



NEW HISTORY

AMERICAN LEGION MEMORIAL LIBRARY ADAPTIVE REUSE FEASIBILITY STUDY

106 Third Avenue North
South St. Paul, MN 55075

May 30, 2025



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South St. Paul, Minnesota**

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Prepared for:
City of South St. Paul

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EXECUTIVE SUMMARY

This Adaptive Reuse Feasibility Study was conducted to evaluate the feasibility and inform the reuse of the American Legion Memorial Library building located at 106 Third Avenue North in South St. Paul. This study was structured as a four-step process completed over nine months (September 2024 – May 2025) to evaluate the existing building in context and identify challenges confronting it as a redevelopment project. Key findings of each of the Steps follow in the body of this report. As a result of the study, the preferred outcome is a sale to a private real estate development entity for retention and reuse of the structure.”

In the first step, the property (including the building and site) was defined by a multi-disciplinary professional team who assessed its physical condition, historic nature, and neighborhood context. While in relatively good condition, the 11,840 SF building has some deferred maintenance: repairs are needed to reestablish a weather-tight building, and outdated equipment and utilities are near the end of their useful life. The building is relatively small for a redevelopment project, and staggered floor levels offer an opportunity in high-ceiling areas but with accessibility and circulation limitations. Due to its significant role in the community over many decades, the library is likely eligible for the National Register of Historic Places (NRHP), which would make it a candidate for Historic Tax Credits (HTC’s) or other historic-preservation based funding sources. The neighborhood is a blend institutional and residential context, with “C-1” zoning allowing many uses by right. Located on the top of a bluff, the site itself is subject to erosion and requirements of the Mississippi River Corridor Critical Area Program (MRCCA) regulated by the Minnesota Department of Natural Resources. The limited parking is unlikely to be resolved within the parcel.

In Step 2, the project team engaged community members, key stakeholders, private developers, and the City Council through a process of targeted outreach, meetings, and events, to solicit specific input to determine potential future uses. The community members provided feedback, both online and at in-person events, that there is strong public opposition to demolition; they also provided ideas for many desired uses, some more public-serving than others. A meeting with community stakeholders also supported retaining the building. While no specific single tenant or owner emerged, there was interest in a multi-tenant model, including non-profit and neighborhood-oriented tenants. To get a private market perspective, private developers were interviewed. Generally, they expressed reluctance to redevelop the building for speculative tenancy, but willingness to redevelop the site for City use, or if tenants were pre-arranged.

Informed by the engagement activities, options for the building reuse were defined in terms of potential tenant occupancy as well as models for future ownership. Categories of occupancy were analyzed to identify the building code implications on a redevelopment project, particularly their differences in accessibility, circulation, and plumbing counts. Scenarios outlining the city’s future involvement in the building, were summarized and presented as “Do Nothing”, “Hold and Maintain”, “Hire a Developer”, “Sell to a Developer With Conditions” and “Sell with No Controls.” A workshop with City Council identified the preferred path as a “Sale to a Private Developer with a

Development Agreement. This option was pursued in Step 3 to understand the financial feasibility of private development.

To begin Step 3, the project team developed scope narratives to outline three levels of a reuse project: “base building”, “tenant improvement – low benchmark”, and “tenant improvement – high benchmark”. Cost estimates were prepared for each scope and considered alongside conventional funding sources, potential grants and incentive programs, and approximate market conditions to produce a conceptual project budget (“sources and uses”) estimate. For any type of project, a funding gap is anticipated: this redevelopment project will require both conventional commercial real estate development funding sources (like developer cash and a loan), as well as public funding sources to fill the funding gap (like tax incentives and city support). A conceptual operating model was also created, demonstrating the potential for positive cash-flow at varying levels of success.

This Adaptive Reuse Feasibility Study can now be leveraged to achieve the desired redevelopment option: a sale to a private real estate development (“developer”) entity for retention and reuse of the building. In order to most effectively align private and public funding sources – as well as to build upon the momentum and outreach created by this process – we recommend that the city solicit and engage with a developer as soon as possible to cooperatively address the funding gap. In addition, the City can remove several key barriers to redevelopment prior to selecting a developer, such as:

- Commissioning the abatement of hazardous materials, which could utilize state funds, typically administered by the Department of Employment and Economic Development (DEED);
- Officially confirming eligibility for the National Register of Historic Places (NRHP), which could utilize grants from the Minnesota Historical Society and would bring access to state and federal historic tax credits for the reuse project;
- Define the long-term solution for parking in the area through parking shares or new structured parking.
- Identify and vet potential tenants that can pay the required rents and meet the needs of the community.

PROJECT OVERVIEW

The City of South Saint Paul has owned and maintained the American Legion Memorial Library building located at 106 Third Avenue North since its construction in 1927. After studying the feasibility of modernizing the building to facilitate its continued use as a library, the city decommissioned the building and constructed a new library in 2023. Following a 2023 citywide space needs study that revealed no clear governmental reuse of the building, the city requested proposals for redevelopment along with an incentive of a Minnesota Department of Employment and Economic Development (DEED) grant to be applied to the building's reuse. After that request received no responses, the grant was redirected to evaluate the feasibility of adaptive reuse options. In August 2024, a team of consultants led by New History was selected to complete this Adaptive Re-use Feasibility Study.

PROJECT GOAL

Through meetings with the City of South St. Paul staff, we understand that the goal is to arrive at a scenario in which the historic library is maintained as a community asset, through increased use and vitality, for generations to come. This Adaptive Reuse Feasibility Study assesses options for meeting this goal. The desired approach and requested scope of services, as stated in the Request for Proposals (RFP), included:

STUDY TEAM: assemble a reuse Study Team capable of providing public engagement, structural and building systems analysis, constructability, and potential business, retail, and housing development, and other specialties to support the analysis of the financial and practical/market feasibility of reuse options.

EXPLORATION, OUTREACH AND ENGAGEMENT: coordinate the work of the Study Team to become familiar with the community and site, articulate (early on) a proposed community, stakeholder, and "prospect" engagement strategy to the City, and identify and engage individuals and groups that will help inform the Study and its recommendations.

PHYSICAL CONDITION ASSESSMENT: synthesize and (if necessary) update the various building and systems condition assessments that have been conducted for the library to use as a "baseline" for understanding the building's fundamental opportunities and limitations. Please note that the referenced assessments are included as an attachment to this RFP and demonstrate that intensive physical assessment of the building and building systems is likely not necessary as a component of the Adaptive Reuse Study, although there may be gaps (Asbestos/Lead Paint survey, for example) in knowledge base that the consultant may identify as necessary to fill in order to support the study.

OPPORTUNITIES AND LIMITATIONS FOR REUSE: expand upon the physical condition assessments by evaluating the physical structure and site to identify opportunities and limitations of reuse of the building and property, including but not limited to historic standards and guidelines, occupancy, accessibility, capacity, construction type, etc. To the

extent applicable, undertake a thorough analysis of local and regional market conditions, trends, and service/amenity/experience gaps with the intention of framing the identification of viable reuse alternatives.

REUSE ALTERNATIVES IDENTIFICATION AND ASSESSMENT: build upon the findings from the physical assessment, stakeholder desires and expectations, and the opportunities and limitations for reuse to inform the identification of 3 or more distinct alternative end-uses for the Library.

FUNCTIONAL AND FINANCIAL FEASIBILITY: assess the economic and functional merits of all reuse alternatives and how each will meet the community's fundamental goal of facilitating or establishing a use that will create synergy with surrounding development, exude vibrancy and re-establish the building's preeminence in community life.

STUDY RECOMMENDATIONS: deliver findings and recommendations that clearly articulate and justify the most viable and attainable adaptive re-use option(s) for the building/site, and the implementation strategies, financing strategies, and partnerships required to pursue those recommendations.

PROJECT TEAM

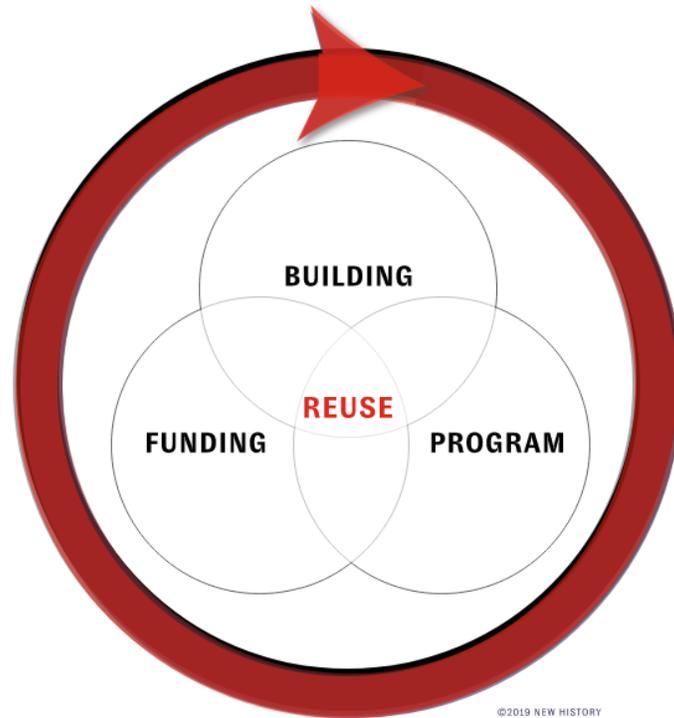
The consulting team was assembled and managed by New History. Subconsultant team members and their project contributions included:

- **HKGi:** Community engagement, publicly-led redevelopment analysis, urban planning, site planning
- **Windsor Engineers (Windsor):** Building systems analysis: mechanical, electrical, plumbing, fire suppression, and civil engineering
- **Meyer Borgman Johnson (MBJ):** Analysis of existing structural systems and capacity
- **Rockwise Strategies:** Constructability, cost estimating
- **Braun Intertec:** Hazardous materials assessment, environmental clean-up strategies and funding, tax increment financing analysis. For the Hazardous Materials Survey, Braun Intertec was retained directly by the City of South St. Paul. The report is included as an Appendix.

PROJECT PROCESS

New History has worked on nearly 350 historic building redevelopment and historic preservation projects in over 50 communities. Our company mission is to increase the use and viability of existing and historic buildings and sites, and our typical approach includes the following steps: 1) understand the building, 2) establish a use that fits within the physical, economic, and social context of the building, and 3) create funding pathways for reuse. Our process for achieving reuse feasibility is often circular and iterative, depending on the rapidly changing context of the market or

funding availability. For this project our approach was more linear, in order to achieve the city's prescribed outcome of three or more distinct alternative end-uses before the study completion date of May 31, 2025.



FEASIBILITY & REUSE STUDY PROCESS

The project process included four steps, occurring over the timeframe of approximately October 2024 to May 2025. The steps were:

- STEP 1)** Building Definition: Define the asset
- STEP 2)** Program Development (includes community engagement): Find opportunities for reuse
- STEP 3)** Project Funding: Test the opportunities within the market
- STEP 4)** Conclusions – Present the findings to City Council to inform decision making

STEP 1: BUILDING DEFINITION

INTRODUCTION

The following report section includes the results of “Step 1: Building Definition.” The purpose of this step was to develop a clear understanding and common definition of the building and site as a redevelopment opportunity, including both its assets as well as challenges for a reuse project. For readability, summaries of the historical analysis and existing condition assessments are included in the body of this report section, with additional information and complete consultant reports included in the “Appendices.”

