

**Summary from Patrick Lyp, Economic Development Director, City of Valparaiso
Re: City Council action related to the St. Paul Square Development at 4/8 meeting**

The City Council approved two items relating to the St. Paul Square Development. This project began in October of 2017 when the City Council approved a tax abatement and the creation of an Economic Improvement District (“EID”) to help assist the developer in recovering costs relating to the demolition of the former St. Paul school building and certain public aspects of the project including: onsite environmental remediation, underground stormwater retention, utility upgrades, and road work along Campbell Street and Academy Street. The City was not willing to contribute any funds towards the development; however, the City was willing to delay receipt of real estate taxes and create certain tools that could help the developer recoup costs for certain public aspects. In October of 2017, the amount to complete those aspects was unknown, so the City Council withheld final action until the work was completed. As discussed at the City Council meeting, costs exceeded initial estimates and there was some concern if the City’s assistance, as structured, would cover the identified work. After several meetings between the developer and City Staff, it was agreed that residents of St. Paul Square would pay a 20% premium on their estimated real estate taxes to offset the increased costs. In addition, the developer would waive claim to any interest on the funds he expended on the project that he hoped to have reimbursed. Finally, the City would set the Tax Abatement Fee at 5%, which was reduced from the customary 15%. This matter will again be presented to the City Council on April 22 and May 13 to finalize the terms of the City’s assistance.

As suggested to the City Council, the site of the former St. Paul School likely never paid real estate taxes to the City. Records of its use by St. Paul Catholic Church go back to 1863. With the City’s willingness to defer collecting taxes on the project for an additional 5-7 years, the funds collected from the EID should be sufficient to reimburse the developer the \$1.62 million that was expended on public aspects of the project. For the City, it will receive the full benefit of the \$1.62 million upfront without any City funds being used. The repayment of the developer will be funded solely by the residents that purchase units at St. Paul Square. Moreover, the incentive tools are self-performing and developer carries all the risk. If the four planned buildings are not constructed, the 48 units are not sold in a timely manner, or the EID does not collect the full \$1.62 million within the maximum 10 years, any balance of the \$1.62 million is forfeited by the developer without recourse to collect.

As referenced by the Mayor, St. Paul Square is a complicated project that required both an experienced developer and some City assistance. Had the site been easy to develop, it would have been developed years ago. The City looks forward to the completion of the project.

[View minutes from the 4/8/19 City Council meeting.](#) ***Note that the 4/8 minutes have not been formally approved by the Council. They are up for approval at the 4/22 Council meeting.*