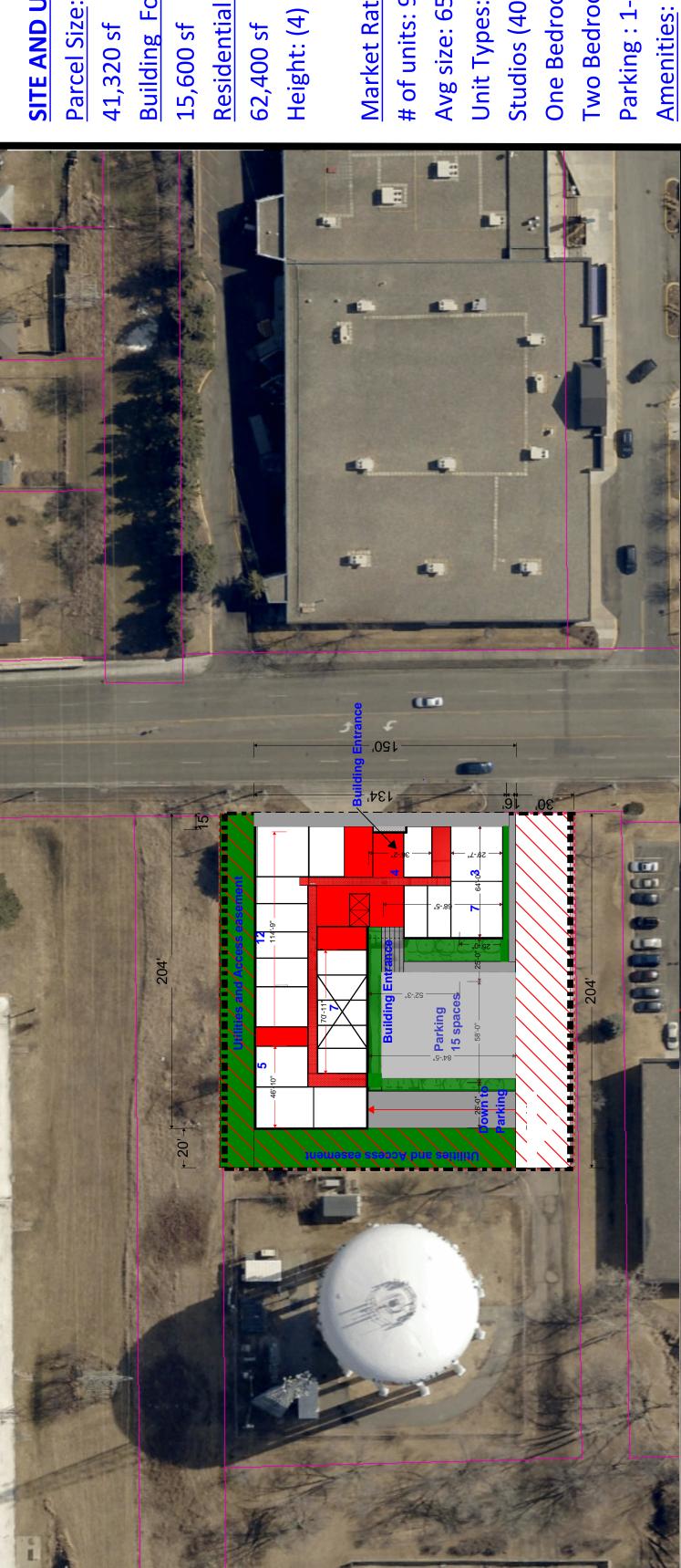
CONCEPT PLAN
ROSEVILLE
WATER TOWER SITE

GAUGHAN COMPANIES 56 EAST BROADWAY AVE. FOREST LAKE, MN



Minneapolis, MN 554513

650 Pierce Street NE



56 East Broadway Avenue han Companies t Lake, MN **Forest** Gaugh

WATER TOWER SITE

CONCEPT PLAN

ROSEVILLE



Minneapolis, MN 554513 650 Pierce Street NE

SITE AND UNIT DATA

Parcel Size:

