

AGENDA
MAPLEWOOD ECONOMIC DEVELOPMENT AUTHORITY
SPECIAL MEETING

6:30 P.M. Monday, July 25, 2022
City Hall, Council Chambers

A. CALL TO ORDER

B. ROLL CALL

C. APPROVAL OF AGENDA

D. APPROVAL OF MINUTES

1. July 11, 2022 Economic Development Authority Meeting Minutes

E. PUBLIC HEARING

None

F. UNFINISHED BUSINESS

None

G. NEW BUSINESS

1. Term Sheet with Enclave Companies for Redevelopment of 3090 Southlawn Drive

H. ADJOURNMENT

RULES OF CIVILITY FOR THE CITY COUNCIL, BOARDS, COMMISSIONS AND OUR COMMUNITY

Following are rules of civility the City of Maplewood expects of everyone appearing at the Meetings - elected officials, staff and citizens. It is hoped that by following these simple rules, everyone's opinions can be heard and understood in a reasonable manner. We appreciate the fact that when appearing at Council meetings, it is understood that everyone will follow these principles:

Speak only for yourself, not for other council members or citizens - unless specifically tasked by your colleagues to speak for the group or for citizens in the form of a petition.

Show respect during comments and/or discussions, listen actively and do not interrupt or talk amongst each other.

Be respectful of the process, keeping order and decorum. Do not be critical of council members, staff or others in public.

Be respectful of each other's time keeping remarks brief, to the point and non-repetitive.

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MEETING MINUTES
MAPLEWOOD ECONOMIC DEVELOPMENT AUTHORITY

6:30 P.M. Monday, July 11, 2022
City Hall, Council Chambers

A. CALL TO ORDER

A meeting of the Maplewood Economic Development Authority (EDA) was held in the City Hall Council Chambers and was called to order at 6:32 p.m. by President Knutson.

B. ROLL CALL

William Knutson, President	Present
Marylee Abrams, Commissioner	Present
Rebecca Cave, Commissioner	Present
Kathleen Juenemann, Commissioner	Present
Nikki Villavicencio, Commissioner	Present

C. APPROVAL OF AGENDA

Commissioner Abrams moved to approve the agenda as submitted.

Seconded by Commissioner Cave Ayes – All

The motion passed.

D. APPROVAL OF MINUTES

1. April 11, 2022 Economic Development Authority Meeting Minutes

Commissioner Abrams moved to approve the April 11, 2022 Economic Development Authority Meeting Minutes as submitted.

Seconded by Commissioner Juenemann Ayes – All

The motion passed.

E. PUBLIC HEARING

None

F. UNFINISHED BUSINESS

None.

G. NEW BUSINESS

1. Support of Affordable Housing Project, JB Vang Partners, 1310 Frost Avenue

- a. Resolution Supporting Use of Tax Increment Financing
- b. Letter of Support from EDA President
- c. Acknowledgment of Receptivity of a Metropolitan Council LCA Funding Award

Assistant Executive Director Thomson gave the staff report.

Commissioner Abrams moved to approve the Resolution Supporting Use of Tax Increment Financing for the JB Vang Partners project at 1310 Frost Avenue.

Resolution 22-07-0011
SUPPORTING USE OF TAX INCREMENT FINANCING FOR A RENTAL
HOUSING DEVELOPMENT PROJECT

WHEREAS, the Maplewood Economic Development Authority (the “EDA”) was created pursuant to the Economic Development Authorities Act, Minnesota Statutes, Sections 469.090 to 469.1080 (the “EDA Act”), and is authorized pursuant to Minnesota Statutes §469.174 to §469.1794 (the “TIF Act”) to use Tax Increment Financing to carry out the public purposes described herein;

WHEREAS, the EDA has received a request to provide tax increment financing assistance to JB Vang Partners (or an affiliated entity, the “Developer”) for construction of a 65-unit multifamily workforce rental housing apartment (the “Project”) to be located on approximately 1.58 acres of land at 1310 Frost Avenue East in Maplewood, Minnesota; and