Key activities

This Step of the project included the project kick-off, on-site observations, review of past reports about the building, historical research, as well as analysis by New History and subconsultants. Key meetings and dates are:

September 6 th , 2024	Project Kickoff meeting at City Hall with initial site visit.
September 25, 2024	Additional analysis by consultant team on site.
October 2, 2024	Full Team Meeting – Round Table Update.
October 16, 2025	Full Team Meeting – Preliminary Deliverable Review
October 21, 2024	Matterport scan completed. (https://my.matterport.com/show/?m=CA8WHQ8iXGY)
October 21, 2024	New History and HKGi presentation at City Council Meeting.
October 25, 2024	Draft Step 1 Report was issued.
November 8, 2024	City Staff review of Step 1 Report.
November 12, 2024	Meeting with city staff to outline engagement plan and schedule for Step 2.
November 22, 2024	Final Step 1 Report published.

STEP 1: SUMMARY

The first step of this study focused on reviewing, augmenting and interpreting information about the building and site in order to develop a technical baseline for evaluating reuse options. Broadly, this building definition is an assessment by the multi-disciplinary team identifying the historical significance, physical and neighborhood context, and condition of the building.

Key Findings

1. Due to the library's significant role as a community asset during the twentieth century, there is a high likelihood that the building is eligible for the National Register of Historic Places (NRHP), which can promote its preservation and unlock access to public and private funding.
2. The building site, at the top of the bluff, presents challenges to reuse. The Mississippi River Corridor Critical Area-regulated setbacks will limit additions, and may affect retention of the northeast parking lot. The bluff may also require a macro remediation strategy beyond the extents of the library site, and a partnership with the adjacent property owners may be needed.
3. The site's C-1 zoning designation allows for a wide range of uses, offering flexibility for both public and private reuse options.
4. The surrounding area includes a mix of residential, commercial, and public uses. This clustering of public destinations may open opportunities for complementary reuse options and partnerships with entities such as the City of South St. Paul, Dakota County, and the SSP School District.
5. The site has limited on-site parking with a total of six spaces, relying primarily on street parking and nearby public parking lot options.
6. The building is relatively small (11,840 SF) and, as a purpose-built library building, the configuration of spaces is specific to its former use.
7. The building's physical conditions are generally good, but suggest remedial work for reuse:
 - Brick masonry and steel lintel deterioration on the 1927 building is in need of repair.
 - Mechanical systems are aged and in need of updating units as well as some distribution systems, with options to retain some ductwork and piping.
 - Plumbing, electrical, and sanitary/sewer systems require upgrades for code compliance.
 - There is not a fire suppression system in place and most future uses will require this.
 - The cupola on the 1927 roof, constructed mostly of wood, is weathered and in need of maintenance, with replacement of some wood necessary.
 - The structural systems are in fair to good condition, with the exception of water-related damage noted.
8. The hazardous material survey and sampling identified asbestos-containing materials (ACM's) and lead-based paint in the building. While these do not appear prohibitive to reuse, they will require appropriate budgeting and careful planning for their treatment.

PREVIOUS REPORTS AND DRAWINGS

The City of South Saint Paul and Dakota County have commissioned studies and assessments of the American Legion Memorial Library and the surrounding area for nearly a decade. The purpose of this report is to synthesize all of this previous work and define the future use of the building through program development and evaluation involving the private market.

The following studies informed this project:

- Library Assessment and Planning Study (LSE Architects, 2016)
- Library-Historic Society Shared Use Study (2018)
- Library Programming Study (2021 – appendices include assessments of existing facility infrastructures)
- 2040 Comprehensive Plan
- Southview Hill Plan
- Concord/Grand Avenue Gateway Streetscape and Redevelopment Plan
- Hardman Triangle Redevelopment Strategy
- Economic Development Strategy
- Master Housing Assessment and Strategy
- SSP Municipal Facilities Master Plan & Needs Analysis

In addition, the following drawing sets were used as references:

- Original Library Building (Ellerbe and Company Architects, dated 10/06/1926)
- South St. Paul Library - Additions and Alterations (Ellerbe and Company Architects, dated 03/02/1964)
- Remodeling Plans for South St. Paul Public Library (Unknown, dated 09/18/1979)
- South St. Paul Library - Elevator Addition (Krech, O'Brien, Mueller & Wass, Inc, dated 12/18/1995)
- South St. Paul Library – Library Garage Remodel (Krech, O'Brien, Mueller & Wass, Inc, 11/02/1998)

ASSESSMENT SUMMARIES

BUILDING HISTORY AND HISTORICAL SIGNIFICANCE

For a property to be listed in the National Register of Historic Places (NRHP), it must 1) demonstrate **historical significance** by meeting at least one of the National Park Service’s (NPS) Criteria for Evaluation *and* 2) retain **historic integrity**.

The NPS Criteria for Evaluation define historically significant properties as properties:

- A. That are associated with events that have made a significant contribution to the broad patterns of our history; or
- B. That are associated with the lives of persons significant in our past; or
- C. That embody the distinctive characteristics of a type, period, or method of construction, or that represent the work of a master, or that possess high artistic values, or that represent a significant and distinguishable entity whose components may lack individual distinction; or
- D. That have yielded, or may be likely to yield, information important in history or prehistory.¹

Generally, only buildings fifty years of age or older are eligible for the NRHP.²

Historic integrity is a property’s ability to convey its historic significance through its physical materials and features. NPS defines seven aspects, or qualities, of historic integrity: location, design, setting, materials, workmanship, feeling, and association. According to NPS, “to retain historic integrity a property will always possess several, and usually most, of the aspects.”³

Based on our research, the American Legion Memorial Library appears to be **historically significant under NPS Criterion A** for its role in community education and civic life. As the city’s only public library from 1927 until 2023, and a public event space until at least 1952, the building appears to have played an important role in community education and recreation. Because the library continued in this location through 2023, the **property’s historic period (“period of significance”)** would be **1927 until 1975**, fifty years from the year in which a NRHP nomination could be submitted (2025), to account for the “50 year” rule. The building appears to **retain historic integrity** to convey its historic significance from this time period, including integrity of location, setting, design, materials, workmanship, feeling, and association.

Character-Defining Features

Because the property’s potential period of significance is 1927 – 1975, **all features present by 1975 should be considered “historic,” including the 1965 addition**. “Character-defining” elements are those historic features and materials that express the historic significance of a resource

¹ National Park Service, *How to Complete the National Register Registration Form*, 1997, <https://www.nps.gov/subjects/nationalregister/upload/NRB16A-Complete.pdf>, p. 37.

² National Park Service, *How to Apply the National Register Criteria for Evaluation*, rev. 1997, https://www.nps.gov/subjects/nationalregister/upload/NRB-15_web508.pdf, p. 42.

³ National Park Service, *How to Apply the National Register Criteria for Evaluation*, rev. 1995, p. 44, https://www.nps.gov/subjects/nationalregister/upload/NRB-15_web508.pdf.

and contribute to its historic character. While all elements installed by 1975 are historic, not all historic elements rise to the level of “character-defining”. The following is a list of **character-defining** elements present at the library. These elements should be considered and prioritized for retention, to the extent feasible, in a reuse – if retention of the historic character is desired or required by specific funding sources.

Exterior

- Existing massing and footprint of 2-story, gable-roofed 1927 building with 1-story, flat-roofed 1965 addition
- Brick façades with stone detailing
- Projecting entrance vestibules and primary entrance locations at the west façade
- Colonial Revival design, including:
 - Symmetrical design of primary (street-facing) west and south elevations
 - Arched window and door openings⁴
 - Classical detailing at primary entrances, including presence of columns, pilasters, fanlights, and sidelights⁵
 - Presence of multi-light windows with hung appearance⁶
 - Dentiled wood cornice at 1927 building and presence of cornice at 1965 addition⁷
 - Cupola at 1927 building

Interior

- **Spaces and Sequence of Spaces.** Primary spaces are those that are most important to the building’s historic character and are usually associated with a building’s primary purpose. Sometimes, these are the most public spaces, and may be the spaces with the highest level of architectural detailing in a building.⁸ At this building, primary spaces include:
 - Primary entrance vestibules at the 1927 building and 1965 addition
 - First level reading room (originally the juvenile, delivery, and reading areas) at the 1927 building
 - First level children’s room (originally the reference room) at the 1927 building
 - First level reading room at the 1965 addition

The open plan and volume of the reading rooms are character-defining features of this building. The sequence from entry vestibules to reading rooms at both the 1927 building and the 1965 addition is also a character-defining feature.

⁴ Note: arched window openings at the former garage at the 1965 addition were installed in 1999 and are not historic; therefore, these are not character-defining features.

⁵ Metal cladding at columns and pilasters and existing fanlights and sidelights are not historic.

⁶ Existing windows are not historic and function as sliding rather than hung windows.

⁷ Existing metal cornice at the 1965 addition is not historic.

⁸ “Identifying Primary and Secondary Interior Spaces in Historic Buildings,” National Park Service, last updated June 6, 2024, <https://www.nps.gov/subjects/taxincentives/interiors-identifying-primary-secondary.htm#office-buildings>

- **Level of Finish.** With the exception of a few back-of-house mechanical rooms, and the exposed brick walls at the 1965 addition reading room, the historically finished character of the building is a character-defining feature of the library.
- **Finishes and Features.** Those finishes and features considered character-defining include:
 - Ornamental plaster elements such as the plaster niche, pilasters, and crown molding in 1927 reading room
 - Fireplace in 1927 building first level reading room
 - Decorative wood trim, such as baseboard, picture rail, and window and door frames/casings
 - Decorative wood built-ins, including paneled wood window stools/radiator covers and wood bookshelves⁹
 - Wood entrance systems at the 1927 building and 1965 addition
 - Paneled wood doors at the 1927 building and multi-light double wood doors at 1927 interior entrance¹⁰
 - Slate baseboard (1927 building and 1965 addition) and window stools (1965 addition)¹¹
 - Terrazzo floor and stairs in the 1927 entrance vestibule
 - Quarry tile in the 1965 entrance vestibule

⁹ Bookshelves at the 1927 reading room are historic, though some have been modified. It is unknown if the remainder of the shelving in the building and addition is historic.

¹⁰ Flat slab wood doors in hollow metal frames appear likely to date to the period of significance; however, these are not character-defining features.

¹¹ The extent of slate baseboard remaining in the building is unknown at this time.

NEIGHBORHOOD CONTEXT

Analyzing the site and neighborhood context of the former South St. Paul Library building is a crucial step in evaluating the building's reuse options. This analysis involves examining the current conditions of the site, adjacent streets, and the surrounding neighborhood, including the existing and future land use patterns, zoning, current occupancy, parking, and the neighborhood's public institutions and property ownership. By analyzing the neighborhood context, the City can develop an understanding of the building's reuse potential, ensuring that the reuse options align with the site and zoning requirements. This approach can also foster a sense of place and continuity within the neighborhood. The following are key points and takeaways from this step.

Key Findings

Site Conditions

The former library building is owned by the City of South St. Paul, located on a corner lot at the intersection of Third Avenue North and Marie Avenue. The lot is 20,477 square feet with a building footprint of 11,840 sq ft. There is a driveway and parking lot to the rear of the building. The site and building are a prominent historic marker of South St. Paul's Concord/Grand Avenue Gateway area and the Marie Avenue corridor.

Neighborhood Public Institutions and Property Ownership

The surrounding area includes a mix of residential, commercial, and public uses, such as city facilities and offices, school facilities and offices, library, museum, community center, parks, and senior housing. This clustering of public destinations may open opportunities for complementary reuse options and partnerships with entities such as the City of South St. Paul, Dakota County, and the South St. Paul Public (SSP) School District.

Building Occupancy Along the Third Avenue and Marie Avenue Corridors

Since the former library building sits at the corner of two key corridors for the neighborhood and community – Third Avenue/Grand Avenue and Marie Avenue – it is helpful to understand the current occupancy of buildings along these two corridors. While both corridors are home to a majority of the community's public institutions, Marie Avenue is also a commercial corridor. The mix of building occupancies along Marie Avenue in terms of square footage is dominated by offices, funeral services, and healthcare/social services (70%), rather than restaurants and retail businesses. In recent years, the Marie Avenue corridor has a history of frequent turnover of businesses. The types of commercial uses along these two corridors serves as an indicator of the types of potentially successful reuses for the former library building.

