



# NEW HISTORY

**SOUTH ST. PAUL LIBRARY REUSE STUDY**

**CITY COUNCIL MEETING**

**May 19, 2025**

# AGENDA

## 1. PROJECT OVERVIEW AND RECAP

Quick review on the project goals, approach, and milestones up to this phase.

## 2. STEP 3 : PROJECT FUNDING

This step aimed to determine the financial feasibility of various use cases in the private market by estimating project costs, potential project funding sources, and conceptual operational viability.

## 3. STEP 4 : CONCLUSION

With what we have learned, some suggested next steps



# **PROJECT OVERVIEW AND RECAP**

# PROJECT OVERVIEW

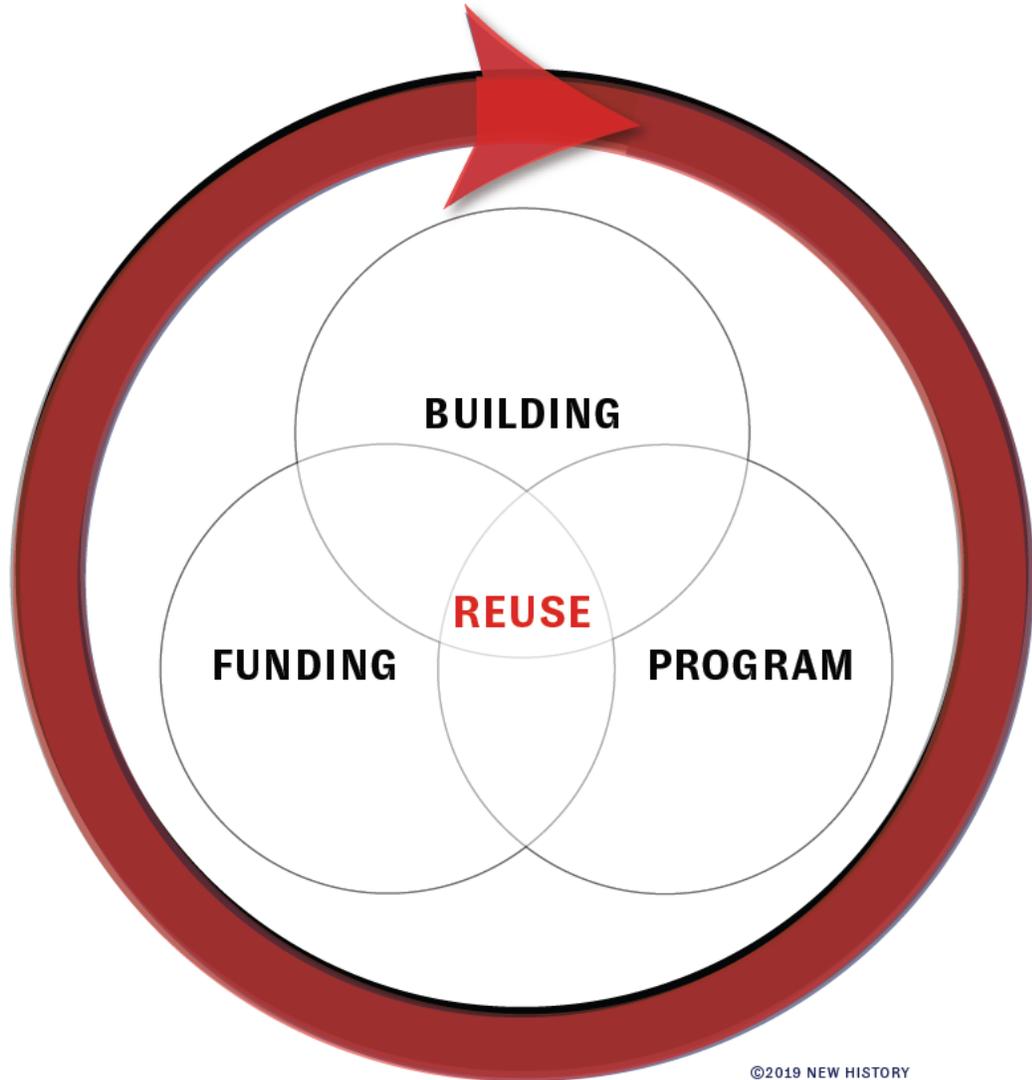
Maintain the Historic Library as a community asset and increase its use and vitality for generations to come.

> To get there

- Assess condition of the building
- Engage community and public stakeholders to understand the needs and desires
- Analyze categorical uses and ownership models
- Estimate costs of reuse
- Identify and evaluate funding sources available
- Provide recommendations based on the economical and functional merits of each option
- Decide whether the property should be publicly or privately owned



# APPROACH



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1. **Step 1 – Building Definition**  
(September – October 2024)
2. **Step 2 – Program Development**  
(October 2024 – April 2025)
3. **Step 3 – Project Funding**  
(January 2025 – May 2025)
4. **Step 4 – Conclusion**  
(May 2025)



## STEP 2: PROGRAM DEVELOPMENT

1. The community wants to see the building reused.
2. Stakeholders may have some needs for the space, but aren't interested or equipped to own and maintain the property.
3. The market demand for users is not obvious for speculative developers.
4. When considering ownership models, the City seeks to pursue a **Sale to a Private Party with a Development Agreement.**

# **STEP 3 : PROJECT FUNDING**

## STEP 3: PROJECT FUNDING

### 1. Reuse Scope and Cost Estimates

- Hold and Maintain
- Base Building Scope
- TI Build-out – Low Range
- TI Build-out – High Range

### 2. Potential Project Funding Sources

### 3. Operational Viability (Proforma)



# “HOLD AND MAINTAIN” COSTS

Annual Holding Costs	
GROUNDS MAINTENANCE	\$1,700/YR
INSURANCE	\$6,300/YR
REPAIRS/MONITORING	\$10,000/YR*
UTILITIES	\$13,000/YR
<b>TOTAL</b>	<b>\$31,000/YR**</b>

\* Repairs are an allowance based on 2025 anticipated costs, and do 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)
- Minimal sidewalk/site modifications

**The estimated total project cost to create a move-in ready building is \$2.3 million.**

# TENANT IMPROVEMENTS (TI) Interior Build-Out Scope

Based on the findings of Step 2 (Program Development), Rockwise provided cost estimates by square foot (SF) based on their historical database for a number of specified uses.