WHEREAS, in connection with its application to Minnesota Housing for tax credits for the Project, the Developer has requested that the EDA indicate its support of the use of tax increment financing for the Project.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Maplewood Economic Development Authority (the “Board”) as follows:

The EDA supports the use of tax increment financing for the Project in an amount not to exceed \$623,000 payable over approximately 15 years; provided, however, that authorization of tax increment financing for the Project is solely within the discretion of the City Council after satisfaction of all conditions required pursuant to the EDA Act and the TIF Act, including without limitation, (i) a public hearing; (ii) determining that tax increment financing assistance is necessary for the Project; and (iii) verification of development financing need that substantiates that “but for” the use of tax increment financing the Project would be unable to proceed.

Seconded by Commissioner Cave

Ayes – All

The motion passed.

Commissioner Cave moved to approve a Letter of Support from EDA President for the JB Vang Partners project at 1310 Frost Avenue.

Seconded by Commissioner Abrams

Ayes – All

The motion passed.

Commissioner Juenemann moved to approve the Acknowledgement of Receptivity of the

Metropolitan Council LCA Funding Award for the JB Vang Partners project at 1310 Frost Avenue.

Seconded by Commissioner Abrams

Ayes – All

The motion passed.

- 2. Support of Affordable Housing Project, Beacon Interfaith Housing Collaborative, 1375 Frost Avenue**
 - a. Resolution Supporting Use of Tax Increment Financing**
 - b. Letter of Support from EDA President**
 - c. Acknowledgment of Receptivity of a Metropolitan Council LCA Funding Award**
 - d. Resolution Identifying the Need For Livable Communities Demonstration Account Funding and Authorizing Application for Grant Funds**

Assistant Executive Director Thomson gave the staff report.

Commissioner Abrams moved to approve the Resolution Supporting Use of Tax Increment Financing for the Beacon Interfaith Housing Collaborative project at 1375 Frost Avenue.

Resolution 22-07-0012

SUPPORTING USE OF TAX INCREMENT FINANCING FOR A RENTAL HOUSING DEVELOPMENT PROJECT

WHEREAS, the Maplewood Economic Development Authority (the “EDA”) was created pursuant to the Economic Development Authorities Act, Minnesota Statutes, Sections 469.090 to 469.1080 (the “EDA Act”), and is authorized pursuant to Minnesota Statutes §469.174 to §469.1794 (the “TIF Act”) to use Tax Increment Financing to carry out the public purposes described herein;

WHEREAS, the EDA has received a request to provide tax increment financing assistance to Beacon Interfaith (or an affiliated entity, the “Developer”) for construction of a 40-unit multifamily affordable rental housing apartment (the “Project”) to be located on approximately 1.03 acres of land at 1375 Frost Avenue East in Maplewood, Minnesota; and

WHEREAS, in connection with its application to Minnesota Housing for tax credits for the Project, the Developer has requested that the EDA indicate its support of the use of tax increment financing for the Project.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Maplewood Economic Development Authority (the “Board”) as follows:

The EDA supports the use of tax increment financing for the Project in an amount not to exceed \$426,596 payable over approximately 15 years; provided, however, that authorization of tax increment financing for the Project is solely within the discretion of the City Council after satisfaction of all conditions required pursuant to the EDA Act and the

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TIF Act, including without limitation, (i) a public hearing; (ii) determining that tax increment financing assistance is necessary for the Project; and (iii) verification of development financing need that substantiates that “but for” the use of tax increment financing the Project would be unable to proceed.

Seconded by Commissioner Juenemann Ayes – All

The motion passed.

Commissioner Cave moved to approve a Letter of Support from EDA President for the Beacon Interfaith Housing Collaborative project at 1375 Frost Avenue.

Seconded by Commissioner Abrams Ayes – All

The motion passed.