41,320 sf

Building Footprint:

Residential Area: 15,600 sf

62,400 sf

Height: (4) stories

Market Rate Apartments # of units: 99

Avg size: 650-700 sf

Studios (400-475 sf) Unit Types:

One Bedroom:(550-650 sf)

Two Bedroom: 750-900 sf)

Parking: 1-1.3 /unit

Community Room

Fitness Room

Bike Storage



LIFEEY ON SNELLING

LOCATION St. Paul, MN

INDUSTRY Multi-Family Housing

SQ. FT. 92,173 sq ft **PROJECT TYPE** Ground Up

Gaughan plans for new multi-family development in downtown St. Paul to add to the revival of the Snelling Corridor.

Liffey on Snelling is located at the corner of Snelling and Carroll Avenues in St. Paul, Minnesota. Residents will be able to use the rooftop deck and clubroom for private and community events.

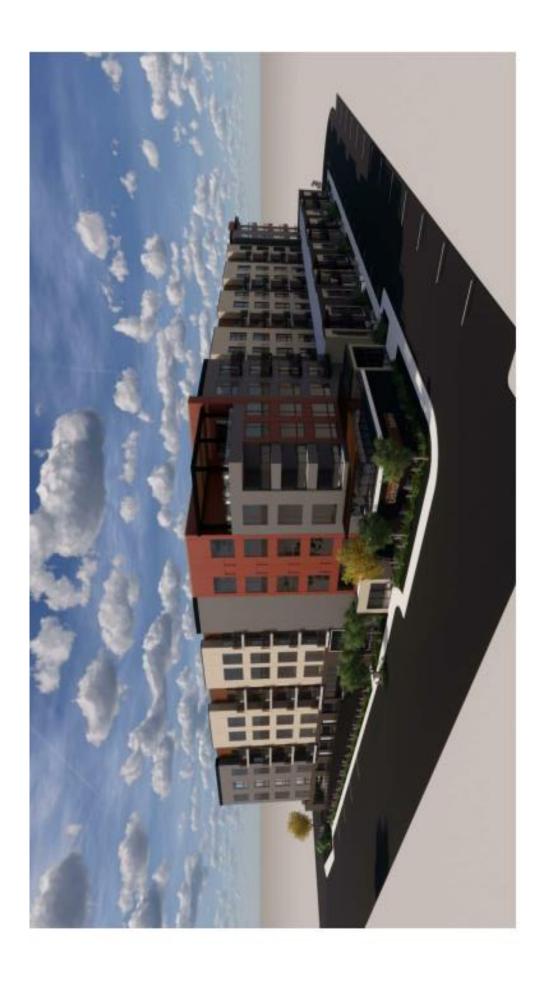
With easy access to I-94, this complex will be within walking distance of Allianz Field, home of the Minnesota United FC, and the Snelling Avenue Metro Transit Station Green Line.

In addition to a new Whole Foods, the neighborhood is also conveniently located near several major universities, including University of St. Thomas and St. Catherine University.











Memo

To: Jeanne Kelsey, Housing and Economic Development Program Manager

From: Stacie Kvilvang and Keith Dahl, Ehlers

Date: January 2, 2020

Subject: Analysis of TIF Request – Gaughan Companies: Fairview Fire Station Redevelopment

The City received an application for public financial assistance from Gaughan Companies requesting TIF over a term of 11 years (approximately \$1.84M) in the form of a pay-as-you-go (PAYGO) TIF Note. Gaughan has proposed to construct a 99-unit market rate apartment made up of studio, one, and two-bedroom units. The proposed project would start in 2020 and include demolition of the existing structure, utility relocation, soil stabilization, and some environmental remediation work. Overall, the total development cost (TDC) is approximately \$17.6 million or \$178,000 per unit.