These costs are in addition to the Base Building Scope.

Square Footage: 10,735 SF		
SINGLE TENANT / TI BUILD-OUT	\$/SF	TOTAL
Office	\$150.00	\$1,610,250.00
Teen Center	\$150.00	\$1,610,250.00
Childcare	\$150.00	\$1,610,250.00
Fitness/Recreation	\$165.00	\$1,771,275.00
Health/Wellness Services	\$175.00	\$1,878,625.00
Market/Retail	\$175.00	\$1,878,625.00
Cultural Center	\$185.00	\$1,985,975.00
Art Museum	\$195.00	\$2,093,325.00
Food and Drink Establishment	\$200.00	\$2,147,000.00

**The estimated total project cost, including the Base Building Scope, for the lower range, single tenant layout is \$4.3 million.**

# TENANT IMPROVEMENTS (TI) Interior Build-Out: High Benchmark

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 around \$20/SF.

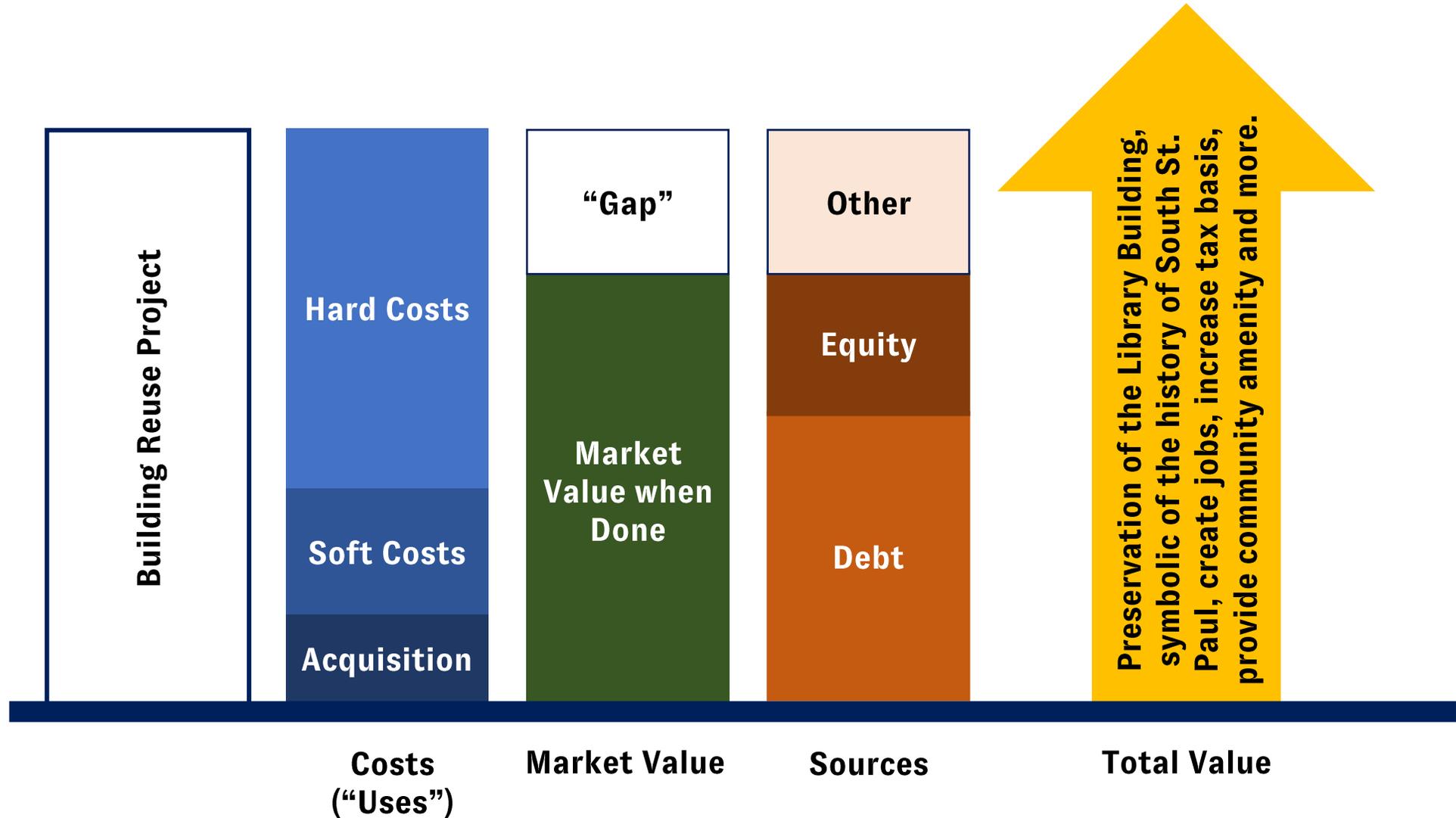
This hypothetical scenario represents a mixed-use layout, including:

- 3,000 SF Bouldering Area
- 1,500 SF Fitness/Training Area
- 4,000 SF Coworking/Office Concept
- 1,000 SF Coffee Shop

The anticipated cost of this **higher-end, mixed-use build-out** is \$217/ SF, in addition to costs required for the Base Building Scope.