Commissioner Abrams moved to approve the Acknowledgement of Receptivity of the Beacon Interfaith Housing Collaborative project at 1375 Frost Avenue.

Seconded by Commissioner Villavicencio Ayes – All

The motion passed.

Commissioner Juenemann moved to approve the Resolution Supporting an Application to be Submitted for a Livable Communities Demonstration Account grant for the Beacon Interfaith Housing Collaborative project at 1375 Frost Avenue.

Resolution 22-07-0013

RESOLUTION IDENTIFYING THE NEED FOR LIVABLE COMMUNITIES DEMONSTRATION ACCOUNT FUNDING AND AUTHORIZING APPLICATION FOR GRANT FUNDS FOR GLADSTONE CROSSING

WHEREAS, the City of Maplewood is a participant in the Livable Communities Act's Local Housing Incentives Account Program for 2022 as determined by the Metropolitan Council, and is, therefore, eligible to apply for Livable Communities Demonstration Account funds; and

WHEREAS, the Maplewood Economic Development Authority has identified a proposed project within the City to be developed by Beacon Interfaith Housing Collaborative that meets the Demonstration Account's purposes and criteria and is consistent with and promotes the purposes of the Metropolitan Livable Communities Act and the policies of the Metropolitan Council's adopted metropolitan development guide; and

WHEREAS, Beacon Interfaith Housing Collaborative has requested that the Maplewood Economic Development Authority sponsor an application for Livable Communities Demonstration Account funds for its Gladstone Crossing project in the City of Maplewood; and

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WHEREAS, the Maplewood Economic Development Authority has the institutional, managerial and financial capability to ensure adequate project grant administration; and

WHEREAS, the Maplewood Economic Development Authority certifies that it will comply with all applicable laws and regulations as stated in the grant agreement; and

WHEREAS, the Maplewood Economic Development Authority agrees to act as legal sponsor for the project contained in the grant application submitted on or before August 15, 2022; and

WHEREAS, the Maplewood Economic Development Authority acknowledges Livable Communities Demonstration Account grants are intended to fund projects or project components that can serve as models, examples or prototypes for development or redevelopment projects elsewhere in the region, and therefore represents that the proposed project(s) or key components of the proposed project(s) can be replicated in other metropolitan-area communities; and

WHEREAS, only a limited amount of grant funding is available through the Metropolitan Council's Livable Communities Demonstration Account during each funding cycle and the Metropolitan Council has determined it is appropriate to allocate those scarce grant funds only to eligible projects that would not occur without the availability of Demonstration Account grant funding.

NOW, THEREFORE BE IT RESOLVED, that, after appropriate examination and due consideration, the Maplewood Economic Development Authority:
G2, Attachment 6

1. Finds that it is in the best interests of the City's development goals and priorities for the proposed project to occur at this particular site and at this particular time.
2. Finds that the project components for which Livable Communities Demonstration Account funding is sought:
 - a. will not occur solely through private or other public investment within the reasonably foreseeable future; and
 - b. will occur within three years after a grant award only if Livable Communities Demonstration Account funding is made available for this project at this time.
3. Represents that Beacon Interfaith Housing Collaborative has undertaken reasonable and good faith efforts to procure funding for the project components for which Livable Communities Demonstration Account funding is sought but was not able to find or secure from other sources funding that is necessary for project component completion within three years.
4. Authorizes its Executive Director to submit on behalf of the Maplewood Economic Development Authority and Beacon Interfaith Housing Collaborative an application for Metropolitan Council Livable Communities Demonstration Account grant funds for the project component(s) identified in the application, and to

execute such agreements as may be necessary to implement the project on behalf of the Maplewood Economic Development Authority.

Seconded by Commissioner Abrams

Ayes – All

The motion passed.

H. ADJOURNMENT

President Knutson adjourned the meeting at 6:56 p.m.

