

Memorandum

TO: City Council

FROM: Tom Simonson , Assistant City Manager and Community Development Director

DATE: February 21, 2023

SUBJECT: Resolution Approving Modification to the Development Program for Municipal Development District No. 2, Establishing TIF District No. 14, and Authorizing Execution of Development Agreements for Redevelopment of Former Deluxe Campus by Scannell Properties (Phase 1)

ITEM NUMBER: 10.b

SECTION: PUBLIC HEARINGS

REQUESTED MOTION

Motion 1

To close the public hearing.

Motion 2

Adopt Resolution No. 23-15, approving a modification to the development program for Municipal Development District No. 2, establishing TIF District No. 14, and authorizing execution of development agreements for the redevelopment of former Deluxe Campus by Scannell Properties (Phase 1).

INTRODUCTION

Scannell Properties is requesting the city establish a new tax increment financing district to provide financial assistance for their planned phase one redevelopment of the 50-acre former Deluxe corporate campus. Upon the review and recommendation of the economic development authority (EDA), the city council is being asked to consider taking formal action by resolution that would approve the modification of the development program for Municipal Development District No. 2, establishing TIF District No. 14, and authorizing the execution of financing development agreements for redevelopment of former Deluxe Campus by Scannell Properties (Phase 1). A public hearing has been scheduled for the city council meeting on February 21, 2023.

DISCUSSION

Below is a summary of the proposed TIF structure and actions for establishing a tax increment district to assist Scannell (the “developer”) in support of the redevelopment of the former Deluxe corporate site:

- The developer is proposing to redevelop the Deluxe site in two phases. The site would be split into two parcels: east and west. Each parcel contains one of the former Deluxe buildings, which the city had inspected for TIF blight findings and qualification. Both

buildings meet the TIF blight test individually and as a collective.

- At the recommendation of the EDA, the city council passed a resolution prior to the establishment of the TIF District making findings related to the substandard buildings and allowing for reimbursement of redevelopment related costs from the project to be eligible for assistance so the project can start before the TIF District is formally created.
- Working together, the city's development attorney, city staff and the developer determined the most effective way to redevelop the Deluxe site is for each phase to be a separate tax increment district.
- The site work on the easterly parcels (phase one) has already commenced with the demolition of the north building. The building was demolished in order to move ahead with site improvements for the two class A office/warehouse buildings totaling 298,000 square feet to be constructed.
- Building construction is anticipated to begin by May 31, 2023 and be completed by March 31, 2024. Ramsey County estimates the assessed value of the two buildings at \$41,500,000. The combined buildings are projected to create an estimated 100 to 400 jobs depending on the tenant mix.
- Staff is recommending the developer receive 75% of the tax increment generated and the city reserve 25% for pooling. The pooled funds can be used to support either phase two projects or on other redevelopment activities within the city, as allowed by Minnesota Statutes. The proposed TIF District would generate funds in excess of the \$6,000,000 requested by the developer, allowing for this pooling flexibility for the city. It should be noted that in the resolution prepared for city council consideration there is a section that refers to terms for an "interfund loan". This provision creates a mechanism that would allow the city to utilize the 25% of the increment being retained over the life of the district for other economic development, redevelopment, and housing purposes.
- Consistent with established city policy, a "pay-as-you-go" TIF note would be issued to the developer with reimbursement payment terms from the tax increment up to the agreed upon assistance of \$6,000,000.
- Pursuant to the discussion and direction received by the EDA, the city would elect to take the fiscal disparities from outside the tax increment district in order to fully support the redevelopment project and to maximize pooling resources for other major goals of the city. This is consistent with the adopted criteria on determining fiscal disparities contribution for city assisted projects.
- There have been recent discussions with a large manufacturing/automated technology company that has an interest in leasing all or a large majority of one of the two new buildings. Negotiations between Scannell and this prospective tenant on a lease deal would require modifications to the building design to accommodate special facility needs. City staff has indicated additional financial assistance could be considered to offset additional building costs by Scannell and provide financial incentives for the business expansion that would add significant high paying jobs. This would require an amendment to the TIF Plan budget and modification to the development agreement with Scannell.

- The west half of the overall site (phase two) could involve a major rehabilitation and renovation of the existing south building for a pharmaceutical/health provider that could bring significant jobs to the community. The developer and tenant are in the process of working on building improvement plans and a long-term lease agreement. Improvements to the existing south building could begin in April 2023 and be completed by next year.
- A separate tax increment redevelopment district is qualified and would be established for the phase two parcels, following a similar process as phase one now being considered. As of yet, city staff has not received budget or cost details on the renovation but discussions are proceeding with Scannell and the potential user.
- The phase two planned unit development master plan was approved to allow a mix of uses including multifamily housing, corporate office, or retail/office services. The renovation of the existing south building and the multifamily housing development would both meet the criteria for tax increment assistance.
- Any multifamily development will be subject to the city's inclusionary housing policy. If necessary, additional pooling funds from TIF District No. 14 could be accessed to support the city's housing goals for this site.

Included with this memorandum is a resolution for city council consideration for establishing the tax increment district and approves financing agreements between the city and developer. There are two separate development agreements as Scannell is creating legal entities for each of the buildings (referenced as Scannell Properties #629, LLC and Scannell Properties #630, LLC), but the terms and conditions are the same. A term sheet is also included for reference that outlines the key components of the proposed tax increment assistance.

RECOMMENDATION

The EDA has held several meetings as part of the review process, and the board unanimously supports the proposed financial assistance for the project. The EDA believes the project meets city policy and criteria including redevelopment of vacant/obsolete commercial properties, creating new modern commercial buildings to attract new businesses and jobs to the city, significant increase in value, and provides a unique opportunity for a mixed-use master plan development that benefits the community. The EDA took formal action at their meeting on February 6, recommending approval of this proposal by the city council.

Staff is also recommending city council adoption of Resolution No. 23-15, which modifies the development program for Municipal Development District No. 2, establishes TIF District No. 14, and approves development agreements setting forth terms and obligations for financial assistance for redevelopment improvements of former Deluxe Campus by Scannell Properties (Phase 1).

ATTACHMENTS

[Shoreview TIF 14 Resolution No. 23-15 -- Approving Modification to Development Program, Establishes Redevelopment TIF District 14, Interfund Loan for City Pooling, and Development Agreements](#)

[Shoreview TIF 14 Development Agreement \(Scannell Properties #629, LLC\)](#)

[Shoreview TIF 14 Development Agreement \(Scannell Properties #630, LLC\)](#)

Draft Term Sheet - TIF 14 - Scannell Properties (Phase 1) - December 29, 2022
Shoreview TIF Plan No 14 Final 01302023