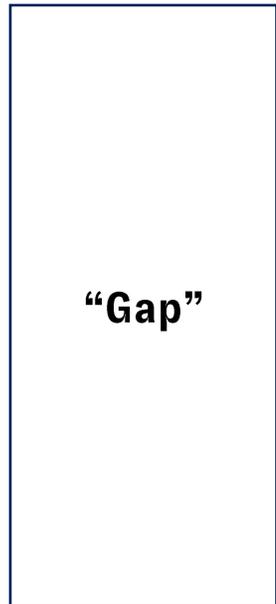
**The estimated total project cost, including the Base Building Scope, for the higher range multi-tenant mixed-use layout is \$5.3 million.**

# POTENTIAL PROJECT FUNDING SOURCES



# PROJECT NUMBERS

**Proposed Project Costs** range from ~\$2.3 - \$5.3M.

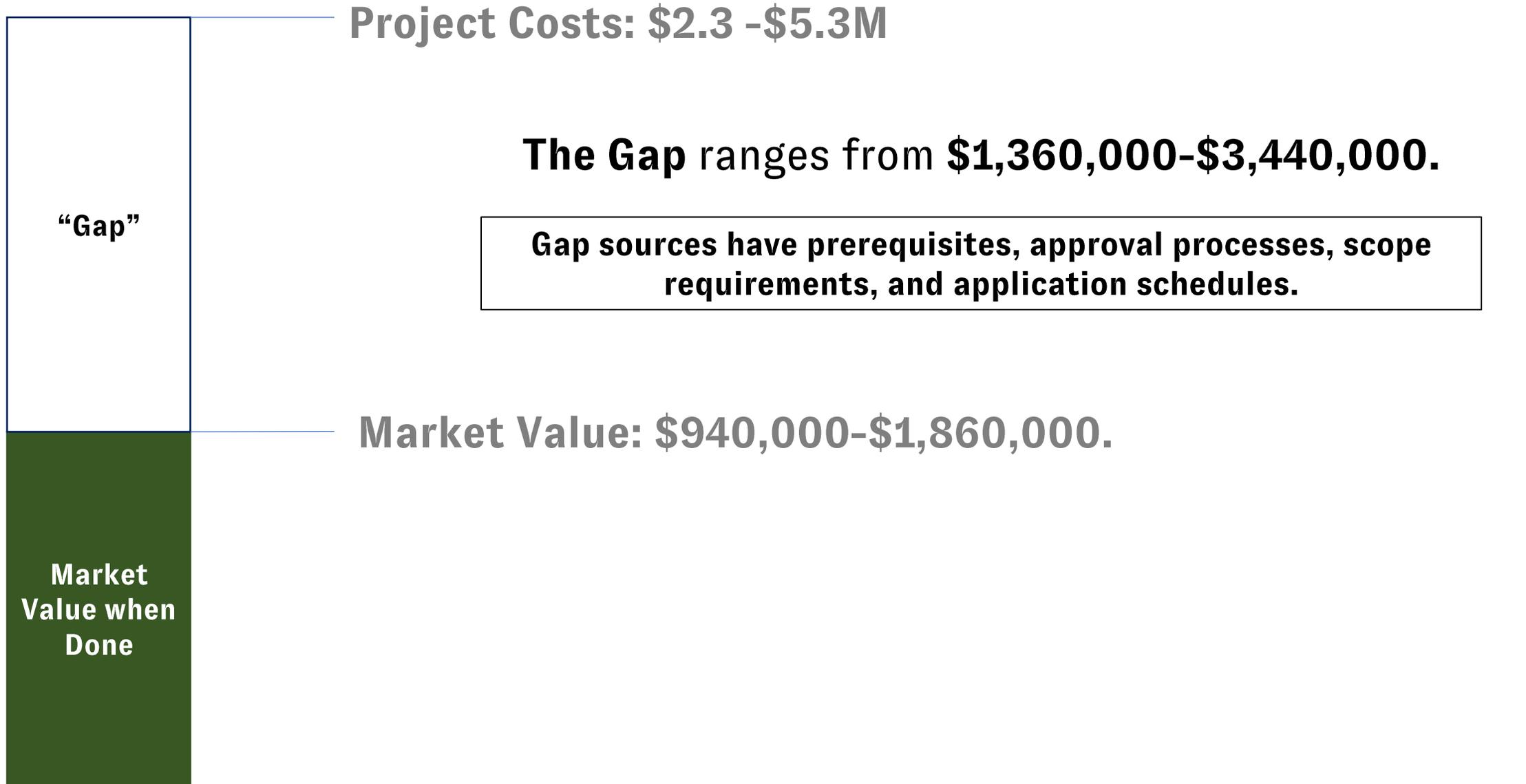