We've conducted a review of the Project, specifically Gaughan's budget and pro forma based on industry standards for construction, land acquisition, and project costs; as well as ensured all revenues, and expenditures have been appropriately accounted for and considered.

Based on our review, Gaughan's requested financial assistance is more than what is necessary for the project to become "financially feasible". We've concluded that the project would only require 7 years of assistance totaling \$1.23 million.

The tables below provide a synopsis of the sources and uses associated to the proposed project.

SOURCES			
	Amount	Pct.	Per Unit
First Mortgage	11,605,045	66%	117,223
TIF Note	1,230,000	7%	12,424
Equity	4,754,970	27%	48,030
TOTAL SOURCES	17,590,015	100%	177,677

USES			
	Amount	Pct.	Per Unit
Acquisition Costs	937,000	5%	9,465
Construction Costs	14,657,015	83%	148,051
Professional Services	851,000	5%	8,596
Financing Costs	250,000	1%	2,525
Developer Fee	545,000	3%	5,505
Cash Accounts/Escrows/Reserves	350,000	2%	3,535
TOTAL USES	17,590,015	100%	177,677



Pro Forma Analysis:

- 1. Financing The developer has proposed to obtain permanent financing for 66% of the project and will bring the difference in as equity, or approximately \$6 million. This financing structure is in line for market rate apartment projects. Typically, you would see permanent financing range from 65% - 80%. Currently, the developer has also proposed to monetize the TIF Note with their own equity, which amounts to approximately 7% of the total financing for the project. Typically, TIF assistance ranges from 5% - 10% for redevelopment projects of this type.
- 2. Acquisition Costs The land acquisition cost of the project is approximately \$9,500 per unit. This figure is lower than what we expect to see for this area; however, it's within the typical market range of \$8,000 to \$15,000 per unit for similar development projects of its type.
- 3. **Developer Fee** The proposed developer fee was approximately 5% of the TDC, but we've reduced it to 3% to be consistent with industry standards for market rate apartment projects.
- 4. **Rents** The rents, on a per sq. ft. basis, for the studio and alcove units were lower than what we would expect to see for this area, so we increased them accordingly for our analysis as shown below.

	Monthly	Unit	Size	Rent/
Unit Type	Rent	Count	Sq. Ft.	Sq. Ft.
Studio	\$1,093	59	446	\$2.45
Alcove	\$1,130	12	506	\$2.23
1BR	\$1,378	24	672	\$2.05
2BR	\$1,739	4	892	\$1.95

- 5. Unit Sizes We also noted and have concerns that the unit sizes for the 1 and 2-bedroom units are smaller than what we typically see, especially for the suburban market. We would expect to see a 1-bedroom around 900+ sq. ft. and 2-bedroom around 1,090+ sq. ft. The developer indicated that they are modeling this project after the Liffey in St. Paul and want to provide a more affordable unit type for the area. We have reservations that the market may not view these unit sizes in the same light, since St. Paul is an urban market compared to the suburban market of Roseville.
- 6. Return on Investment To determine if a project is "financially feasible", a developer typically reviews one of three metrics; cash-on-cash (net cash divided by equity), cash-oncost (NOI divided by TDC), or internal rate of return (IRR) which represents a percentage rate for each dollar invested over the length of time the property is held. The main difference between IRR and the other two metrics is that it considers the time value of money and the appreciation of a property. Gaughan indicated that they would like to achieve an IRR of 9-11% in year 10. Based on our analysis, they would achieve an IRR of 10% in year 10.

Recommendation:

Based on our review of Gaughan's pro forma and under current market conditions, the proposed development may not reasonably be expected to occur solely through private investment within the near future. The cost associated with development of this project is only feasible through public financial assistance from the City. We conclude that TIF assistance in the amount of \$1.23 million over an anticipated term of 7 years is supportable for this project.

Please contact either of us at 651-697-8500 with any questions.