DRAFT

MAPLEWOOD ECONOMIC DEVELOPMENT AUTHORITY STAFF REPORT

Meeting Date July 25, 2022

REPORT TO: Melinda Coleman, City Manager

REPORT FROM: Michael Martin, AICP, Assistant Community Development Director

PRESENTER: Jeff Thomson, Community Development Director

AGENDA ITEM: Term Sheet with Enclave Companies for Redevelopment of 3090 Southlawn Drive

Action Requested: ☒ Motion ☐ Discussion ☐ Public Hearing

Form of Action: ☐ Resolution ☐ Ordinance ☐ Contract/Agreement ☐ Proclamation

Policy Issue:

Enclave Companies has a purchase agreement in place for 3090 Southlawn Drive – which is currently occupied by the Myth Nightclub building. Enclave Companies intends to redevelop the site into a four-story 237-unit multi-family building. Enclave Companies has submitted an application for Tax Increment Financing (TIF) but before that full review is conducted is asking the Maplewood Economic Development Authority (EDA) to consider approving a Term Sheet.

Recommended Action:

Motion to approve the Term Sheet with Enclave Companies.

Fiscal Impact:

Is There a Fiscal Impact? ☒ No ☐ Yes, the true or estimated cost is \$0

Financing source(s): ☐ Adopted Budget ☐ Budget Modification ☐ New Revenue Source
☐ Use of Reserves ☒ Other: The Term Sheet itself will not bind the

EDA to commit financial resources to this project. If a TIF request is ultimately approved a tax increment revenue note would be issued to the developer, paying a portion of the tax increment generated by the private improvements being constructed by the developer.

Strategic Plan Relevance:

☐ Community Inclusiveness ☒ Financial & Asset Mgmt ☐ Environmental Stewardship
☐ Integrated Communication ☐ Operational Effectiveness ☒ Targeted Redevelopment

The city's North End Vision Plan states: *"The North End is a local and regional economic activity center characterized by a diverse mix of sustainable land uses where people of all backgrounds can safely and easily come from near and far to gather for purposes of obtaining goods and services, wellness, work, recreation, socialization, learning, and living."* One of the goals within the vision plan includes *"Promote redevelopment that brings people to the North End."* Finally, the Near-Term Vision Plan calls for the *"replacement of vacant or obsolete retail and parking space with new residential, retail, office."*

Background:

Project Overview

Enclave Companies' project would include the demolition of the Myth Nightclub in order to redevelop the site into a market-rate apartment building. The building would be four stories of above-ground wood-framed construction; and a floor of underground parking. The entire building will be approximately 345,000 gross total square feet, with an approximately 69,550 square foot footprint.

The 237-unit market-rate building includes the following approximate unit mix: 10 percent studios/alcoves, 49 percent one-bedrooms, 36 percent two-bedrooms, and 4 percent three-bedrooms. Parking is programmed at 1.57 stalls per unit overall—of which, at least one stall per unit will be provided within a secured parking garage.

Exterior materials utilize a complimentary blend of cultured stone/brick, varying horizontal bands of quality siding, and vertical sections of contrasting siding materials, separated by a frieze board. The architectural design implements a series of dormers, together with a variety of vertical planes (bump-outs) providing visual interest. The building proposes single-hung vinyl windows; all-aluminum powder-coated suspended balconies and railings; a flat roof; and pre-finished aluminum fascia and soffits.

Amenities include generously appointed landscaping with outdoor seating and patio; 4th-floor panoramic rooftop patio with indoor/outdoor seating; a large community room; wellness center with gym-quality equipment; mini-mart; game room; work area with a coffee bar; spacious lobby/lounge; connections to nearby trails; construction of a trail/greenway segment on-site; bike storage; dog wash; car wash. Enclave Companies will be the general contractor.