**“Gap”**

**Market Value** is approximated to be **\$940,000-\$1,860,000.**

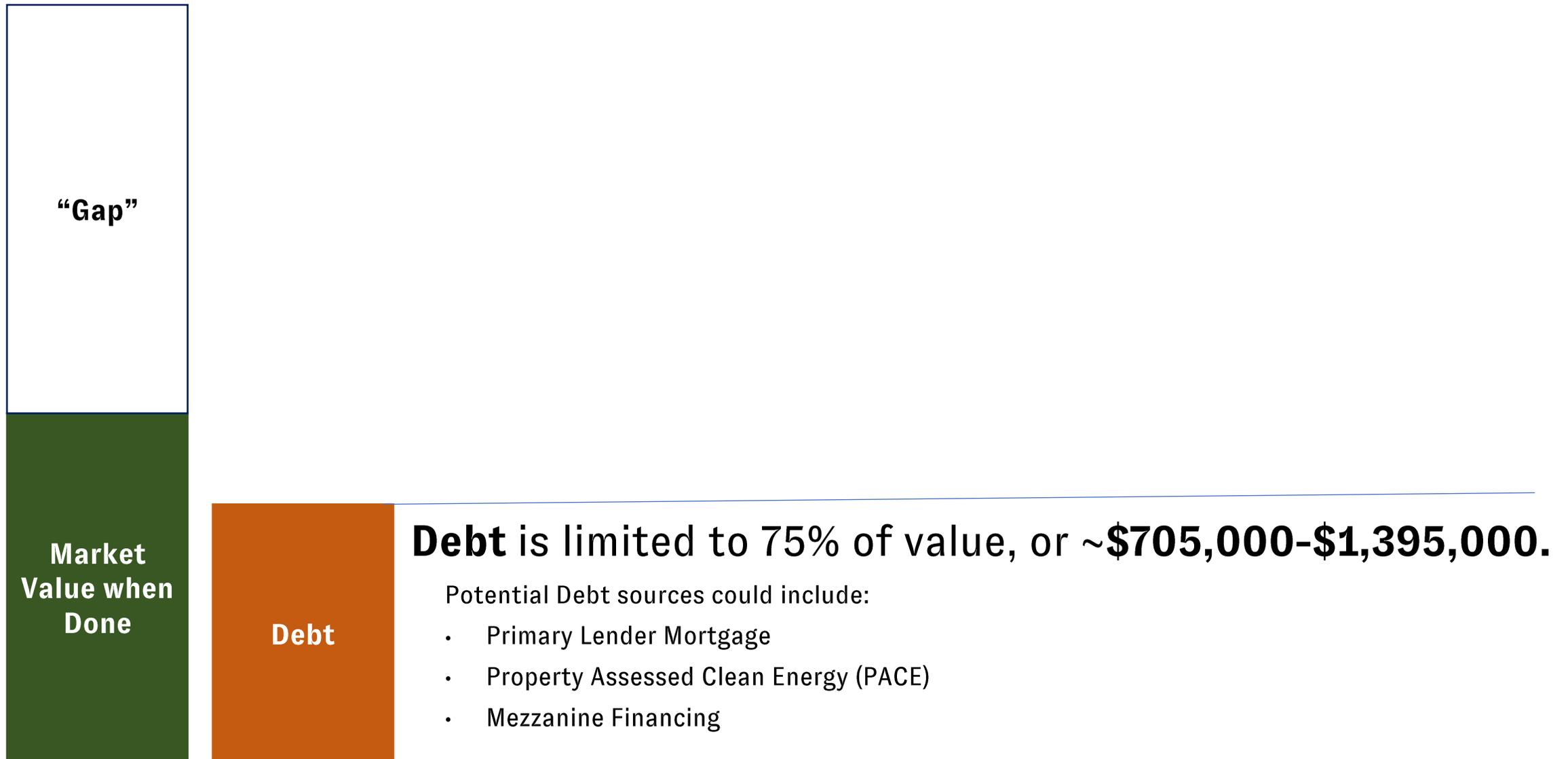
**Market  
Value when  
Done**

# THE GAP



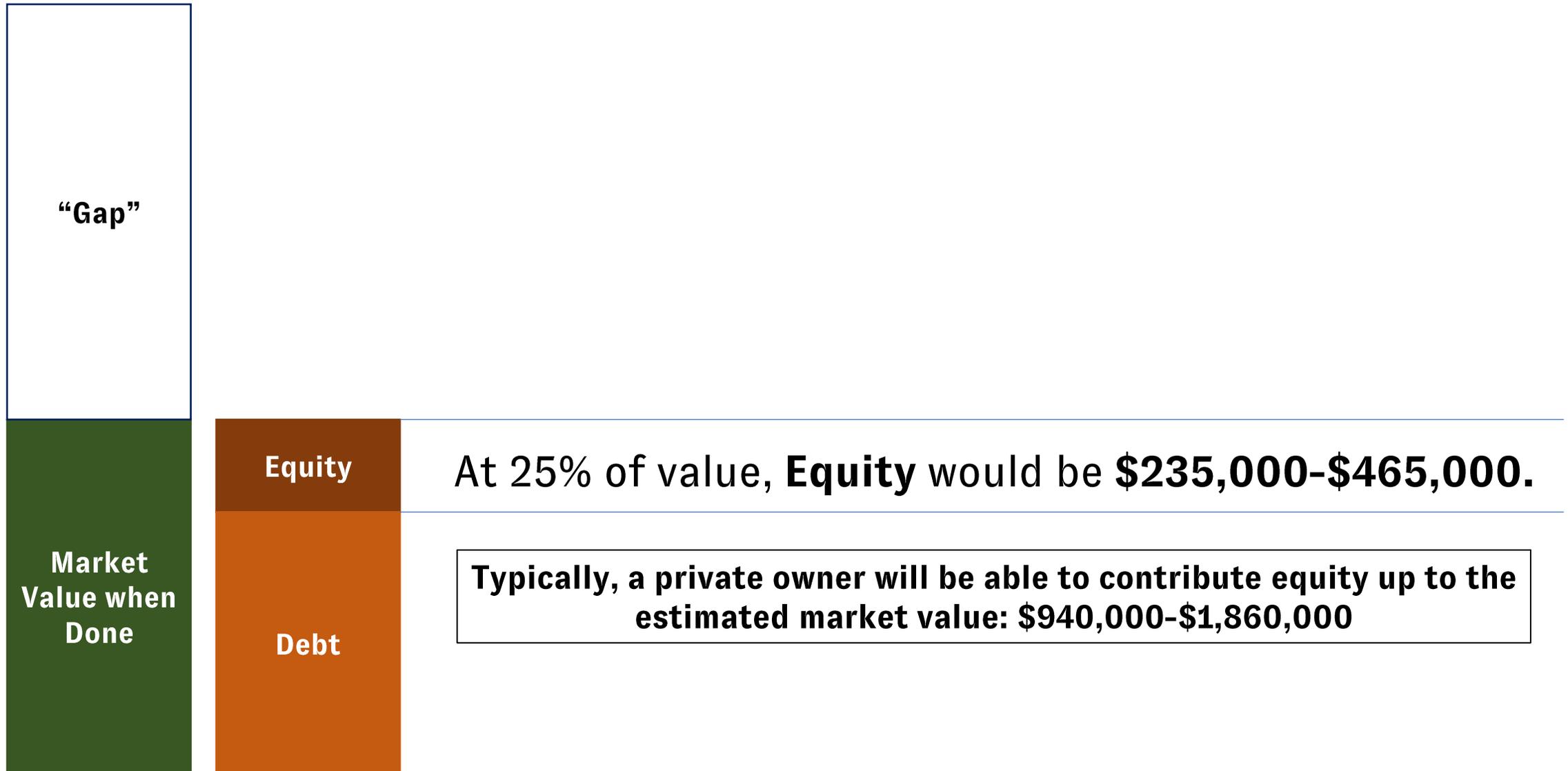
These values were derived using rents of \$12/SF, \$16 /SF, \$20/SF with an 8% CAP rate. For conceptual purposes only.