Zoning and Land Uses

The property is designated for Mixed-Use in the Comprehensive Plan's future land use and is currently zoned as C-1 Retail Business District. The zoning designations align well with the zoning code, reducing potential procedural barriers and allowing for a wide range of uses, offering flexibility

for both public and private reuse options. However, several uses in the C-1 district require a conditional use permit (CUP), which can introduce time and financial challenges. Since it is a city-owned building, there may be more opportunities for open discussions if there is a reuse proposal that requires a CUP.

Mississippi River Corridor Critical Area (MRCCA)

The former library site is located within the Mississippi River Critical Corridor Area (MRCCA), specifically the Critical Area – Separated from River (CA-SR) District. MRCCA imposes additional development regulations to protect the bluff and surrounding environment. These regulations include building height, setbacks, and structure placement, which must be carefully considered in any future redevelopment plans.

Two key standards that will impact potential redevelopment of the site are: no structure or impervious surface is allowed within the bluff impact zone, and a minimum 40-foot setback from the top of the bluff is required for all structures. This setback prevents any expansion of the building closer to the top of the bluff. Although a survey is needed to delineate the top of the bluff, aerial images and the physical orientation of the building and parking area suggest they may be encroaching into the minimum setback area, making the existing building legally non-conforming. Since the existing building and parking area also encroach into the bluff impact zone, any building expansion is prohibited. Consequently, these regulations will significantly limit potential site modifications or expansions of the building. Therefore, any potential reuse proposals should primarily focus on interior improvements and modifications.

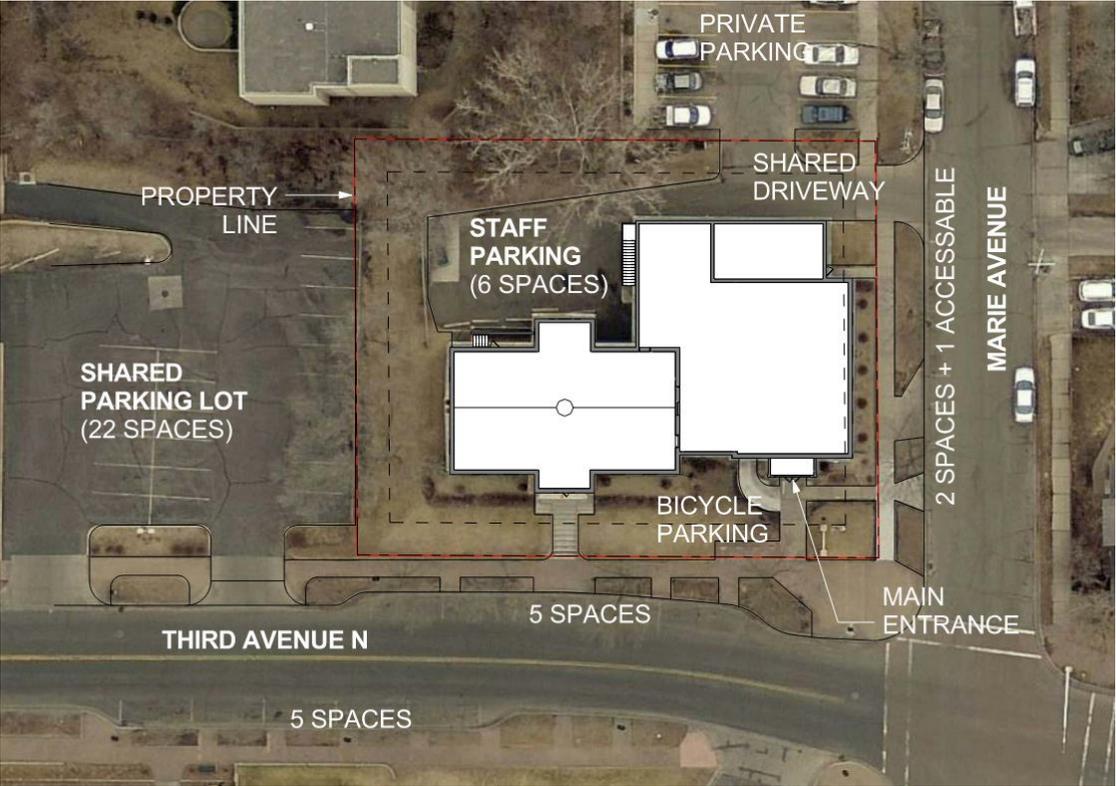
Pedestrian and Parking Conditions

The site sits on the corner of Third Avenue North and Marie Avenue. Third Avenue is designated as a Major Collector Road, which emphasizes mobility over land access – resulting in Third Avenue being a through-street at Marie Avenue. Pedestrian safety could be improved by changing the Third Avenue North and Marie Avenue intersection to a controlled intersection, more visible pavement markings, pedestrian-activated flashing lights at crosswalks, and raised crosswalks. In terms of parking, the site has limited on-site parking with a total of only six spaces, relying primarily on street parking and nearby public parking lot options. Since the reuse of the former library may rely heavily on off-site parking, it could be beneficial to clearly mark on-street parking spaces with pavement marking and signage.

Relevant Plans and Studies

Insights from the 2040 Comprehensive Plan, Southview Hill Area Study, and Concord/Grand Gateway Streetscape and Redevelopment Plan emphasize the importance of pedestrian safety, connectivity, and the potential for creating a desirable neighborhood commercial and civic district. These plans inform and highlight the implications for the library's reuse including nearby community amenities, limitations to traffic volumes in the area, and importance of retaining the character of the neighborhood.

PHYSICAL CONDITIONS



Site plan of existing conditions by LSE from the 2016 Library Assessment and Planning Study

This section provides summaries of consultant observations and analyses. For additional information and complete consultant reports, see Appendices.

Civil and Site

The majority of the parcel’s existing site is in acceptable condition, but there are areas that may warrant improvements at the time of any reuse project. The parcel's Third Avenue North frontage is in acceptable condition, and it does not appear that improvements would be required. The existing sidewalk along the Marie Avenue frontage appears to be in acceptable condition, but the existing curb and gutter and pavement condition along Marie Avenue may require replacement or repair if the city requires half-width right-of-way improvements. The entrance to the library’s addition appears to meet accessibility (ADA) requirements, but the entrance to the original library does not currently meet ADA requirements with the absence of a ramp.

The existing pavement in the rear parking area appears to be in acceptable condition, but there appears to be issues with the current stormwater management that may be impacting the adjacent bluff and contributing to some cracking in the existing asphalt near the edge of the paved area. Repair of the existing curbing, and possibly the addition of a stormwater catch basin and piped connection to the lower parking area, may be required to successfully manage stormwater in that area of the parcel.

As noted in the neighborhood context, the parcel extends into the MRCCA’s 40-foot

structure setback and bluff impact zone. An expansion of the existing library or other structure into the rear parking area is not feasible given these setbacks. However, repair and improvements to the existing impervious surface throughout that area are allowable.

Architectural

The historic library building maintains its stoic prominence as an institutional building, designed in the Colonial Revival architectural style. Constructed in two phases, the 1927 original structure and the 1964 addition, it is in generally good condition, with the exception of an aging envelope. In total, the building is relatively small (11,840 SF) and, as a purpose-built library building, the configuration of spaces is specific to its former use. As a matter of permitting, alterations to the building will most likely need to comply with the Minnesota Conservation Code for Existing Buildings and other applicable building codes. While some exceptions apply to historic buildings, they must generally comply with basic safety, structural and accessibility requirements.

In the assessment of the library, there are a few primary areas of concern in the condition of the building envelope. First, at the 1927 structure, there is damage to the brick façade below the first level and rust-jacking is evident at the steel lintels due to water infiltration. It is suspected that the non-original aluminum windows were improperly installed and will require replacement. At the 1964 addition, there is evidence of minor leakage through the flat roof. Repair to other exterior finishes and cleaning would improve the longevity of the exterior.

The interior of the building shows signs of wear. Most evident, the finishes are in disrepair at the inside of exterior walls where water infiltration has occurred. Due to their condition and configuration, the restrooms will likely need to be completely redone for a new occupancy. At the mezzanine level within the 1964 addition, the railing balusters are spaced further apart than code minimums and will need to be addressed, but may also have historic considerations depending on the reuse.

Structural

Through visual observation of the building, along with review of limited documents available, there were no signs of distress, and previous structural work was evident. Areas of interest from this assessment and observed conditions are outlined as follows, while further detail including recommendations for remediation are included in the Structural Appendix.

- Given the previous use of the spaces and original load criteria stated in the 1964 drawings, we anticipate that the floor structures used as library spaces were designed for a minimum of 100 pounds per square foot, which will accommodate many potential reuse programs.
- On the north side of the original 1927 building, and extending to the west and east side, there was visible movement of the brick façade. In addition to movement of face brick on the exterior, there were signs of moisture or exposure to moisture at some of the basement walls and windows in the 1927 structure. Aside from the recommendations above for the replacement of lintels, there are structural concerns with this condition.

- In limited areas where existing structural steel was visible, some light surface corrosion was noted.
- The roof is in fair condition, but does not appear to have been designed for snow drift loads that are required by current codes for roof areas adjacent to a higher roof.
- We recommend that the existing steel framing be painted to prevent further corrosion and that the presence of fire resistance inside the structure be confirmed and added where it is not currently provided.
- A full accounting and review of the adequacy of structural configurations would require selective demolition and further investigation.

Mechanical

The building's mechanical systems are generally outdated and in need of replacement. The system includes an aging gas-fired boiler, located in the basement of the 1927 section, which serves hot water distribution to air handling units and radiators across multiple floors. The boiler, approximately 30 years old, is nearing the end of its life and should be replaced if hot water continues to be used. The air handling unit in the 1927 section, which provides heating and cooling, is also outdated and does not meet current energy efficiency standards. A newer rooftop unit installed in 2006 serves the 1964 addition. Ductwork throughout the building is largely inaccessible or damaged, and the control system is antiquated and partially disconnected. It is recommended to replace the boiler, air handling unit, and control system while assessing the condition of piping and ductwork for potential updates or abandonment.

Plumbing

The building's plumbing system includes four single-occupant restrooms, each with a wall-hung toilet and lavatory sink, and two janitor sinks. The building is supplied with domestic cold water via a two-inch main entering from the west side of the 1964 addition, with water hardness averaging 18 grains per gallon and water pressure at 65 psi. The condition of the existing piping is unknown and requires further testing. Hot water is supplied by a 10-gallon electric water heater, manufactured in 2004, which serves the lavatories in the restrooms. However, there are no thermostatic mixing valves installed, and the domestic water and sanitary waste piping do not comply with ADA standards, which may need to be addressed if the restrooms are to be used in the future. The building's sanitary sewer system is served by a four-inch main entering from the east side of the original building, though an exterior drain in the basement, located below grade and adjacent to the parking area; this condition introduces debris into the system and should be disconnected. The storm drainage system includes gutters and downspouts for the original building and roof drains with heat trace for the 1964 addition to prevent ice dams. A gas meter on the north wall of the original building feeds a two-inch gas main into the structure.

Fire Protection / Sprinkler System

There is no existing fire protection system in the building. It is currently only being served by a fire alarm system.

Electrical

The building electrical assessment concludes that all primary systems—including the main service equipment, distribution panels, conductors, and lighting—are failing and must be fully replaced to meet current safety, performance, and compliance standards. The electrical service is outdated and non-compliant, distribution panels are nearing capacity with scarce replacement parts, conductors contain aged cloth insulation that poses fire hazards, and lighting consists of obsolete fluorescent and incandescent fixtures with unreliable exterior controls. However, the fire alarm system (installed in 2014), IT/low voltage infrastructure, and security systems are in good condition and do not require replacement at this time.