City of Roseville and Roseville Economic Development Authority Public Financing Criteria and Business Subsidy Policy Adopted October 17, 2016

INTRODUCTION:

This Policy is adopted for purposes of the business subsidies act, which is Minnesota Statutes, Sections 116J.993 through 116J.995 (the "Statutes"). Terms used in this Policy are intended to have the same meanings as used in Statutes. Subdivision 3 of the Statutes specifies forms of financial assistance that are not considered a business subsidy. This list contains exceptions for several activities, including redevelopment, pollution clean-up, and housing, among others. By providing a business subsidy, the city commits to holding a public hearing, as applicable, and reporting annually to the Department of Employment and Economic Development on job and wage goal progress.

1. PURPOSE AND AUTHORITY

- A. The purpose of this document is to establish criteria for the City of Roseville and the Roseville Economic Development Authority ("EDA") for granting of business subsidies and public financing for private development within the City. As used in this Policy, the term "City" shall be understood to include the EDA. These criteria shall be used as a guide in processing and reviewing applications requesting business subsidies and/or City public financing.
- B. The City's ability to grant business subsidies is governed by the limitations established in the Statutes. The City may choose to apply its Business Subsidy Criteria to other development activities not covered under this statute. City public financing may or may not be considered a business subsidy as defined by the Statutes.
- C. Unless specifically excluded by the Statutes, business subsidies include grants by state or local government agencies, contributions of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient of the subsidy, any reduction or deferral of any tax or any fee, tax increment financing (TIF), abatement of property taxes, loans made from City funds, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business.

- D. These criteria are to be used in conjunction with other relevant policies of the City. Compliance with the Business Subsidy Criteria and City Public Financing Guidelines shall not automatically mean compliance with such separate policies.
- E. The City may deviate from the job and wage goals criteria outlined in Section 5 D and E below by documenting in writing the reason(s) for the deviation. The documentation shall be submitted to the Department of Employment and Economic Development with the next annual report.
- F. The City may amend this document at any time. Amendments to these criteria are subject to public hearing requirements contained in the Statutes.

2. <u>CITY'S OBJECTIVE FOR THE USE OF PUBLIC FINANCING</u>

- A. As a matter of adopted policy, the City may consider using public financing which may include tax increment financing (TIF), tax abatement, bonds, and other forms of public financing as appropriate, to assist private development projects. Such assistance must comply with all applicable statutory requirements and accomplish one or more of the following objectives:
 - 1. Remove blight and/or encourage redevelopment in designated redevelopment/development area(s) per the goals and visions established by the City Council and EDA.
 - 2. Expand and diversify the local economy and tax base.
 - 3. Encourage additional unsubsidized private development in the area, either directly or through secondary "spin-off" development.
 - 4. Offset increased costs for redevelopment over and above the costs that a developer would incur in normal urban and suburban development (determined as part of the But-For analysis).
 - 5. Facilitate the development process and promote development on sites that could not be developed without this assistance.
 - 6. Retain local jobs and/or increase the number and diversity of quality jobs
 - 7. Meet other uses of public policy, as adopted by the City Council from time to time, including but not limited to promotion of quality urban design, quality architectural design, energy conservation, sustainable building practices, and decreasing the capital and operating costs of local government.

3. PUBLIC FINANCING PRINCIPLES

A. The guidelines and principles set forth in this document pertain to all applications for City public financing regardless of whether they are considered a Business Subsidy as defined by the Statutes. The following general assumptions of development/redevelopment shall serve as a guide for City public financing:

- 1. All viable requests for City public financing assistance shall be reviewed by staff, and, if staff so designates, a third party financial advisor who will inform the City of its findings and recommendations. This process, known as the "But For" analysis is intended to establish the project would not be feasible but for the City assistance.
- 2. The City shall establish mechanisms within the development agreement to ensure that adequate checks and balances are incorporated in the distribution of financial assistance where feasible and appropriate, including but not limited to:
 - a. Third party "but for" analysis
 - b. Establishment of "look back provisions"
 - c. Establishment of minimum assessment agreements
- 3. TIF and abatement will be provided on a pay-as-you-go-basis. Any request for upfront assistance will be evaluated on its own merits and may require security to cover any risks assumed by the City.
- 4. The City will set up TIF districts in accordance with the maximum number of statutory years allowable. However, this does not mean that the developer will be granted assistance for the full term of the district.
- 5. The City will elect the fiscal disparities contribution to come from inside applicable TIF district(s) to eliminate any impact to the existing tax payers of the community.
- 6. Public financing will not be used to support speculative commercial, office or housing projects. In general the developer should be able to provide market data, tenant letters of commitment or finance statements which support the market potential/demand for the proposed project.
- 7. Public financing will generally not be used to support retail development. The City may consider projects that include a retail component provided they meet a Desired Qualification as identified in Section 4.2.C(8) of this policy.
- 8. Public financing will not be used in projects that would give a significant competitive financial advantage over similar projects in the area due to the use of public subsidies. Developers should provide information to support that assistance will not create such a competitive advantage. Priority consideration will be given to projects that fill an unmet market need.
- 9. Public financing will not be used in a project that involves a land and/or property acquisition price in excess of fair market value.
- 10. The developer will pay all applicable application fees and pay for the City and EDA's fiscal and legal advisor time as stated in the City's Public Assistance Application.

- 11. The City will not consider waiving fees including, but not limited to, building permit fees, park dedication fees, SAC charges, and planning and zoning application fees. The City may consider using SAC credits, to the extent they are available, to off-set a project's SAC expenses.
- 12. The developer shall proactively attempt to minimize the amount of public assistance needed through the pursuit of grants, innovative solutions in structuring the deal, and other funding mechanisms.
- 13. All developments are subject to execution and recording of a Minimum Assessment Agreement.

4. PROJECTS WHICH MAY QUALIFY FOR PUBLIC FINANCING ASSISTANCE

A. All new applications for assistance considered by the City must meet each of the following minimum qualifications. However, it should **not** be presumed that a project meeting these qualifications will automatically be approved for assistance. Meeting the qualifications does not imply or create contractual rights on the part of any potential developer to have its project approved for assistance.

4.1 MINIMUM QUALIFICATIONS/REQUIREMENTS:

- A. In addition to meeting the applicable requirements of State law, the project shall meet one or more of the public financing objectives outlined in Section 2.
- B. The developer must demonstrate to the satisfaction of the City that the project is not financially feasible "but for" the use of tax increment or other public financing.
- C. The project must be consistent with the City's Comprehensive Plan and Zoning Ordinances, Design Guidelines or any other applicable land use documents.
- D. Prior to approval of a financing plan, the developer shall provide any requested market and financial feasibility studies, appraisals, soil boring, private lender commitment, and/or other information the City or its financial consultants may require in order to proceed with an independent evaluation of the proposal.
- E. The developer must provide adequate financial guarantees to ensure the repayment of any public financing and completion of the project. These may include, but are not limited to, assessment agreements, letters of credit, personal deficiency guarantees, guaranteed maximum cost contract, etc.
- F. Any developer requesting assistance must be able to demonstrate past successful general development capability as well as specific capability in the type and size of development proposed. Public financing will not be used when the developer's credentials, in the sole judgment of the City, are inadequate due to past history relating to completion of projects, general reputation, and/or bankruptcy, or other problems or issues considered relevant to the City.

G. The developer, or its contractual assigns, shall retain ownership of any portion of the project long enough to complete it, to stabilize its occupancy, to establish project management and/or needed mechanisms to ensure successful operation.