**DEBT** : money (bank loans, bonds, etc.) that the developer borrows to cover project costs and paid back from the resulting income.



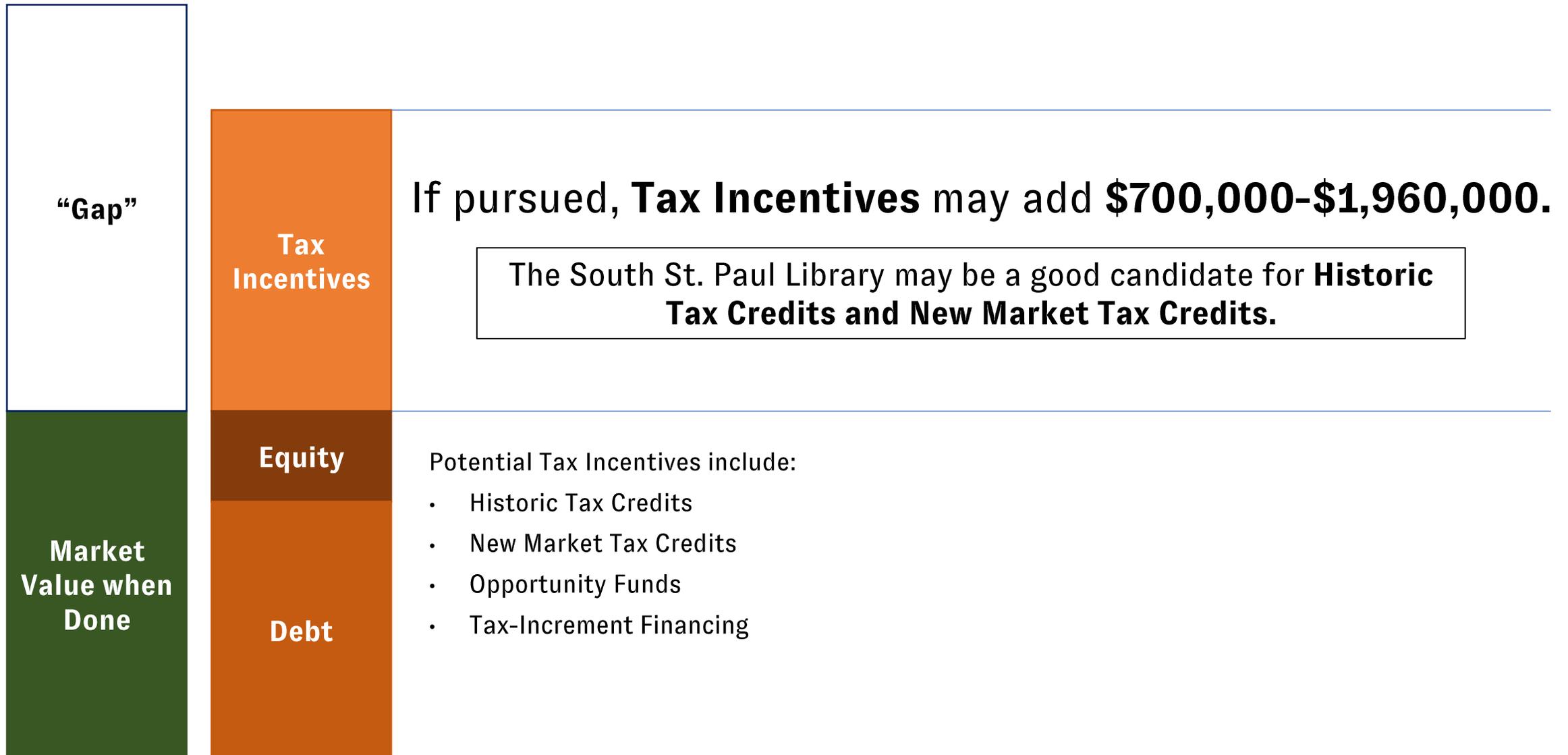
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**EQUITY** : cash, land, value of the building, and other assets leveraged or contributed to the project for a projected return or profit.



