

Red Wing Downtown Investment Partnership Technical Assistance Grant Program

APPROVED – 1/27/20

Purpose

The City of Red Wing has set aside funds over the past five years to help implement a “Downtown Investment Partnership” initiative. The City Council approved guidelines for a 2-year pilot program on January 8, 2018. Although no project was initiated during those two years, a portion of the set-aside funds will be used as technical assistance grants within the downtown district as defined in the 2040 Comprehensive Community Plan. Guidelines for the use of these grant funds are further defined below.

Goals

The overall goal of this program is to incentivize private investments into the targeted downtown district by bringing underutilized space back on the market, as well as to improve the overall health and vibrancy of downtown Red Wing. More specific goals include:

1. Address broader infrastructure challenges and opportunities for one or more buildings related to such things as accessibility, sustainability and parking.
2. Support individual private interest or collaborations that result in higher performing buildings that have underutilized space.
3. Improve properties to help attract quality tenants.
4. Maintain historic buildings that are in need of critical care that will help sustain the downtown historic district.
5. Support further housing opportunities that help sustain the future viability of downtown Red Wing.

Overview

Property owners are encouraged to evaluate older properties in the downtown district in order to fully utilize building space for use or lease. Such evaluation may include one or more of combined technical assistance services, such as architecture and engineering. Each applicant may apply for up to \$7,500 as a grant, which shall not exceed the cost of such services. Applicants are considered on a first come-first serve basis with the program administered by the Red Wing Port Authority. Initially, \$45,000 of city funds will be set aside for this program in 2020 to fund at least six applications. Another \$30,000 will be set aside for technical assistance that may be initiated by the Port Authority. These technical assistance funds will hopefully lead to projects that may request additional dollars that are available within the partnership guidelines identified in Attachment #1.

Guidelines

The program will follow these general guidelines:

1. Grants may be awarded for technical assistance that falls within one or more of the following categories: (1) engineering for building structural issues; (2) architecture for

building use, accessibility, or space feasibility; (3) consultant specializing in sustainability, including the PACE Program; (4) real estate broker for market assessment; (5) financial analyst to develop pro-forma finance results; and (5) other similar professional or technical services to meet program goals.

2. Applicants will also review with the city any necessary public utility improvements associated with the future potential reuse or redevelopment of buildings, such as sewer, water and storm sewer.
3. Professional services must be provided by those who are appropriately certified for their specific profession.
4. The property owner will agree to refund the grant if their property is sold within two years of receipt of such funds.
5. Property owners must make application on a form so provided by the Red Wing Port Authority.
6. Applications will be reviewed on a monthly basis at Port Authority meetings after receiving a recommendation from the Port's Finance Committee; final grant approval will be made by the Port Authority Board.
7. A contract will be executed between the two parties before grant funds are disbursed, and no funds may be used for services rendered prior to the date of application.
8. Grant funds may be disbursed upon receipt of a copy a plan or report demonstrating the technical services being rendered as approved in the application; such report or plan must be completed within nine (9) months of contract execution.
9. The use of set-aside funds by the Port Authority will require a majority vote of the Board to secure professional or technical services that meet the goals of this program, which may relate to a specific building, buildings or defined area



DOWNTOWN TECHNICAL ASSISTANCE GRANTS PROGRAM APPLICATION

The City of Red Wing, in cooperation with the Port Authority, is providing grant funds to eligible downtown property owners to engage professional or technical assistance to help fill vacant spaces. This type of assistance can be provided from architects, engineers, energy/sustainability, financial, brokerage/marketing, and others. Call 651-385-3697 for further program information.

Grant Amount: Up to \$7,500 per property

Program Year: 2020; grant applications are reviewed and awarded on a first-come, first-serve basis

Property Owner Name: _____

Property Owner Address: _____

Existing Use(s) of Property: _____

Describe Vacant Space to Utilize, Sell or Lease (including square feet): _____

Professional or Technical Assistance Needed (attach a technical service proposal, if available):

- ___ Architect; describe services: _____
- ___ Engineer; describe services: _____
- ___ Energy/Sustainability; describe services: _____
- ___ Financial; describe services: _____
- ___ Broker/Marketing; describe services: _____
- ___ Other; describe services: _____

Grant Request: \$ _____ Submit to: Shari Chorney, Red Wing Port Authority, 419 Bush St.

Signature

Date

NOTE: A contract will be executed between the property owner and city once a grant is awarded.

Red Wing Downtown Investment Partnership

Approved by City Council on January 8, 2018

Primary Partners:

1. Red Wing Port Authority**
2. Philanthropic Community

** The city's enabling resolution establishing the Port Authority requires "project plans" and "project budgets" to be approved by the City Council, as further defined in later sections below.

Other Key Partners (including, but not limited to):

1. City of Red Wing
2. Red Wing Housing & Redevelopment Authority
3. Private Property Owners
4. Private Developers
5. Other Organizations (Downtown Main Street, Chamber of Commerce, etc.)

Partnership Funding Opportunities:

1. Private equity capital
2. Private debt capital
3. Philanthropic investment capital
4. Port Authority grant and/or loan funds
5. HRA grant and/or loan funds
6. City grant/or loan funds (downtown investment fund)
7. Municipal tax increment financing (i.e., redevelopment), or tax abatement
8. Other regional, state or federal funding programs

Premise:

More than one partner can create a "partnership" in order to support a financing structure for one or more potential downtown (re)development projects in the City of Red Wing during a 2-year pilot program (2018-19). This structure will create a catalyst that may help push forward the market potential of development in the downtown area. The partnership will use this framework to guide decisions that lead to fairness in negotiating a deal structure that all parties are reasonably satisfied as to the outcome(s) important to each partner.