Hazardous Materials

From October 3 to October 7, 2024, Braun Intertec completed a non-destructive hazardous building inspection to identify asbestos-containing materials, lead-based paint-containing building materials, and/or regulated building materials. The results of the October 2024 Inspection are summarized below.

Asbestos-Containing Materials (ACMs):

Building	Functional Space	Homogeneous Material Description	Est. Quantity	Units ¹
1927	Exterior, North facing wall	Grey hard caulking around windows	1,195	LF
1964	Exterior, West facing wall	White/grey caulking around windows	530	LF
1964	Interior, Reception area, lower level	Black mastic under carpeting	275	SF
1964	Interior, vinyl flooring walkway, lower level	Black mastic under flooring	400	SF
1964	Exterior, Roof	Black seam sealer	110	LF
1927	Exterior, Roof	Black layer parapet caulk	200	LF
1927	Interior, basement	Gray fibrous TSI pipe insulation, 4-inch diameter	100	LF
1927	Interior, basement	Gray/white fibrous TSI fittings	25	LF
1927	Interior, basement	White fibrous TSI pipe insulation, mesh wrap, and silver wrap	50	LF
1964	Lobby and mezzanine	9-inch by 9-inch floor tile, gray	200	SF
1927	Bathrooms and basement	9-inch by 9-inch floor tile	100	SF

Lead-Based Paint-Containing Materials (LBP):

Building	Location	Color	Substrate
1927	West large window exterior, lower pane	White	Metal
1927	West large window exterior, lower pane	White	Metal
1927 & 1964	Wood molding crown, main entrance door and windows	White	Wood
1927	Molding brown and security windows at front entrance	White	Wood
1927 & 1964	West exterior, SW corner, Pipe Cover	Red/Orange	Metal
1964	SW Large window exterior lower window pane	White	Metal
1964	North large window, lower pane, On 1927 section	White	Metal
1927	7'x4' Top window trim, east side exterior	White	Metal
1927 & 1964	Corner wall guard	Red	Metal
1964	SW Column Casing at west main entrance	White	Metal
1927	Little Reading Room, vertical trim on both sides of window	Red	Wood
1927	Little Reading Room, vertical trim on both sides of window	Green	Wood
1927	Little Reading Room, book shelving, Horizontal All Shelves	Brown	Wood
1927	Little Reading Room, door frame to room	Yellow	Wood
1927	Main room, east wall, book shelf, horizontal	Yellow	Wood
1927	Main room, east wall, book shelf, vertical	Yellow	Wood
1927	E wall, SE window, vertical, wall paneling	Yellow	Wood
1927	E wall, SE window, vertical window trim	Yellow	Wood
1927	E wall, SE window, floor trim around air vent	Yellow	Wood
1927	W wall, NW window, vertical wall panel	Yellow	Wood
1927	W wall, NW window, vertical window trim	Yellow	Wood
1927	W wall, NW window, flat trim around air vents	Yellow	Wood
1927	N wall, horizontal panel above bookcase, 3" overpaint	Yellow	Wood
1927	West 2nd floor, entrance, interior, door trim	Yellow	Wood
1927	S Section 2nd floor, west wall, NW window, vertical trim	Yellow	Wood
1927	S Section 2nd floor, west wall, NW window, flat trim around air vents	Yellow	Wood
1927	S Wall, center, 2nd floor, vertical panel below windows and vents	Yellow	Wood
1927	Basement, book room, S wall, wall trim, 3" Horizontal trim, 3' off of floor	White	Wood

STEP 2: PROGRAM DEVELOPMENT

INTRODUCTION

The following report section includes the results of “Step 2: Program Development.” The purpose of this step was to explore uses that fit within the physical, economic, and social context of the building. This Step followed and was informed by Step 1: Building Definition, which aimed at gathering information about the existing building. For readability, summaries of the activities and tools are included in the body of this report section, with additional information included in the “Appendices.”

Key activities

This Step of the project included community engagement activities, outreach to the public, stakeholders and developers, evaluation of ownership and occupancy options, and defining a scope of work for renovation. Activities during this phase included:

October 5, 2024	Public Engagement - On the Road Again Booth & Survey
November 2024 - February 2025	Development of Ownership and Use Options
December 12, 2024	Stakeholder Meeting (public, private, community leaders)
January - February 2025	Private Developer Interviews
February 10, 2025	City Council Work Session
February 27, 2025	Public Work Session at American Legion Memorial Library

STEP 2 SUMMARY

Step 2 of this reuse study was focused on answering a question that has limitless hypothetical answers, but few practical ones: “how can the building be used?” In this context, the use of a building includes both the occupancy or physical use of the space as well as the operating model. In other words, not only “what can it be used for”, but also “who will own and operate it?”

This Step included both public and private outreach. Outreach was conducted concurrently with the local community, local stakeholders, and private developers. This provided an array of perspectives, ranging from public input on what might be compatible or even desired by the surrounding community, to an informed real estate assessment of what could be financially viable.

To inform next steps by the City, this Step also included the development of possibilities for ownership and operation of the space. This evaluation was designed to inform a scope of work for renovation.

Key Findings

This step resulted in significant feedback in various forms. While the appendices offered detailed information about the feedback, the key takeaways can be summarized as:

1. **Community Engagement:** The local public, or the community of South Saint Paul, generally supports the reuse of the library, especially the original 1927 building, and offered many ideas for occupancy. Strong opposition to demolition was voiced, and while the public would enjoy continued access to the inside, there was acknowledgement that that may not be practical. Ideas for occupancy had themes of public/community/recreational use, including youth and teen, event, restaurant/coffee, and other commercial/office uses.
2. **Stakeholder Engagement:** Community leaders and representatives are supportive of reusing the library, and suggested its biggest assets are its central location, historic architecture, and community support. However, they acknowledged the limitations of private ownership and the challenges found in Step 1. Some stakeholders expressed interest in leasing space in the building if it were developed, but there was little interest in building ownership or developing the site. There was general agreement that nomination to the National Register of Historic Places (NRHP) may not be beneficial at this time.
3. **Private Developer Interest:** Private developers were intrigued by the property, but all cited market conditions as a barrier, and most were not interested in taking on development of the property. While the best option for reuse was not clear to these developers, there was willingness to discuss involvement if there were tenant commitments.

4. City Council Work Session: Finding a path to reuse is a priority for the City Council. There is little to no support for long-term City ownership of the building, especially for City use. Rather, a transfer of ownership and operation is preferred. The City Council expressed an interest in offering incentives to make the sale of the building more attractive to potential developers. However, a desire to sell does not guarantee that the market will provide a willing buyer.
5. Reuse Options: options for occupancy are numerous, but if a sale to a private owner is preferred, the specific use may remain uncertain. However, evaluating reuse options strategically can inform aspects of redevelopment. Evaluation of access, circulation, building code requirements, and required plumbing fixtures per occupancy was performed in Step 2, and serves to inform Step 3.

COMMUNITY ENGAGEMENT

Throughout the project, the community was invited to participate in the reuse study, both indirectly and in-person. Through its project website and quarterly newsletter, the city kept the public informed of project updates and opportunities to be involved. The project team hosted two events to gather feedback and answer questions from the public. This community input has informed the project team, city staff, city council, and conversations with private developers about future development of the historic library building.

Community engagement started in October 2024 with the hosting of an informational booth at “On the Road Again.” The purpose was to understand the community’s perceptions of the library, their ideas for reuse, and their questions. An online survey (summarized in Appendix I) was available after this event and stayed open through November of 2024, collecting additional responses as individuals learned more about the project. Overall, the survey received 103 responses and generated 71 unique reuse ideas.

Online Survey Questions:

1. Do you live in South St. Paul?
2. What are your favorite features of the former historic South St. Paul library building and the site? (i.e. historic brick, columns, landscaping, windows, etc.)
3. Share your ideas for the future reuses of the building and adjacent area! How do you see this historic building being used in the future to better support the community?
4. Share any concerns about future reuse! Questions, comments, or concerns about possible future reuse ideas?
5. What additional amenities or improvements, if any, would you suggest for the historic South St. Paul building or site to better support the community’s needs?
6. Do you have any other suggestions or comments about the former library reuse study?

Several themes emerged from the responses: the library building holds intangible significance to the community and there is strong opposition to demolition, especially the original 1927 portion. At a minimum, the community would like to see the building’s exterior architecture preserved. Key building features that respondents expressed an attachment to were: brickwork, windows, columns, fireplace, and children’s area.

Generally, the community responses suggest interest in seeing the building occupied. Most respondents were open to a diverse range of uses, with a slight preference for those that allow the building to remain open for public access. Uses that members of the community expressed to be undesirable included a cannabis dispensary or liquor store, a haunted house, an escape room, and apartments or condos.



Figure 1: Of the 146 suggested reuse ideas, many aligned along key themes. This word cloud is a visual representation of these themes

Community Engagement Activity	# Responses	# Ideas Generated
On the Road Again (Oct. 4 th)	104	38
Online Survey (Oct – Nov)	103	71
Farmer’s Market (Oct 23 rd) and Senior Citizens’ Thanksgiving Dinner (Nov 14 th)	64	37
Total	271	146

Figure 2: In total, the project team received input from 271 individuals, generating over 146 ideas

Spring Update: Open House at the Library

At the end of February 2025, the public was invited on a Thursday evening to the historic library for a project open house. Approximately 25 people attended and walked through the library. Eight printed boards (Appendix M) provided a project update including information about the building’s history, condition, input received from outreach to the public, community stakeholders and private market, approach for analyzing occupancy, ownership, and pricing for rehabilitation options.

With this community engagement taking place at the same time as the stakeholder and private developer feedback, the community was provided a second public opportunity to engage with the study and its findings. Conversations with private developers and a non-profit organization in Minneapolis made two things apparent: the library would greatly benefit from a local champion, and the redevelopment project needs committed tenants, preferably local ones. The community members in attendance at the February 27th meeting were asked for input on those focused topics with two prompts:

Prompt #1

What reuse idea would inspire support for investment and ownership in the building? For example: List specific local champions, philanthropists or organizations that would be a good collaborator!



Prompt #2

Do you have ideas for overcoming the challenges of reusing the building? Share your thoughts here!

Figure 3: Prompts for feedback at Community Update held at the historic Library

A question asked of many in-person attendees: “Who do you know that would rent this space?” led to suggestions of a creative office (like an architectural firm), an art/cultural center (like Hastings Art Center), an affordable multi-purpose event space for the community, a fitness center, a bookstore, and a coffee/donut shop. While most of the reuse ideas suggested at this event were not new, there were a few new ones, and attendees were engaged with the information. There was also interested building operators and a potential developer in attendance.

Ideas from comment cards are shared below:

Prompt #1: Reuse Ideas

1. Art/cultural center (2)
2. Youth center (1)
3. Small space rental; rent out rooms or areas for parties/gatherings/receptions at reasonable rates; rental hall; A building with meeting/open spaces (e.g. meeting space for home-schoolers) (4)
4. Community fitness center (1)
5. Dance hall (1)
6. Multi-use building; multi-use commercial; mixed coffee/donut/ice cream shop (4)
7. Bookstore; Half Price Books (2)
8. Parks & Rec event space; rental items space like e-bikes and other equipment (1)
9. Office (1)

Prompt #2: Local Organization/Champion Ideas

1. Hold a County and/or Chamber meeting for potential tenants

STAKEHOLDER ENGAGEMENT

With assistance from the City, a list of local stakeholders was compiled, including County and City staff, the County Commissioner, State Representative Hansen, the Mayor, the school district, and Neighbors Inc. (a local non-profit). The project team met with this group for a special stakeholder meeting in December 2024 to solicit feedback and spread awareness of the building reuse study. Findings from Step 1 were presented (See Appendix J), and the following questions surrounding reuse were discussed. A brief outline of the discussion prompted by each question is included below.

