

City Council unanimously approves final steps to assist developer of St. Paul Square residential development.

For over 140 years, the site on the northeast corner of Campbell Street and Chicago Street was used by St. Paul Catholic Church as the location for its church facilities and then for its school. The school relocated in 2006 and the former school building sat vacant – except for periodic use by local social agencies. As the years passed, the condition of the school building deteriorated, and no taxes were being collected. Developers would occasionally approach the City with conceptual plans to redevelop the site; however, most required a very high level of density to make the plan feasible. The City was sensitive to the surrounding neighbors and wanted a quality residential product that would complement and enhance the existing area.

In early 2017, Coolman Communities approached the City with plans for a four-building, 48-unit condominium project on the site. Time was spent with City Staff reviewing City requirements and meeting with neighborhood residents to solicit input. After some revisions, the City was supportive of Coolman's residential concept. Although Coolman committed to investing over \$15 million into the project, the costs to demolish the existing school building, remediate longstanding environmental issues, address stormwater concerns, and other necessary items made the project financially unfeasible.

It has been the general policy of the City not to directly subsidize residential development and this project was no exception. That said, the City was willing to consider the creation of certain tools that could offer conditional financial assistance to Coolman for site-specific costs – especially given the fact that the site had been available for over 10 years without a financially viable option to redevelop the site. In the Fall of 2017, the first phase of creating the tools necessary to help the development were approved. Among the created tools was an Economic Improvement District ("EID") to allow for the future St. Paul Square residents to contribute towards certain development expenses – specifically: demolition of the school building, environmental remediation work, utility and stormwater upgrades, road improvements along Academy Street, certain items requested by the City, and the professional costs to create the EID (collectively "Approved Expenses").

Between the Fall of 2017 and early 2019, the developer incurred over \$1.62 million for the Approved Expenses. Coolman provided invoices to document the expenses. These were reviewed by the City. In addition, Coolman executed a certification attesting to the accuracy of the Approved Expenses.

On May 13, the City Council gave final approval for a process to allow Coolman to recapture a portion of the \$1.62 million. As units are sold, the new residents will pay an annual EID fee as part of their overall real estate tax bill. Those fees will be collected, and a portion will be paid to the developer as reimbursement for Approved Expenses. Only owners of St. Paul Square will pay the EID fee, so no other City residents are contributing towards reimbursing the Approved Expenses. In addition, the maximum length of time the EID Fee can be assessed is 10-years; however, based on financial projections, if all 48-units are timely built and sold, the developer should be repaid within 7-8-years.

In answering questions raised by the Mayor and City Council members, it was noted,

1. The City is not contributing any funds towards the project and the sole source of reimbursement will be from collected EID fees.
2. No portion of the Approved Expenses includes interest. The developer will only be reimbursed the actual amount of the Allowable Expenses.
3. The City will collect \$2,000 per year as an administrative cost to oversee the repayment process. The City will also receive an annual Tax Abatement Fee of approximately \$12,000.
4. The City (and other taxing units) will receive all taxes associated with the raw land.
5. The City reserves the right to revoke the tools and withhold EID Fee payments, if the developer defaults in any of its commitments.

It is expected that the first residents of St. Paul Square will begin arriving later this spring.

For more information contact Patrick Lyp, Economic Development Director.