Investment Lens (from the approved Business Plan):

1. An equity lens that furthers mixed-income housing and equal access to economic opportunity.
2. A historic preservation lens that improves and activates historically-significant assets.

Focus:

Using the investment lens noted above, the partnership will focus primarily on mixed-use and historic preservation projects. A mix of commercial and residential development (and other appropriate uses) will help strengthen economic opportunities. Historic preservation will help preserve the unique character of downtown Red Wing. Mixed uses may occur within a single building, or a combination of buildings.

Common Outcomes (tangible/intangible public and private benefits):

1. Private property will be improved, structurally and/or visibly; blight will be removed.
2. Occupancy levels in downtown buildings will increase; vacant spaces will be used.
3. Historic properties will be improved and preserved.
4. Downtown property values will increase.
5. Downtown employment levels will increase.
6. The number of people living downtown will increase.
7. More market rate and mixed-income housing will be constructed downtown (owner or renter occupancy).
8. Proper reuse of property will occur with the highest and best uses.
9. Infill of underutilized property will be achieved.
10. Opportunity sites (that are for sale) will be purchased for future redevelopment.

Targeted Sites and Uses (Projects):

1. Downtown buildings that create a negative impact on surrounding properties, but are worthy of preservation and restoration. These buildings may likely be for sale.
2. Vacant buildings (or partially vacant) that can be improved through rehabilitation, such as second-story spaces for housing.
3. Vacant buildings that are worthy of demolition and redevelopment due to their blighted or deteriorated condition.
4. Vacant property, such as an underutilized parking lot, that can be redeveloped into a higher and better use.
5. Downtown sites that can be improved by creating more mixed-uses within a single existing building, or a combination of buildings.

Public Funding Guidelines:

1. Public funds may be structured in two ways: (a) used as “gap” financing to support a privately developed project that cannot obtain full private capital resources, or (b) used alone, or with philanthropic resources, to purchase buildings and property identified as a targeted site/use. Gap financing will provide just enough leverage to make projects work.
2. The city’s use of tax increment financing (TIF) will follow the TIF Policy adopted by the City on February 14, 2011.
3. The city’s use of its downtown investment fund should be: (a) matched at a minimum of 4 private or philanthropic dollars for every 1 city dollar; (b) structured as a grant or loan; and (c) recommended by the Port Authority and approved by the City Council.
4. The city’s downtown investment fund should not be typically used up-front for privately developed projects; however, unique circumstances may occur that warrant that type of use in order to support further project analysis (e.g., parking, market, environmental, financial and demolition studies or applications). This fund may also be used without a known project for studies in order to help evaluate certain project potential.
5. The city’s use of any local public dollars may be used toward the purchase of buildings and property if identified as a targeted site or use. Limitations to that amount are based on a full analysis by the partnership of various funding sources, uses and overall project benefits.

Steering Committee: A local 5-member steering committee will be selected to work on a project-by-project basis in order to propose fair and open deal structuring. Other partners will be

included, as needed, in order to advise the committee on their respective programs and potential assistance. This committee will be composed of the following members:

1. Mayor
2. City Councilor
3. Port Authority President
4. Philanthropic Representative #1
5. Philanthropic Representative #2

The committee will ultimately make a project financing recommendation using public funds to the Port Authority, which will then submit a (preliminary) project plan and budget to the City Council. Public input will be structured into the decision-making process by the Port Authority and City Council. The steps to follow are further identified in the next section below.

Process Steps:

1. The Steering Committee compiles a list of potential targeted sites/uses within the downtown area (downtown zoning districts B-3 Central Business, CI Civic, and PUD) that will be used as a template for potential projects.
2. An application shall be used to obtain information from private property owners or developers that are proposing a project. A TIF application shall also be used if that type of public financing is being proposed.
3. The Steering Committee may also identify a targeted site/use that would be pursued directly by the city and/or philanthropic community (i.e., vacant building for sale). This also becomes a project.
4. The Steering Committee works with the Partners to evaluate projects as to whether they meet the provisions of this framework.
5. If a project fits into this framework, City staff will then develop a (preliminary) project plan and project budget for the Port Authority to review; their recommendation will be forwarded to the City Council for review and approval.
6. A public input process will be developed as part of the preliminary project review.
7. An approved preliminary plan/budget will lead into a final project plan and project budget that will be reviewed and approved by the Port Authority and City Council.
8. The project budget will include those resources that are identified as Partnership Funding Opportunities.

Glossary of Terms:

1. Blight – Determinable signs of physical deterioration; abandonment of properties; very low market values of buildings (compared to the land those buildings sit upon).
2. City's downtown investment fund – the City of Red Wing's funding that has been allocated to the "Downtown Conservancy" line item in the annual CIP budget with an estimated 2018 value of \$1 million.
3. Highest and best use – The reasonable, probable and legal use of property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.
4. Market rate housing – rental housing with no rent restrictions; the property owner is free to rent units at whatever price the local market will bear.
5. Mixed-income housing – rental housing with differing levels of affordability, typically with some market rate and some available to low-moderate income occupants below market rate.
6. Mixed use – a combination of residential, commercial, cultural or institutional uses that are physically and functionally integrated, typically with pedestrian connections; such combination of uses may be located within one building or within multiple buildings.

7. Philanthropic community – (a) Red Wing Shoes Foundation, (b) Jones Family Foundation, and (c) Red Wing Area Fund.

Pilot Program:

At the end of the 2-year pilot program, the primary partners will be responsible to evaluate this program, including a recommendation to the City Council whether it should continue. During the two years, a dashboard report will be developed and used on a quarterly basis.

Attachments:

1. Business Plan, Red Wing Downtown Investment Partnership, 1/08/18.
2. Action Plan, Downtown Red Wing, November 2009.

Red Wing Downtown District / Old West Main District 2040 Comprehensive/Community Plan