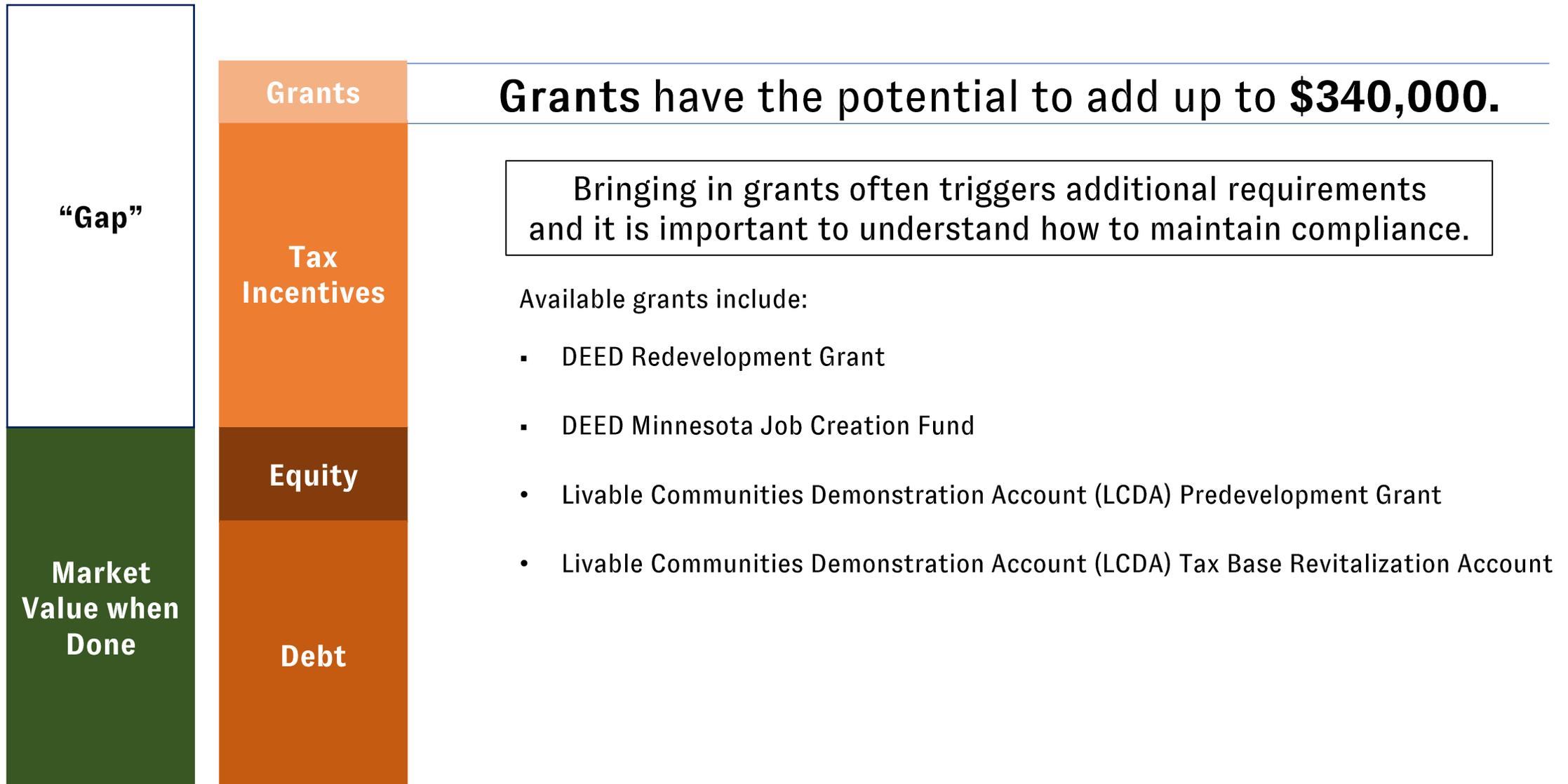
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# TAX INCENTIVES : income-generating properties may benefit from State and Federal programs created to incentivize investors