Financial Request

The Maplewood EDA received a financial assistance request from Enclave Companies seeking 23 years of TIF for the proposed redevelopment of the Myth Nightclub. Construction would commence later this year and is anticipated to cost approximately \$71.9 million or \$303,376 per unit. The developer is proposing to use TIF funding only for the following qualified costs as allowed by state statute:

- Land Acquisition Differential (Acquisition of Existing Business vs. Market Price)
- Demolition of Existing Improvements & Site Cleanup
- Removal & Replacement of Failing Retaining Wall on Storm Pond
- Expansion of Capacity for Underground Stormwater System
- Underground Parking (Exceeding Zoning Requirements & Setback Limitations)
- Exterior Material Upgrades (Area Architectural Standards)
- Solar Panel (70,000 Sq. Ft. Panel Installation)

After further conversations, the developer has agreed to a 14-year term with a total TIF Note value of \$6,400,000. Please see the attached memo from Ehlers – the city's financial consultant – for more analysis of this request and the proposed Term Sheet.

Attachments:

1. Location Map
2. Ehlers Memo
3. Term Sheet





MEMORANDUM

TO: Jeff Thomson – Community Development Director
 Michael Martin – Assistant Community Development Director

FROM: Keith Dahl & Jason Aarsvold - Ehlers

DATE: July 19, 2022

SUBJECT: Enclave Development – Analysis of Financial Request

The Maplewood EDA received a financial assistance request from Enclave (the “Developer”) seeking 23 years of tax increment financing (TIF) for the proposed redevelopment of the Myth Nightclub and Event Center. The Developer has proposed to construct a 237-unit market rate multi-family apartment consisting of studio, 1, 2, and 3-bedroom units. Construction would commence later this year and is anticipated to cost approximately \$71.9 million or \$303,376 per unit.

We evaluated the financial assistance request from two perspectives. The first was a review of extraordinary costs associated with redeveloping the site to meet city objectives. The second was to conduct an analysis of the Developer’s proforma to review the return on investment (ROI). Based on our review, the requested 23 years of TIF assistance is more than what is necessary for the meet City objectives and achieve financial feasibility. **We concluded the development would require no more than \$6.4 million (14 years) of TIF assistance.** Below is a summary of our findings.

Extraordinary Costs:

Extraordinary costs are driven by circumstances, conditions, and restrictive regulations beyond control of a proposed development. These costs may be considered over and above what a typical development would encounter. Due to the redevelopment nature of the Myth Nightclub and Event Center, the proposed development has several extraordinary costs impeding financial feasibility.

Land Acquisition Differential (Acquisition of Existing Business vs. Market Price)	\$ 2,488,500
Demolition of Existing Improvements & Site Cleanup	\$ 400,000
Removal & Replacement of Failing Retaining Wall on Storm Pond	\$ 540,000
Expansion of Capacity for Underground Stormwater System	\$ 288,750
Underground Parking (Exceeding Zoning Requirements & Setback Limitations)	\$ 1,881,247
Exterior Material Upgrades (Area Architectural Standards)	\$ 307,632
Solar Panel (70,000 Sq. Ft. Panel Installation)	\$ 750,000
TOTAL	\$ 6,656,129

Return on Investment Analysis:

As part of a proforma analysis, we also want to ensure that any public assistance in a development does not result in a return on investment greater than what is typical within the industry. Return on investment (ROI) is a performance measure used to evaluate developments. The Developer is targeting a cumulative cash-on-cash return of 8.5%. Cumulative cash-on-cash calculates annual net cashflow against the initial equity investment. The calculation is simply net cashflow (after debt service) divided by the total amount of equity invested.



Based on the Developer's budget, proforma, and tax increment projections, the proposed development would require 90% of the available tax increment over a 14-year term to achieve an 8.4% cumulative cash-on-cash in the final year of TIF assistance. This would amount to a present value Pay-As-You-Go (PAYGO) TIF Note of \$6,400,000 with an interest rate of 5.0%.

Recommendation:

Based on our review of the Developer'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. We concluded public assistance in the amount of \$6,400,000 in the form of an PAYGO TIF Note is supported for this development.

Please contact either of us at 651-697-8595 with any questions.