1. *What are the key assets and challenges that you see for reusing the library building?*
 - The property's central location and accessibility are key assets.
 - Its unique historic architecture is an asset to the building as well as the community.
 - Eligibility for Historic National Register is both an opportunity for private redevelopment incentives as well as a perceived challenge of complying with the standards and saving the 1964 addition.
 - The community expresses a strong bond with the library, many having memories of the building.

2. *The library has limited parking on the site, so must rely primarily on street parking. How far do you feel people are willing to walk before the parking situation becomes a deterrent for future reuses?*
 - It was suggested that people may be willing to walk up to 2 blocks for an attractive use such as a good restaurant or event center.
 - A new parking lot or ramp on the site would be challenging and doesn't seem likely.

3. *This property is zoned C-1, Retail Business District, which means that it can be used by a private owner for a wide variety of uses. Are there any C-1 uses that you feel are more or less desirable than others?*
 - Uses that were suggested as compatible with the community included:
 - o Community services
 - o Cultural or Recreational center
 - o Non-profit organization
 - o Residential (although there were public comments to the contrary, too)
 - o Small restaurant (bakery, café, donut shop)
 - o A mix of tenants and uses
 - There was discussion that some of these uses would have been more suited if the City were to retain the building. However, this case was already evaluated and not considered viable by the City.

4. *The library building is relatively small, with some accessibility issues at the entries and internally. How important is it for the community to have access to the interior of the building, or is it more important to see the building saved and be able to say "that used to be our library"?*
 - It was noted that the community has had fair opportunity to ‘say farewell’.
 - Certain uses or programs could provide the opportunity for the space to remain public.
 - Preservation of building is more important than public interior access, and it was suggested the community would be okay with not having public access as long as the building was saved.

5. *The building is located in an institutional and residential neighborhood, with a variety of city, county, and school institutions in close proximity to each other. What are some possible expansions, complementary uses, or potential partnerships with existing institutions and agencies in the neighborhood?*
 - Many public entities expressed interest in leasing space if the building is redeveloped, but none would occupy the entire space.
 - The City would consider continued investment in maintenance and operations if needed.
 - Precedents discussed, such as Emerge in Minneapolis and other housing projects that retained a public use.

6. *Our experience suggests that to overcome the challenges associated with building reuse, a successful public project often has local champions. Who might be the champions for preserving and reusing the library building? Are there any foundations or philanthropists in the area that may be interested in this effort?*
 - The group brainstormed a variety of opportunities for partnerships and philanthropists, with a few ideas, though no obvious candidates emerged.
 - Conversation identified a “Chicken or the egg” situation, with the need for either a strong reuse with enough momentum to attract an investor, or an investor willing to make their reuse idea a reality.

7. *The National Register of Historic Places (NRHP) is our nation’s list of places worthy of historic preservation. This building is likely eligible for historic designation. Do you think that this building should be listed in the NRHP? Is the NRHP an important honor for the community?*
 - If redeveloped into an income-producing property, listing, would provide eligibility for grants and historic tax credits.
 - If designated while City-owned, there are potential constraints on sale or redevelopment of the property.
 - Discussion tended toward the general opinion that now may not be the appropriate time for designation.

8. *Who would object if demolition of the 1964 addition were proposed by a building owner?*
- Discussion suggested the 1927 portion is more important and beloved by the community than the 1964 addition.
 - However, the 1964 addition, by design, provides accessibility as well as square footage that could make the building size more viable (it is already seen as ‘small’ by developers)

In summary, the meeting was an active discussion with a wide representation of local stakeholders, providing perspective that can be considered in the reuse of the building. In general, there was interest and opinion on what the building may become, but not necessarily a strong pitch for use by any one group or type of occupancy.

PRIVATE DEVELOPER OUTREACH

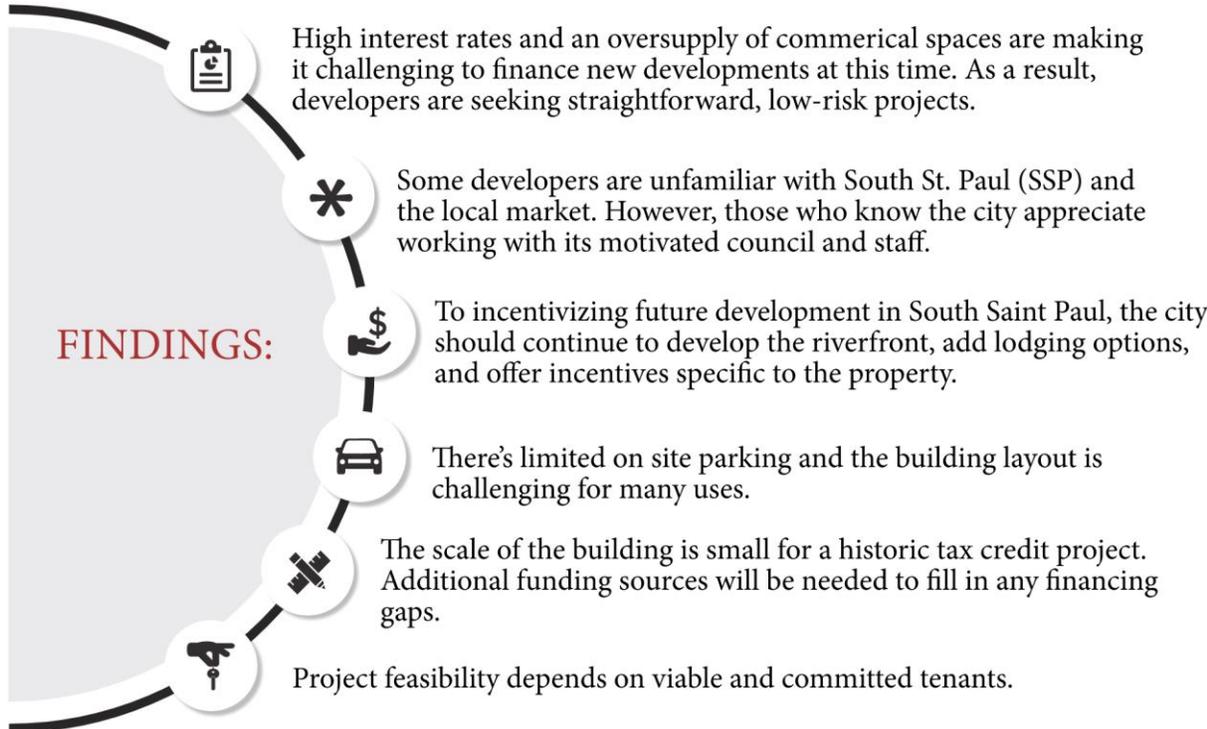
Previous studies found that the library space did not fulfill a public need, so the idea of private ownership was introduced. A request for proposals was issued in late 2023 offering the property for private development, and expired without response.

The purpose of the Developer Outreach was to obtain informal feedback from the real estate development community to evaluate the private market response to the site as a financial asset and redevelopment opportunity. First, over a dozen local and regional developers with the capacity and experience to complete a privately-led redevelopment were identified by New History. These developers were provided with a summary of the property (Appendix K). Then, New History conducted interviews to determine private market barriers and opportunities, and potential interest in privately-led redevelopment.

Developers were asked:

1. Would you be interested in redeveloping this property? Why or why not?
2. As an owner or fee-for-service developer?
3. What are the top three things that the city of South St. Paul must do in order to prepare the site for redevelopment?
4. What uses would you target for the site?
5. Do you know other developers that would be interested?
6. In general, would you do a project in South St. Paul? Why or why not?

Key Takeaways:



Note: takeaways are neither representative of the entire market, nor the opinion of New History.

OPTIONS DEVELOPMENT

After gathering significant feedback from the community, stakeholders, and private developers, the project team sought to identify what options the City has available to them, in moving forward with Steps 3 and 4. In the exploration of options, it was helpful to distinguish between options for *ownership* and options for *occupancy*. While it is easiest (and most fun) to continue suggesting a myriad of possible uses for the building, the level of control for this choice depends on the ownership of this property. With the library currently being owned by the City, the ownership options range from retaining and renovating it for public use, to putting a “for sale” sign in the yard with no other qualifications. Analysis began with evaluating the various courses of action available to the City, which are referred to as “ownership options”.

OWNERSHIP OPTIONS

The analysis outlined five options for the city as current owner:

- The City does nothing with the building and its condition slowly declines.
- The City holds and maintains the building waiting for favorable market conditions.
- The City hires a developer for a fee to manage the redevelopment on their behalf.
- The City sells to a Developer with conditions through a Development Agreement.
- The City sells to a Developer without conditions and loses control of the property.

Upon defining the ownership options, the table on the following page was created to compare and contrast their implications on cost, marketability, timeline, incentive opportunities, challenges, uncertainties, and level of control maintained by the City. Options “0” and “4” do not align with the goals of the study, but were included for completeness and comparison purposes.

City Council Work-Session

In February of 2025, the project team arranged a work session with City Council. The goals of the work session were to review and inform the City Council of the Step 1 results and Step 2 progress, and to share and discuss the ownership options. Questions alongside the ownership options were discussed and written responses were collected from each council member. Some questions led to more consensus than others. See Appendix L for the complete content and responses.

Per the discussion and written responses, the City Council:

- Considers finding a new user for the library a HIGH priority.
- Prioritizes providing a community amenity and reducing the annual budget above other factors in a sale. Reducing risk and increasing the tax base are of relatively neutral priority, while increasing the tax base, and reducing perception of blight are of relatively low priority.
- Directed the team to further pursue **Ownership Option 3, Selling to a Developer with Conditions**.
- Is amenable to most conditions or incentives, with least support for land disposition.
- Appears willing to consider: facilitating shared parking arrangements, hiring a broker, negotiating vendor agreements, and contributing through grants or small-business loans.

FUTURE OWNERSHIP OPTIONS FOR THE SSP LIBRARY

Evaluation Criteria	0 City Does Nothing	1 City Holds and Maintains	2 City Hires a Developer	3 City Sells to a Developer with Conditions	4 City Sells to a Developer with no controls
Cost to City	\$	\$	\$\$\$	\$\$	\$
Marketability	Slow decline	Stable	Increase	Needs incentive	unknown
City Timeline	0-10 years	0-20 years?	2-5 years?	1-5 years?	0-5 years?
Benefits	Low immediate cost	Keeps all options on table, addresses public concern	Offers control by City, initiates development	Relieves carrying cost, allows access to HTC's	Gives market the greatest flexibility to activate the property
Historic Tax Credits	Deterioration reduces likelihood	Possibility in future	Not eligible	Likely accessible (less incentive needed)	Likely accessible (less incentive needed)
Challenges/Roadblocks	Jeopardizes ability to save the building	Reliant on market, Temp solution	Balancing public input	Reliant on the market having a viable use	Concedes control (other than zoning)
Uncertainties	Condition	Market unpredictability, no guarantee of eventual buyer	Speculative, city responsible for finding tenants	Unknown use (within constraints)	Unknown use
Control of Outcome	Medium	High	Medium/High	Medium	Low
Comments	<i>Essentially choosing demo</i>	<i>Keeping options open for future opportunity</i>	<i>Spurring development, while retaining ownership</i>	<i>Need an interested party</i>	<i>Letting the market decide</i>

Notes:

- 1) Some options maintain choice a later date, while others may affect or nullify others (i.e. choosing option 0 reduces the viability of option 3, choosing option 1 leaves all options open, or option 5 removes all others)
- 2) One option not shown is having the development be part of a larger development involving parcels or buildings beyond the library site (precedent has been discussed, but DNR limitations make this impermissible as of right).
- 3) Nominating the property for the National Register of Historic Places is an option for the City, but may trigger additional approvals when the property is sold.
- 4) Non-profit buyers may be considered, but they will not be able to access key funding sources that are available to the private market for redevelopment. Additionally, funding and/or revenue will be required to maintain the building.