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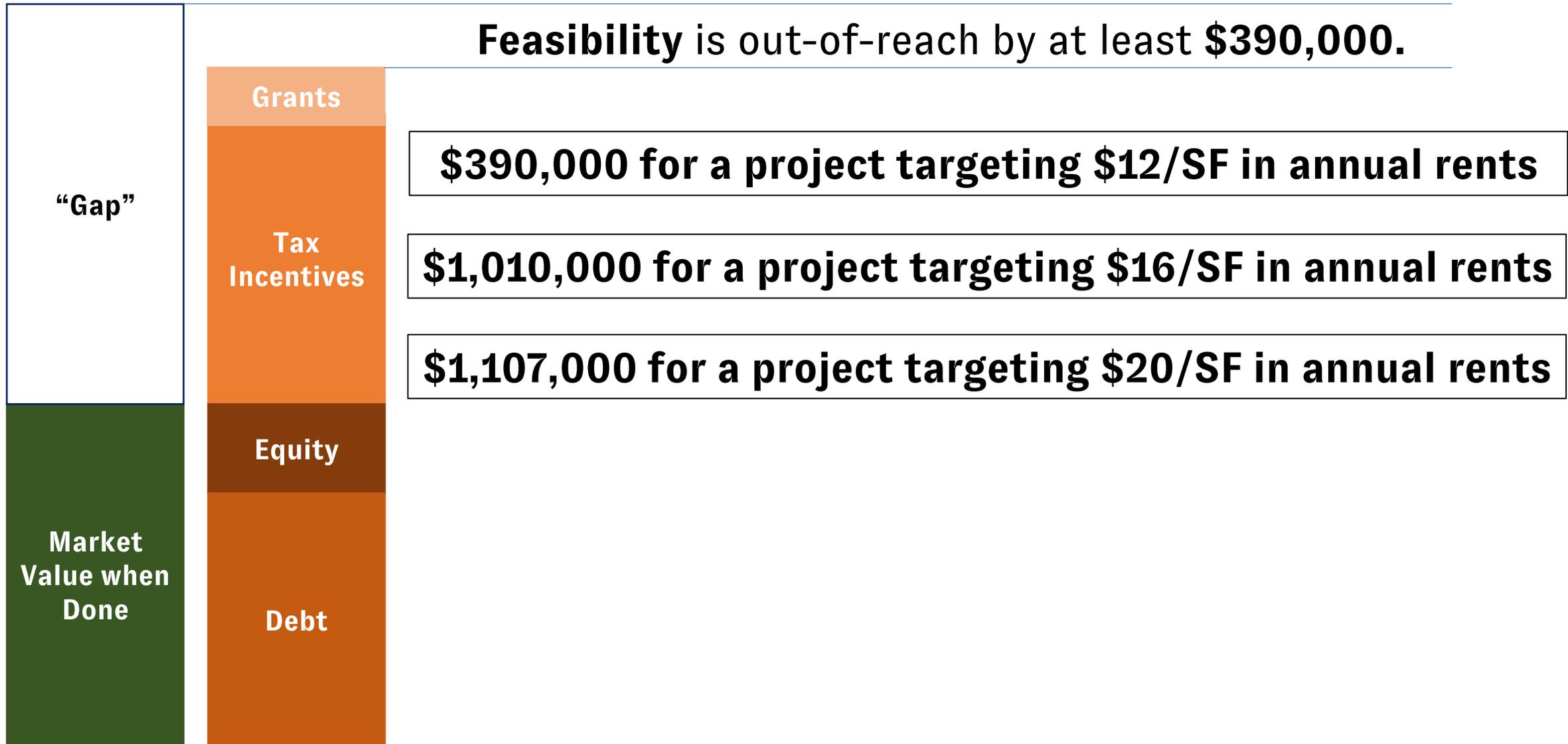
**GRANTS** : money that does not require repayment, awarded (often competitively) based on the goals of the funding program.



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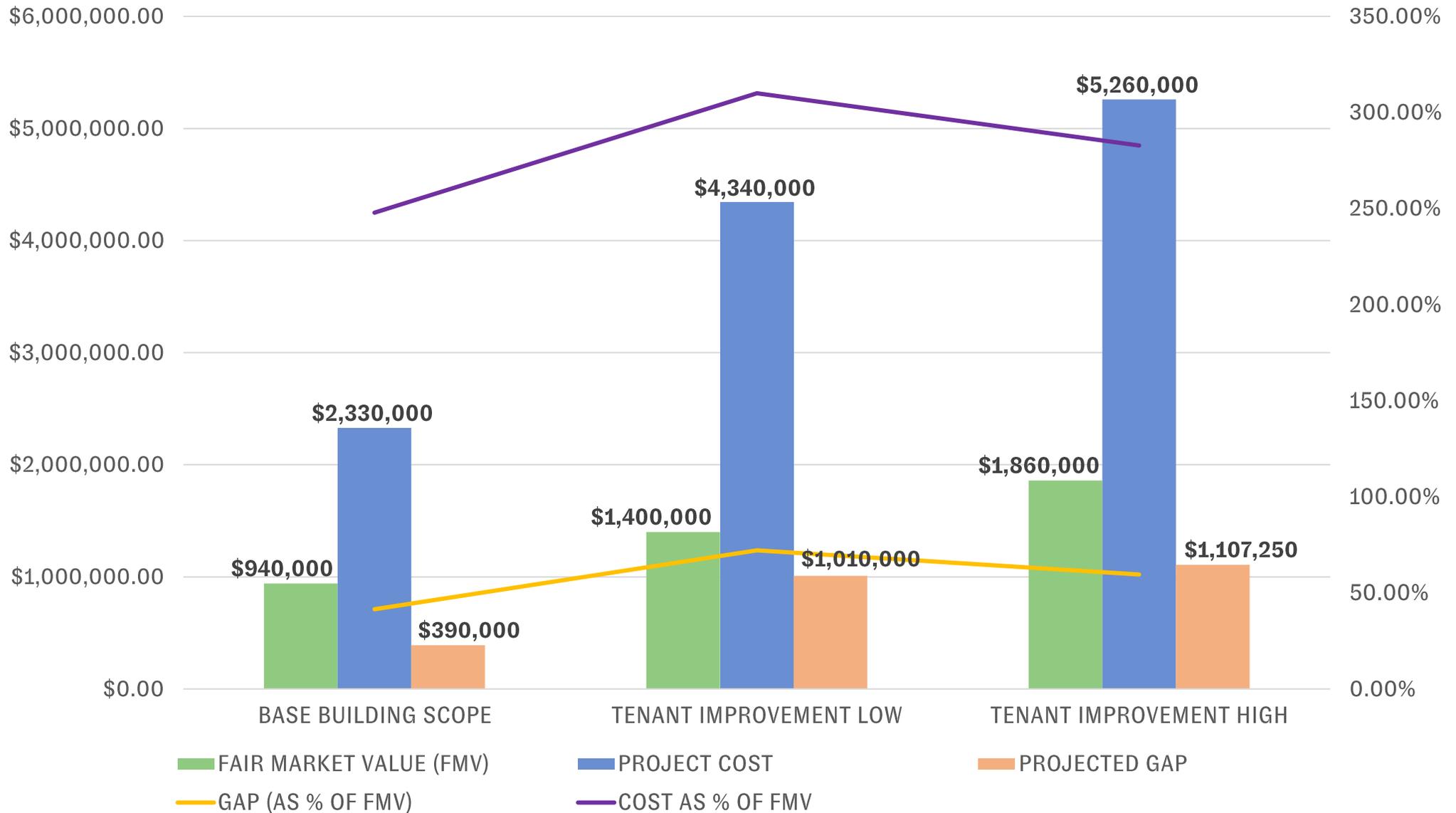
# REMAINING GAP