Term Sheet

This Term Sheet is executed as of this ____ day of _____, 2022 by and between the Developer and the Maplewood Economic Development Authority (the “EDA”) and is intended to set forth the general terms upon which the parties hereto may be willing to enter into a Development Agreement. Except for Section 9 below (which shall be binding upon the Developer), this Term Sheet shall not be deemed conclusive or legally binding upon either party and neither party shall have any obligations regarding the property defined below unless and until a definitive Development Agreement is approved by the EDA and executed by both parties.

1. Developer: Enclave Companies

2. Property: 0 County Rd D E (PID: 02-29-22-22-0016)
 0 County Rd D E (PID: 02-29-22-22-0017)

3. Key Business Terms – Developer:
 - a. Execution of Development Agreement
 - b. Acquisition of Property
 - c. Preparation and Submittal of Construction Plans

4. Key Business Terms – EDA:
 - a. Creation of a new Tax Increment Financing District for the project, subject to qualification as a redevelopment Tax Increment District
 - b. Approval of Construction Plans
 - c. Execution of Development Agreement
 - d. Determination that Developer has sufficient financial means to construct Minimum Improvements
 - e. Obtain all land use approvals, permits necessary to construct the project, and payment of customary City fees including park dedication fees estimated at \$427,500

5. Minimum Improvements: Construction of a 4-story building with approximately 237 units of market rate rental housing and related amenities

6. Construction Schedule: Commence construction by December 1 2022, and complete by December 31, 2024. For the purpose hereof, “Commence” shall mean beginning of physical improvement to the Property, including demolition, grading, excavation, or other physical site preparation work. “Complete” shall mean that the Minimum Improvements are sufficiently complete for the issuance of a Certificate of Occupancy.

7. Public Assistance: Subject to all terms and conditions of the Development Agreement, the EDA will reimburse the Developer through Available Tax Increment for up to a total of approximately \$6,400,000 (Present Value) of Qualified Costs related to the Minimum Improvements. “Qualified Costs” shall mean acquisition, demolition, remediation, site improvement and infrastructure costs incurred in connection with the construction of the Minimum Improvements. Payments will be made through a TIF Note issued on a pay-as-you-go basis over a MAXIMUM of 14 years at a rate the lesser of 5.00% per annum or the rate of the Developer’s first mortgage lien.

8. Lookback: The Public Assistance will be subject to a lookback upon construction completion of the Minimum Improvements. If the amount of total development costs actually incurred is less than the amount of estimated total development costs, the Public Assistance will be reduced by 50% of such deficiency and the principal amount of the TIF Note will be adjusted accordingly.
9. Building Value: The buildings to be constructed upon the Property are anticipated to have an assessed value of approximately \$54,510,000.
10. Fees: The Developer acknowledges, following approval of this Term Sheet by the EDA, to the make an escrow deposit of \$10,000 for reasonable out-of-pocket expenses for legal and financial consultant services related to TIF district creation, drafting the Development Agreement, analysis, and administrative fees associated with this transaction. This includes costs related to the above incurred to date as well as future expenditures.

In addition, the Developer will be required to deposit additional funds if the initial escrow deposit is fully drawn. Any funds deposited by Developer and not expended by the EDA for its legal, financial advisor, or other consultant fees on or before the date of execution of the Development Agreement will be returned to the Developer without interest. The Developer shall pay all other normal and customary EDA fees and expenses, unless otherwise specified in the Development Agreement, for the approval and construction of the Minimum Improvements.

11. Miscellaneous:
 - a. No transfer of Property or Development Agreement without EDA consent.
 - b. Developer covenants to pay property taxes and maintain customary insurance.

IN WITNESS WHEREOF, the parties have executed this Term Sheet as of the date first set forth above.

ENCLAVE COMAPANIES

By: _____
 Its: _____

MAPLEWOOD ECONOMIC DEVELOPMENT AUTHORITY

By: _____
 Its: _____