4.2 **DESIRED QUALIFICATIONS:**

- A. Projects providing a high ratio of private investment to City public investment will receive priority consideration. Private investment includes developer cash, government and bank loans, conduit bonds, tax credit equity, and land if already owned by the developer.
- B. Proposals that significantly increase the amount of property taxes paid after redevelopment will receive priority consideration.
- C. Proposals that encourage the following will receive priority consideration:
 - 1. Implements the City's vision and values for a City-identified redevelopment area
 - 2. Provides significant improvement to surrounding land uses, the neighborhood, and/or the City
 - 3. Attracts or retains a significant employer within the City
 - 4. Promotes multi-family housing investment that meets the following City goals:
 - a. Extensive rehabilitation of existing multi-family housing stock
 - b. Demonstration of need for the type of multi-family housing proposed through a market study or other reliable market data.
 - c. Multi-family workforce housing proposals that include amenities similar to those found in market rate housing
 - d. Workforce housing proposals that consider innovative and alternative forms of development and do not include high-rise buildings
 - 5. Provides significant rehabilitation or expansion and/or replacement of existing office or commercial facility
 - 6. Provides opportunities for corporate campus or medical office development
 - 7. Provides opportunity for hi-tech, med-tech, R & D facilities/office or major manufacturer
 - 8. Provides opportunities for small businesses (under 50 employees) that are non, start-up companies
 - 9. Provides opportunities for small businesses that may enhance the quality of life within neighborhoods
 - 10. Redevelops a blighted, contaminated and/or challenged site

- 11. Adds needed road, access and multi-modal improvements
- 12. Addition of specific project enhancements including, but not limited to, architectural upgrades, pedestrian and transit connections, green building practices and enhanced site planning features.

5. BUSINESS SUBSIDY PUBLIC PURPOSE, JOBS AND WAGE REQUIREMENT

- A. All business subsidies must meet a public purpose with measurable benefit to the City as a whole.
- B. Job retention may only be used as a public purpose in cases where job loss is specific and demonstrable. The City shall document the information used to determine the nature of the job loss.
- C. The creation of tax base shall not be the sole public purpose of a subsidy.
- D. Unless the creation of jobs is removed from a particular project pursuant to the requirements of the Statutes, the creation of jobs is a public purpose for granting a subsidy. Creation of at least <u>3</u> Full Time, or Full Time Equivalent (FTE) jobs is a minimum requirement for consideration of assistance. For purposes of this Policy, FTE's must be permanent positions with set hours, and be eligible for benefits.
- E. The wage floor for wages to be paid for the jobs created shall be not less than 300% of the State of MN Minimum Wage. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy. Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section.
- F. After a public hearing, if the creation or retention of jobs is determined not to be a goal, the wage and job goals may be set at zero.

6. **SUBSIDY AGREEMENT**

- A. In granting a business subsidy, the City shall enter into a subsidy agreement with the recipient that provides the following information: wage and job goals (if applicable), commitments to provide necessary reporting data, and recourse for failure to meet goals required by the Statutes.
- B. The subsidy agreement may be incorporated into a broader development agreement for a project.
- C. The subsidy agreement will commit the recipient to providing the reporting information required by the Statutes.

7. PUBLIC FINANCING PROJECT EVALUATION PROCESS

- A. The following methods of analysis for all public financing proposals will be used:
 - 1. Consideration of project meeting minimum qualifications
 - 2. Consideration of project meeting desired qualifications
 - 3. Project meets "but-for" analysis and/or statutory qualifications
 - 4. Project is deemed consistent with City's Goals and Objectives

Please note that the evaluation methodology is intended to provide a balanced review. Each area will be evaluated individually and collectively and in no case should one area outweigh another in terms of importance to determining the level of assistance.