OCCUPANCY & CODE IMPLICATIONS

With the occupancy remaining open to a myriad of options and the City Council preferring sale to a private developer, the study next sought to understand the range of implications that these options could have on the building. This was done by first considering single vs. multi-tenant use, and then by considering implications of the occupancy by category, as the building code does.

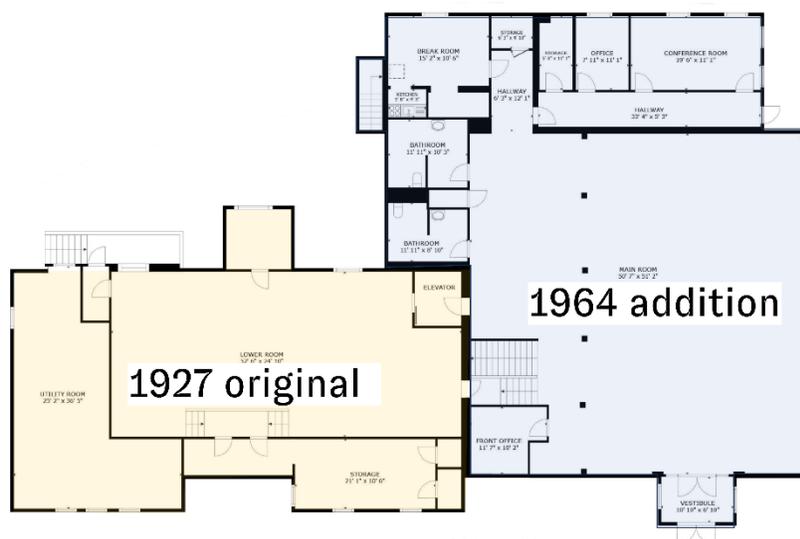
Single vs. Multi-tenant Occupancy

There is the possibility that a single user or tenant might utilize the entire property. However, while not a 'large' building by most standards, there is the possibility that a mix of occupancies or tenants could be accommodated. In fact, the community engagement, stakeholder engagement, and the Private Developer Outreach each led to discussions of single or multi-tenant occupancy. While "mixed-use" itself is not a code occupancy, and is not easily compared to single uses, it remains a viable possibility for the reuse.

To address the idea of multi-tenant vs. single-tenant occupancy, the study considered implications of multi-tenant use on redevelopment, such as the need for common spaces, shared restrooms, and additional circulation. Further study revealed that in the case of the library, these implications do not have a large impact on how the building will be physically redeveloped or implications that are not involved in single-use considerations. Perhaps the most significant implication is that of ownership, as it is likely that if multi-tenant, the space would be leased out on a rental basis, in a 'landlord' scenario. In that case, there may be a desire to 'phase' the project with an initial 'core & shell' improvement phase and then a build-outs phase as each tenant commits and customizes their space. This approach can have effects on funding and construction budgets, and has its own implications on viability.

Building Code Implications

As a follow-up to the Step 1 code analysis, the building code was revisited, this time with a few more particular considerations, selected for their high-impact implications on renovation: access, circulation, and plumbing counts. Access, or number and size of entrances and exits required by



code, can vary greatly with occupancy. Similarly, circulation – the number, size, and location of stairways and elevators – may need to be increased or modified with certain occupancies. Lastly, the quantity and grouping of restrooms, or ‘plumbing fixture count’ can be quite different depending on use. For all three of these also have the potential to be much more expensive and disruptive if a change is required later.

Figure 2: Diagram of First Floor, for reference (not to scale)

Access: For the library and its size, there is sufficient access points for most uses. While the 1964 addition is more accessible, particularly for handicap occupants, the 1927 section has two access points that are still able to be utilized. For most occupancy types, the existing number of entrances and exits would be sufficient, especially in the case of single-use occupancy. If the building were to be separated for mixed-use, depending on the arrangement another access point may be required. Similarly, if the 1927 portion of the building were isolated by a mixed-use division, it may require modification for a handicap-accessible entrance.

Circulation: With a centrally-located stair that is currently the main vertical circulation and was added with the 1964 addition, the building lends itself to either single-use or a shared use of the main stair. The exterior stair on the 1964 building (rear) offers a secondary, emergency stair, but is not user-friendly. It is therefore not required, but is a possibility that redevelopment will include adding interior or exterior stairs. Since these would be situational, and specific to the use, they are an item that ought to be considered in early work.

The single, central elevator was also added with the 1964 addition, and is currently in operating condition. Some occupancies, such as housing, may require modification to elevator cab sizes and even elevator shafts, prompting the need for elevator upgrades, replacement, or even a new elevator in a new location. Without a final occupancy decided, and with the potential that the existing elevator may serve the new use just fine, further details of elevator implications were not considered.

Plumbing counts: For different uses, the code required (and practical) number of plumbing fixtures can be markedly different. For some uses, the location or grouping of the fixtures will be different as well. With the exception of housing or hospitality occupancies (which are not leading candidates) restrooms and their included fixtures are often grouped together in a ‘bank’. Many potential uses could be accommodated with a central bank of restrooms, especially if handicap-accessible stalls are included. This study analyzed plumbing counts required by code for various uses. Reported below is the assumed number of occupants for various uses (Table 1), and the required number of plumbing fixtures (Table 2).

Table 1: Number of Occupants per occupancy

Occupancy	Occupants
Business	76
Daycare	295
Restaurant/Banquet Hall	373
Kitchen	13
Bar	17
Community Hall - tables and chairs (A-3)	343
Mercantile (Market)	172

Mixed Use Concept	183
Fitness	86
Coffee Shop	67
Coworking Space	27
Storage	3

Table 2: Plumbing Counts per occupancy

MINIMUM NUMBER OF REQUIRED PLUMBING FIXTURES							
Occupancy	Occupants	Water Closets		Lavatories		Drinking Fountains	Service Sink
		Male	Female	Male	Female		
Business, B (Office, Fitness)	76	2	2	1	1	1	1
Daycare	295	7	7	7	7	3	
Restaurant/Banquet Hall	373	3	3	1	1	4	1
Bar	373	5	5	3	3	4	1
Mercantile (Market)	172	1	1	1	1	1	1
Mixed Use Concept	183	3	3	2	2	1	1

STEP 3: PROJECT FUNDING

INTRODUCTION

The following report section includes the results of “Step 3: Project Funding.” After defining the reuse options for the building in Step 2, this step aimed to determine the financial feasibility of various use cases in the private market. This was done by identifying and analyzing estimated project costs, potential project funding sources, and conceptual operational viability. Summaries of the activities are included in the body of this report section, and are included in more detail as Appendices.

Key activities

This Step defined holding costs, or minimum operating costs for the building prior to any project-related improvements. The potential rehabilitation scope was then defined for several options, with varying levels of interior “build-outs”. The cost of these options was estimated by Rockwise Strategies and reviewed by city staff, including the Building Official and Facilities Management staff. Next, a financial framework was built in order to identify whether the project was viable on its own or if it would have a ‘funding gap’. This included a project “sources and uses” analysis and conceptual operational proforma, which were informed by conversations with developers and consultants. Step 3 activities and analysis took place from approximately February 2025 to May 2025.

STEP 3 SUMMARY

The third step of this study analyzes the project financial feasibility to renovate the former South St. Paul library for its next use. This Step identified and evaluated the potential funding sources available for a rehabilitation project in comparison to the estimated total development cost to identify the project funding “gap”. Finally, operating financial viability was conceptually modeled for potential uses of the former library building.

Key Findings

1. Estimated Costs for the future of the library building were assessed as follows:
 - Annual cost budgeted for the City to hold the building: \$30,000+
 - Cost to rehabilitate the building at a Base Level: \$2,300,000
 - Cost for a range of interior Tenant Improvement (TI) Build-Outs: \$2,000,000 - \$3,000,000

The total cost of a reuse project ranges from **\$2,300,000–\$5,300,000**.

2. The projected market value of the library building after a rehabilitation project ranges from **\$940,000–\$1,860,000**, which is significantly less than the cost required to renovate the building.
3. The amount of conventional debt (i.e. a loan) that a private developer can obtain is limited by many factors, including the projected market value of the completed project, the operating income of the building, and the developer’s own capacity to repay the loan. A conventional project loan for this reuse is likely to be 75% of market value, or **\$705,000–\$1,395,000**.
4. A private owner (developer) will be able to contribute traditional debt and equity (i.e. a combination of loans and cash) up to the perceived market value. At 25% of value, a private owner may bring **\$235,000–\$465,000** of equity to the project.
5. The remaining gap in project funding is estimated **\$1,360,000–\$3,440,000**. “Gap funding” sources will need to come from unconventional debt, tax incentives, grants, or other forms of project subsidy. Gap sources have prerequisites, approval processes, scope requirements, and application schedules; therefore, it could take significant time to secure project financing.
6. One of the most likely gap funding sources for a private developer is tax incentives. Historic Tax Credits and New Market Tax Credits may bring an additional **\$700,000–\$1,960,000** to the project. Energy Incentives and Opportunity Funds may also be available.
7. Grant funding may contribute up to **\$340,000** to the project.
8. Even with all projected funding sources, **feasibility is out of reach by at least \$390,000**.
9. Project viability is **contingent on identifying a tenant** that can pay rent as speculative development is not likely to be financed. Even with minimal improvements, it may be feasible to achieve a viable operating model that is financially neutral or even positive.

REUSE SCOPE & COST ESTIMATES

Cost estimates were developed based on the Building Definition in Step 1 and the Program Options in Step 2. With varying occupancy options still on the table, project scope was defined categorically to provide versatile cost estimates that can be referenced for various final uses. First, the scope and costs were identified to “Hold and Maintain” the building in its current condition; this cost estimate minimizes investment in the building while providing some level of maintenance for a future reuse. Then, a base building scope was defined, representing minimal work that needs to be completed in order to re-occupy the building, regardless of end user: this work generally focuses on exterior improvements and assumes that the interior can be substantially reused as is. Lastly, two scenarios of Tenant Improvement (TI), or interior build-out scope, were identified, representing low and high levels of finish. In addition to the hard costs identified, the project should carry at least an additional 25% in soft costs. More detailed information about scope narratives and pricing estimates can be found in Appendix N and Appendix O.

“Hold and Maintain” Scope

This scope estimates the annual cost to the City of owning the property, including responsive, as-needed maintenance. **The city has budgeted \$31,000** in the 2025 annual budget, to be used for anticipated costs in a ‘reasonable best case’ scenario; heating in the winter to avoid damage, occasional walk-throughs for security and weather-tightness, and response to minor maintenance issues. This number does not account for large repairs such as boiler or roof replacement. These repairs may become imminent to keep the building stable. Total cost per year is subject to inflation.