1		EXTRACT OF MINUTES OF MEETING
2 3	DOSE	OF THE EVILLE ECONOMIC DEVELOPMENT AUTHORITY
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4 5		* * * * * * * * * * * * * * *
6		
7 8	Development	Authority, County of Ramsey, Minnesota was duly held on the 13th day of
9 10	January, 2020	y, at 6:00 p.m.
10 11 12	The following	g members were present:
13 14	and the follow	wing were absent:
15 16	Member	introduced the following resolution and moved its adoption:
17		RESOLUTION No. XX
18 19 20 21	R	RESOLUTION IN SUPPORT OF APPLICATION FOR TAX INCREMENT FINANCING ASSISTANCE FOR THE DEVELOPMENT OF MULTIFAMILY HOUSING
22		DEVELOPMENT OF MULTIFAMILY HOUSING
23 24	WHEREAS,	Gaughan Companies (the "Developer") and the City of Roseville (the
25 26 27 28 29	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	"City") have previously entered into an option agreement (the "Option") for a portion of certain City-owned property within the City (the "Property"), on which the Developer proposes to construct an approximately 99-unit multifamily rental housing facility; and
30 31 32 33	WHEREAS,	the Developer has requested that the Board of Commissioners (the "Board") of the Roseville Economic Development Authority ("REDA") provide certain tax increment financing ("TIF") assistance in connection with the Project; and
34 35 36 37 38	WHEREAS,	REDA staff and consultants have reviewed the Developer's initial request for TIF assistance and have determined that such TIF assistance is feasible and warranted in an amount of up to \$1,230,000, provided that the Developer meets certain conditions for development.
39 40	NOW, THER	EFORE, BE IT RESOLVED, that:
41 42 43 44 45 46	application applic	due consideration, REDA hereby expresses its support for Developer's ation for TIF assistance in connection with the Project, subject to adequate findings that the Property qualifies as a redevelopment TIF district, the sful establishment of a redevelopment TIF district comprising the Property, ne negotiation and execution of a Contract for Private Redevelopment

47 48		containing provisions addressing specifics of the Project, including without limitation:
49 50 51 52 53		a. Successful closing on conveyance of the Property by the City to the Developer, subject to all terms and conditions of the Option, including without limitation the subdivision of the Property; amendment of all Leases referenced in the Option; and the successful negotiation of access and utility easements in favor of the City over portions of the Property; and
54 55		b. Application by the Developer and grant by the City of various entitlements, including the following:
56 57		i. Amendment to City Comprehensive Plan to allow for multifamily residential use;
58 59		ii. Rezoning of the Property from Institutional to Multifamily Residential; and
60 61 62		iii. Possible variances and conditional uses based on finalized site plan of Project.
63 64 65 66 67	2.	Based on the Developer's proposal for the Project, REDA finds that the Project is in the public interest because it will cause the redevelopment of substandard real property, increase and enhance the City's housing options, and preserve or enhance the state and local tax base.
68 69 70 71 72	3.	Based on the Developer's request for TIF Assistance and REDA's understanding that the Project would not be located within the City if such TIF Assistance is not granted, the REDA finds that the Project would not reasonably expected to occur solely through private investment within the reasonably foreseeable future.
73 74	The m	otion for the adoption of the foregoing resolution was duly seconded by Member
75 76	, a	nd upon a vote being taken thereon, the following voted in favor thereof:
77 78	and t	he following voted against the same:
79 80 81	WHE	REUPON said resolution was declared duly passed and adopted.

82	Certificate
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84	I, the undersigned, being duly appointed Executive Director of the Roseville
85	Economic Development Authority, Minnesota, hereby certify that I have carefully
86	compared the attached and foregoing resolution with the original thereof on file in my
87	office and further certify that the same is a full, true, and complete copy of a resolution
88	which was duly adopted by the Board of Commissioners of said Authority at a duly
89	called and regular meeting thereof on January 13, 2020.
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91	I further certify that Commissioner introduced said resolution and
92	moved its adoption, which motion was duly seconded by Commissioner,
93	and that upon roll call vote being taken thereon, the following Commissioners voted in
94	favor thereof:
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99	and the following voted against the same:
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102	whereupon said resolution was declared duly passed and adopted.
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104	Witness my hand as the Executive Director of the Authority this day of
105	January, 2020.
106	
107 108	
109 110	Patrick Trudgeon, Executive Director
110	Roseville Economic Development
111	Authority
112	Audionty
113	
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