Base Building Scope

The Base Building Scope describes the minimum work that is needed to reactivate the building for any use, and assumes that the interior can remain in the same configuration with minimal improvements. This work includes the following components:

- Removal and abatement of hazardous materials
- Improvement of site elements such as sidewalks, parking area, and grading.
- Mitigation of water infiltration issues and repair of the building shell, including masonry restoration, waterproofing, select window replacement, and re-roofing.
- Rehabilitation of select areas of the building interior, specifically those related to accessibility.
- Repair or replacement of building systems (including mechanical, electrical, and plumbing systems as needed)

This investment stabilizes the building and readies it for tenants, leaving only the use-specific tenant improvement costs remaining. See Appendix O for cost estimates. Note that for each line item, costs may vary with the final selected use/occupancy of the building, but they are intended to represent a ‘baseline’ scope of work for budgeting purposes. **The estimated total project cost to create a move-in ready building is \$2.3 million.**

Tenant Improvements (TI) Interior Build-Out Scope: Lower Range

The Lower Range TI Build-Out scope is intended to be representative of many possible uses that require some changes to the interior of the building, and is estimated on a per-square-foot basis. This work includes:

- New or changed partition walls
- Mechanical, electrical, plumbing, and fire safety improvements for a specific use
- Additional exterior improvements and signage
- New finishes, furniture, and fixtures

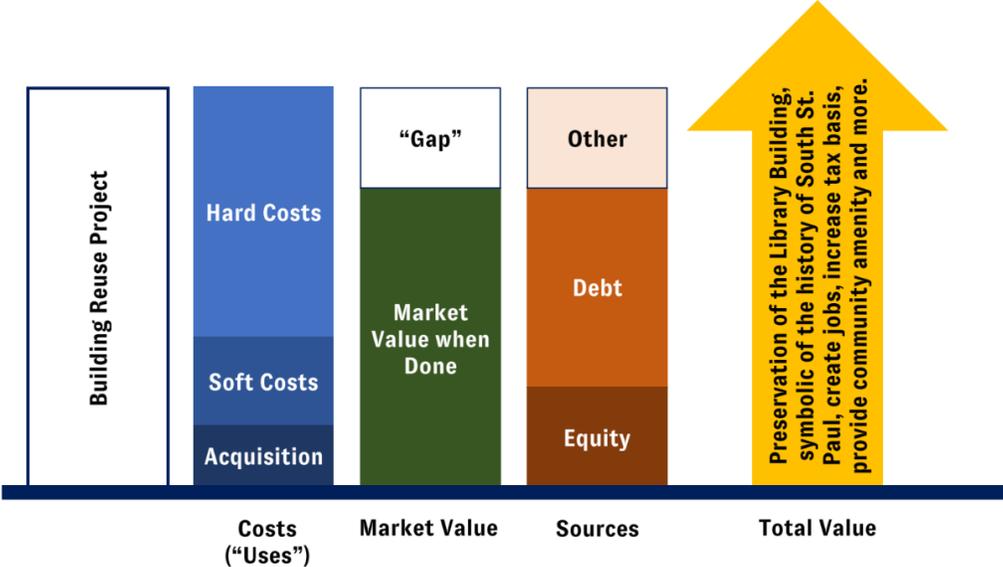
Rockwise provided cost estimates by square foot (SF) based on their historical database for a number of uses, allowing for comparison and informing potential analysis of single-tenant as well as mixed-use scenarios. On top of the Base Building Scope, the anticipated cost of a lower range build out is \$150/SF. These costs are specific to a tenant, but would aim to generate a mid-level market-rate gross rent. **The estimated total project cost for the lower range single-tenant reuse, including the Base Building Scope, is \$4.3 million.**

TI Interior Build Out: Higher Range

If there is demand for a higher level of finish and more intensive interior improvements, then the library building would be able to target higher rents. This scenario represents a mixed-use layout with a coffee shop, fitness component, and coworking/office rental space. Due to the reduced footprint per use, some economy of scale is lost in a mixed-use build out and costs increase to an additional \$217 per square foot on average. **The estimated total project cost, including the Base Building Scope, for the higher range multi-tenant mixed-use layout is \$5.3 million dollars.**

POTENTIAL FUNDING SOURCES

For a private owner, real estate is a financial asset. Simply stated, there has to be adequate funds to pay for the project costs, and the resulting completed project must be financially feasible. The costs to maintain the library building and the costs to improve the building to various levels for a new use have been identified, but matching those costs (“uses”) with funds (“sources”) can be challenging. By analyzing potential project funding sources and comparing them to the total development cost and the resulting market value of the property, this Step aims to quantify the funding gap and identify potential gap sources for redevelopment at the former library building.



For a private developer, the conventional funding sources of equity and debt (i.e. loans and initial investment), will equal the perceived market value. Additional gap sources which could include tax incentives, grants, or tax-increment financing may help fill the project gap. Different project gap funding sources are available to private and public entities, and may be combined through project collaboration. Each project funding source will have its own set of requirements.

See Appendix Q for a conceptual Sources and Uses table for the South St. Paul Library rehabilitation to understand how the funding sources outlined below may apply to the Reuse Scopes outlined in the previous section.

Fair Market Value

Per the 2025 Dakota County Assessor’s Website, the library property’s tax-assessed value is \$589,000. Under current ownership and use, there is no revenue and no real estate property tax.

2025 Land Value	\$108,500.00
2025 Building Value	\$480,500.00
Total Value	\$589,000.00

Different than the assessed value, fair market value is the price that buyers and sellers agree an asset is worth. It is assessed by the projected annual performance, or the net operating income divided by an expected return or capitalization (cap) rate. Within the context of the market in South St. Paul, similar commercial properties have an expected cap rate of 6-9%. Net operating income is the balance of revenue (with projected rents between \$12-\$20/SF) and operating expenses (varied, see Appendix R). The fair market value for the South St. Paul Library property as-is, per Dakota County's assessed value, is \$589,000.00. The targeted fair market value of the library, at a CAP rate of 8%, **\$940,000-\$1,860,000**.

Because the cost to rehabilitate the South St. Paul Library exceeds the possible fair market value, there is an inherent funding gap. A redevelopment will require a unique capital stack with many combined sources.

Initial Project Investment, Cash or Equity

Private equity investors will contribute equity to the project, with the intent of improving the asset's value for a return or profit. Equity may be required by a lender to secure the debt required on the project. Equity contributions may be cash, appreciated land, the appraised value of the building, and allocated tax benefits.

Deferred fees (design, developer, contractor, etc) may also be negotiated for an equity stake, allowing the developer to secure debt financing prior to paying for any early project costs.

Debt

Generally, debt is money (bank loans, bonds, etc.) that the developer borrows; these funds are used to pay for the project costs and are then paid back from the resulting income (i.e. tenant rents) of the new use. The amount of project debt is limited by many factors that are specific to both the project and the borrower:

- 1) Project or Market Value: For the purpose of this estimation, a lender may provide a loan for up to 75% of the estimated fair market value.
- 2) Debt Service Coverage Ratio (DSCR): For commercial real estate, lenders require a minimum debt service coverage that varies by perceived risk of the project, meaning the predicted building income must exceed the loan payments by a certain percentage. A common DSCR factor is 1.2.
- 3) Borrower's ability to guarantee the loan amount: Lenders look for assurance that borrowed funds can be repaid. A more experienced developer or a borrower with more assets will be able to guarantee higher debt. Emerging developers or small-scale owners can be limited by their ability to guarantee a loan, regardless of the project size.

Debt can be categorized into three types: primary loans that are secured by the property (often called a "first" mortgage), loans that are secured by a property assessment, and 'mezzanine debt'.

First mortgages are most often from commercial lenders such as local, regional, or national banks. As holder of the primary loan, the lender has the first lien on the property, meaning that if the

borrower defaults on the loan the lender gets paid first from the sale of the property. First mortgages often require a down payment and have the lowest interest rates of the debt options.

Debt secured by a property assessment may also be a good fit depending on the goals of the project. **C-PACE (Commercial Property Assessed Clean Energy)** is available in Minnesota and is administered by the Port Authority and paid through the county's tax assessment. This funding is provided at the start of the project and is paid back with fixed interest over a set term. Because this is a property assessment, it is tied to the property, not an ownership group, and passes with the sale of a property. Furthermore, an owner may pass this cost through as an expense to tenants. The senior debt lender must agree to the property assessment, and banks will often consider this funding as part of an owner's total debt and may reduce their lending amount accordingly. Once the scope of a project has been established, an analysis of the existing conditions and energy audit would determine what improvement costs can qualify for this funding source. Lastly, this financing type can be layered with tax credits (HTC, IRA, etc.) and rehabilitation expenses would be qualified for both funding streams.

Mezzanine financing is a loan used to fill gaps or increase flexibility within the finance structure. Mezzanine debt comes with higher risk (as second in line for repayment after the primary debt) and higher interest rates.

As of May 2025, the following lending programs may be accessible for this project:

- **South St. Paul Future Inc**

A common stock, funded by South St. Paul individuals, dedicated to helping South St. Paul businesses finance new equipment, expand operations, cover start-up costs, or acquire additional resources. There is a relatively straightforward application process that can result in funding within a week.

- **South St. Paul Economic Development Authority – Business Subsidy**

The EDA offers financial assistance to businesses whose efforts align with the city's goals, specifically to encourage redevelopment of existing areas, create jobs, and provide services to the community. Those interested are encouraged to meet with the city administrator.

- **Minnesota Emerging Entrepreneur Loan Program (ELP)**

DEED funding is available to small businesses that are majority owned and operated by one or more Minnesota residents who can be characterized as a minority, woman, veteran, low-income person, or person with disabilities. The state's share of an ELP loan has a maximum of \$150,000 per project with state funds matched at least 1:1 by new private financing.

- **SBA 504 Loan Program**

Certified Development Companies (CDCs) partner with banks to fund long-term, fixed rated financing up to \$5.5 million and 90% capital to help small businesses purchase or improve major fixed assets (ie. real estate). Eligibility requirements for the business include: size guidelines, qualified management expertise, a feasible business plan, good character, and the ability to repay the loan. Loans cannot be made to businesses engaged in nonprofit, passive, or speculative activities.

- **SBA 7(a) Loan Program**

The SBA 7a Loan program is similar, but offers a bit more flexibility on the qualified uses of the loan. In contrast to the SBA 504 loan, it does not involve the CDC and can have a faster approval timeline. The loan amounts are limited to \$5 million, and terms vary in correlation to risk profile.

- **Minnesota Investment Fund**

Cities can offer loans through this program to businesses engaged in manufacturing, warehousing, distribution, and technology-related industries through the Minnesota Investment Fund (MIF). It is a DEED loan program designed to generate new income or wealth to the state that would not be generated by local market demand.

Tax Incentives

There are many Federal and State programs that have been systemically created to incentivize investors, catalyze economic development, and promote initiatives (energy, water, housing, preservation of cultural assets). Tax Credits are provided via tax recapture over a set period of time, which means the property will need to be income-generating to qualify. Credits may be syndicated and/or sold to tax paying investors to get the funding on the front end of the redevelopment; this often results in a discounted return for the developer. Funding is subject to compliance with property restrictions.

- **Historic Tax Credits**

Both the State of Minnesota and the Federal government offer Historic Tax Credits (HTCs) for 20% of the Qualified Rehabilitation Expenses of a certified historic building. As the city's only public library from 1927 until 2023, it is highly likely that the South St. Paul Library is eligible for listing in the National Register of Historic Places and qualifies for HTCS. As a redevelopment project, the new design must follow the Secretary of Interior's Standards for Rehabilitation. As a placeholder in a capital stack, these could amount to about 30% of the project costs. See Appendix P for more information about the Historic Tax Credit Process.

- **New Market Tax Credits**

By partnering with a Community Development Entity (CDE), a developer may be able to access New Market Tax Credits (NMTCs). The South St. Paul Library is within an eligible census tract. CDEs apply for NMTCs annually and select which project to allocate funds to, based on their own criteria. In conversation with local lenders, the estimated net equity these could contribute may be up to 25% of the loan amount. During the first seven years, the borrower only pays interest on the loan, allowing the property cash flow while the surrounding area and property stabilize over time.

- **Inflation Reduction Act (IRA)**

The federal government offers a 30% investment tax credit (ITC) for solar, geothermal, battery storage, etc. Governments and non-profits qualify for direct-payout options rather than credits. If HTCs and ITCs are used on the same project, expenses can only be attributed to one or the other, and credits may not be claimed twice.

- **Opportunity Funds**

The South St. Paul Library is within a qualified Opportunity Zone census tract (27037060301). Investors may assemble Qualified Opportunity Fund (QOF) reinvesting private capital into

economically distressed communities with the benefit of deferring capital gains tax until December 31, 2026. Unless the program is extended, repayment will go into effect after that date; yet, if the investor holds the fund for 10 years, new appreciation created by the rehabilitation will be excluded from capital gains.

- **Tax-Increment Financing (TIF)**

TIF is a public financing tool available to cities to help fund development in blighted areas. The city takes out a loan on behalf of the project and uses the future increase in property tax revenues to pay it back. While the improved tax revenues may be noteworthy on this city-owned asset, the building is not currently in a TIF district. There may be limited benefit to pursuing a standalone TIF Redevelopment for this project. The city is open to discussing alternative avenues to incentivize development.

Grants

For projects with a funding gap, grant funding can be critical. Without this money, which does not require repayment, the project cannot cover the cost of redevelopment. This funding source seeks a return on investment based on the goals established by each of the programs, often intangible community benefits. Bringing in this funding source may trigger additional requirements and it is important to understand what it will take to maintain compliance.

- **DEED Redevelopment Grant**

Specific costs (public land acquisition, building and site demolition, public infrastructure improvements, soil stabilization, environmental infrastructure, and hazardous materials abatement) are eligible for grant funding (with a local match) for up to 50% of the costs, . These applications are competitive and grants are awarded semi-annually

- **DEED Minnesota Job Creation Fund**

This is a performance-based program incentivizing new and expanding eligible businesses (manufacturing, warehouse, distribution, information technology, finance, insurance, or professional or technical services) to meet specified job creation and capital investment goals. This can be a great back-end incentive to the Minnesota Investment Fund, which provides the upfront financing for project costs.

- **Livable Communities Demonstration Account (LCDA) Predevelopment Grant**

South St. Paul participates in the Livable Communities Act (LCA), making projects in the city eligible for this grant offered by the Metropolitan Council. The city would apply for the Predevelopment Grant on behalf of the developer to cover early stage planning and feasibility costs. Funding is competitive; applications are reviewed twice annually and scored for alignment with published criteria.

- **Livable Communities Demonstration Account (LCDA) Tax Base Revitalization Account**

LCDA also offers the Tax Based Revitalization Account, which covers key environmental costs such as environmental site assessments, hazardous materials abatement, soil or groundwater cleanup, and vapor mitigation. It is possible these funds may fulfill matching requirements for DEED Grants.

OPERATIONAL VIABILITY

Once the funding sources have been secured to move forward with a rehabilitation project, the developer will need to continue to pay its debt service and expenses through sustained revenue. Investors contributing an equity stake on the front end will seek assurances that the asset is able to generate cash flow once established, and appreciate value over time.

Revenue

To project the potential revenue generated by commercial rents, competitive rents in South St. Paul were evaluated. Three comparable properties with a similar same target market but in various conditions, with rents ranging from \$16-\$20/SF, were selected for comparison. Conservatively, the following gross rent targets were set to align with the rehabilitation cost estimates:

- 1) With the “hold and maintain” scope, there is no anticipated revenue potential.
- 2) With a water-tight building and mitigated accessibility issues, the base scope is expected to rent at \$12/SF annually but will require a tenant that can use the interior mostly as-is.
- 3) In addition to completing the base scope, building out the interior for a singular tenant at \$150/SF is expected to rent at \$16/SF annually.
- 4) A mixed-use tenancy will require a larger build-out investment at \$217/SF but is expected to rent at the higher end of the competitive set at \$20/SF annually.

The projected gross income is the amount of scheduled rent anticipated, while net operating income is the amount after vacancies (estimated at 5%) and expenses are taken out.

Expenses

The estimated expense to maintain and hold the building was provided by city staff based on historical data and estimates. It includes a budget placeholder for maintenance of the grounds, repairs to the building, trash removal and utilities. If the building converts to a revenue generating property, these expenses are anticipated to largely remain. There may be increased efficiency with improved building systems reducing utility cost, but we will likely see additional cost overall for property management services and property taxes.

The total operating expense ratio (expenses/gross income) varies greatly by business model ranging on the low-end from 15% for light-touch industrial uses to 50% for high-end office uses. Concierge services, like those provided in a coworking setting, may increase the operating expense ratio (OER) to as much as 60-80%. As an appropriate target for the South St. Paul library, the OER should not exceed 40%.

Performance

Cash flow is the total amount of net operating income left after paying the debt service (monthly mortgage payments). For the sake of this analysis, if funding is secured for the base scope and debt is limited to 75% of fair market value, the project shows positive cash flow as soon as it is

stabilized and rented at \$12/SF. There are many factors that could increase cash flow: reduced cost per SF of the project (reduce debt), reduced operating expenses, increased rents, etc. The developer will need to navigate the cost/benefit of those decisions for the project as well as evaluate additional performance metrics of the investment over time. See Appendix R for a Conceptual Proforma, illustrating cash flow for each of the Reuse Scopes identified in Section 3.2.

Additional Considerations

The core purpose of this study is to find the next sustaining use for the Historic South St. Paul library. In addition to vetting the financial viability, additional topics should be considered to ensure the next tenant, or group of tenants, will be good stewards of the community asset:

- **Parking needs** – Is the success of the business dependent on parking that is not currently available?
- **Hours of operation** – Can the tenant or group of tenants creatively program the building for maximum usage and revenue potential?
- **Compatibility of uses** – Is there a mix of user groups coming to the building? Is the need for controlled access workable? Does this serve people in the immediate vicinity?
- **Flexibility of uses to increase revenue earning potential** – Could a coworking space also be an event space?
- **Signage** – Signage is critical for retail uses. Does the building allow for enough exposure?
- **Compatibility of the use with funding source requirements** – If Historic Tax Credits are used, does the proposed use meet the Secretary of the Interiors Design Standards? Does the program provide community benefits as articulated by the DEED and/or LCDA grants?
- **Experience and reliability** of the tenant to maintain revenue needed to pay rent over time.

STEP 4: CONCLUSION

INTRODUCTION

The following report section summarizes the key findings of each Step of the American Legion Memorial Library (South St. Paul Library) Adaptive Reuse Feasibility Study. In Step 1, the project team performed an in-depth analysis of the building's condition. In Step 2, programmatic reuse opportunities were identified. In Step 3, the project team vetted the financial feasibility of reuse. The purpose of this final step was to compile the key findings of each step and to make recommendations for possible actions that could contribute to the successful reuse of the site. "Key Findings" from each step are summarized here:

1. The building needs some work and it has inherent design constraints.

Step 1 assessed and defined the existing building. Through a full conditions assessment of the property, the building and site were found to be in fair to good condition with some imminent maintenance and hazardous material abatement needed. Flexible zoning at the site and the surrounding uses support opportunities for various uses, but site improvements are required to improve site drainage, parking is limited, and the layout of the building poses some design challenges. The building is likely eligible for listing on the National Register of Historic Places.

2. There is a strong desire to retain and reuse this building in a way that benefits the community.

Step 2 explored many different options for reuse through engagement with the public at-large, key stakeholders, and outreach to private real estate developers. Many options for tenancy were considered, but an obvious user-group for the entire building was not apparent. With numerous ideas for occupancy, the study then turned to options for ownership, working with City Staff and City Council for feedback. The preferred option was to explore sale to a private owner with a development agreement. The development agreement would include minimum requirements of a private development in exchange for city support, financial or otherwise. To attract a private developer, the library will need a viable tenant that is accepted by the community and can pay rent to create financial feasibility for private ownership.

3. There is a significant funding gap between the cost to rehabilitate the building and the market value of the building.

Step 3 explored potential project costs, project funding models, and conceptual operating proformas for the reuse options identified in Step 2. Project costs included a baseline scope of work for any reuse, and then added a low-range and high-range for additional tenant improvement work that could illustrate a range of various build-outs. A "Sources and Uses" analysis illustrated that there is a "funding gap" for reuse of the building. A conceptual operating proforma shows limited potential cash-flow based on typical local rents.

NEXT STEPS

This Reuse Study compiled substantial information on the physical condition of the building, generated community awareness, gathered feedback from City Council and City staff, and created conceptual models for private redevelopment of the property. As with any report, time is of the essence to maintain momentum and keep the information relevant as physical, social, political, and economic conditions are constantly changing. Suggested next steps for the preferred option of a sale to -- and redevelopment by -- a private real estate development partner are laid out below.

1. Find a Project Developer

If the preferred option is a sale to a private developer, then the first priority should be to identify that future buyer and project partner. The City can either directly solicit potential developers, or issue a Request of Qualifications (RFQ). Any RFQ should include this report. Additionally, City staff should consider and prioritize any factors that would be included in a development agreement, such as:

- a. Public Sale Process, such as minimum sale price
- b. City assistance offered (e.g. TIF funds, business subsidy, and/or public improvements)
- c. Timeline for reuse
- d. Any restrictions on use
- e. Minimum developer qualifications and financial capacity

2. Reduce Barriers to Reuse

As identified by this study, there are hurdles and uncertainties to any redevelopment at this site. If no developers can commit to the project at this time, or if the City wants to delay developer selection, then the City can take actions to reduce barriers to reuse, such as:

- a. **Parking.** Parking is a challenge at this site. The City could consider shared parking agreements or consider adding structured parking to the nearby institutional properties.
- b. **Historic Tax Credits.** The biggest financial incentive for reuse will be state and federal historic tax credits. To accelerate the process of securing historic tax credits for the project, the City could confirm eligibility or even produce a nomination for the National Register of Historic Places (NRHP). Small grants are offered by the Minnesota Historical Society to support NRHP nominations.
- c. **Site Stormwater Management.** The Conditions Assessment for the site highlighted stormwater issues at the site, which are magnified during heavy rainfall events. The City could engage an engineering professional to assess stormwater drainage options for the site that would also reduce potential bluff erosion.
- d. **Hazardous Materials.** The Hazardous Materials assessment noted asbestos-containing hazardous materials and lead-based paint on the site. Abatement of hazardous materials could be performed while the building is owned by the city to ready the building for

redevelopment. This could potentially be done with funding through the Minnesota Department of Employment and Economic Development (DEED) to help offset the costs.

- e. **Test fits** – Sometimes redevelopment is easier to implement when there is a tangible vision of what the space could look like. To help facilitate conversations with a private developer, the City could hire a design firm to do simple spatial layouts, demonstrating usability of the space to attract users.

3. Building Tenants

As revenue informs market value, and market value informs lending limits, it will be important for any owner to find reliable tenants that can pay rent to create financial feasibility. The City may be able to help in two ways:

- a. The City can raise awareness and foster connections to reduce the likelihood of missed opportunities for the ‘highest and best’ use of the library. The City could consider assisting the redevelopment by **‘matchmaking’ to find tenants** that can best utilize the space at rental rates that support the redevelopment.
- b. If the City were to find uses that cannot afford market rents, such as a non-profit, café or event space, they may consider **subsidizing the rent** to provide the developer with assurances that the tenant is viable. For this, the City may build on grant and loan programs that already exist, or develop a program for such assistance, perhaps giving preference to uses that allow the community to continue enjoying the space.

4. Fill the funding gap

Even with the barriers to the project reduced or removed, and tenants identified, the feasibility of a reuse project will be obstructed by a funding gap. The funding gap identified in Step 3 is conceptual but is representative of the amount of funding needed for a redevelopment project. A developer will have preferences about the type of funding sources, especially because funding sources have specific requirements and application processes, making it important that the gap is discussed and solved cooperatively. Within that context, the City may decide how to allocate its resources, be it staff time or direct financial contributions, to help a development partner move the project forward.

ALTERNATIVE SOLUTIONS

This Reuse Study is limited to the library parcel and existing improvements. There may be alternate ways to redevelop the building that are beyond the limits of this Study and this property, or were not identified as the preferred option. For example, reuse of a building of the library’s size (which is considered fairly small) can be augmented by combining it with larger redevelopment opportunities (buildings or sites) that would change the market parameters for the project. Likewise, the option of public ownership (i.e. continued ownership and redevelopment by the City) was not modeled in Step 3, but could be explored further as an alternate solution.