: even if the project can secure tax incentives and grants, there is still a projected funding gap



These values were derived using rents of \$12/SF, \$16 /SF, \$20/SF with an 8% CAP rate. For conceptual purposes only.

# SUMMARY OF ESTIMATED COSTS AND FUNDING GAP



# CITY PARTICIPATION

If the city aimed to close the gap by investing in the repairs before selling the building, the city would need to identify approximately **\$1,470,000** towards a rehab project targeting **\$16/SF**.

This is **\$460,000** more (+ additional time), for the same project scope.

<b>PHASE 1: MAINTAIN AND IMPROVE</b>		Fair Market Value	<b>\$940,000.00</b>
<i>Development Agreement:</i> City invests money while they own the building on repairs. Leaves some scope for private developer.			

USES	
Acquisition	\$0
Hard Costs	\$1,800,000.00
Soft Costs (assumed 25% of Hard Costs)	\$450,000.00
Holding Cost/Year	\$30,000.00
HTC Application Process	\$20,000.00
<b>TOTAL</b>	<b>\$2,300,000.00</b>

SOURCES	
Equity	\$1,490,000.00
City	\$1,470,000.00
Private Developer	\$20,000.00
Debt	N/A
Other Potential Sources*	N/A
<b>TOTAL</b>	<b>\$1,490,000.00</b>

**BASE SCOPE**  
-\$810,000.00

\*Historic Tax Credits are not accessible by the City as an owner.

<b>PHASE 2 : SCENARIO 2 -TENANT IMPROVEMENT (LOW BENCHMARK)</b>		Fair Market Value	<b>\$1,400,000.00</b>
<i>Development Agreement:</i> Private Developer targets tenant at lower end of rental spectrum \$16/SF			

USES	
Acquisition	\$1
Remaining Base Scope	\$810,000.00
Hard Costs	\$1,610,000.00
Tenant Infill at \$150/SF	\$1,610,250.00
Soft Costs (assumed 25% of Hard Costs)	\$400,000.00
Holding Cost/Year	\$30,000.00
<b>TOTAL</b>	<b>\$2,850,000.00</b>

SOURCES	
Equity	\$350,000.00
City	\$0.00
Private Developer @ 25% of FMV	\$350,000.00
Debt - @ 75% of FMV	\$1,050,000.00
Other Potential Sources	\$1,450,000.00
<b>TOTAL</b>	<b>\$2,850,000.00</b>

**TI (LOW)**  
\$0.00

**TOTAL USES** \$4,340,000.00

**TOTAL GAP**  
\$0.00

**TOTAL SOURCES** \$4,340,000.00

These values were derived using rents of \$12/SF, \$16 /SF, \$20/SF with an 8% CAP rate. For conceptual purposes only.

# OPERATIONAL VIABILITY

Any project is contingent on **identifying a tenant that can pay rent;**  
Speculative development is not likely to be financed.

# OPERATIONAL VIABILITY

With minimal improvements, it may be feasible to achieve a viable operating model that is financially positive.

New Market Tax Credits have the potential to improve cash flow significantly for the first 7 years of operation, allowing room for the building to stabilize.

OPERATIONAL ANALYSIS				
	ANNUAL RENTS (GROSS)			
	\$0/SF	\$12/SF	\$16/SF	\$20/SF
	Hold and Maintain	Base Building Scope of Work	Base Building + TI @ \$150/SF	Base Building + TI @ \$217/SF
Gross Operating Income	\$0.00	\$122,400	\$163,150	\$203,950
Operational Expense	\$31,000	47,050	\$51,200	\$55,250
Net Operating Income (NOI)	-\$31,000	\$75,350	\$112,250	\$148,700
Targeted Fair Market Value (FMV)	\$589,000	\$940,000	\$1,400,000	\$1,860,000
Max Debt (75% of FMV)	N/A	\$705,000	\$1,050,000	\$1,395,000
Annual Mortgage Payments (7%)	N/A	-\$56,300	-\$83,850	-\$111,350
If NMTC, Interest Only (6%)			-\$63,000	-\$83,700
CASH FLOW	-\$31,000.00	\$19,050	\$28,400	\$37,350
If NMTC, Interest Only (6%)			\$48,950	\$64,800

These values are provided for conceptual purposes only.

# INVESTMENT PERFORMANCE

**CASH-ON-CASH RETURN (COCR)** is one metric that investors look at to evaluate the annual return on investment. It is equivalent to the initial investment, divided by the annual net income

		ANNUAL (GROSS)			
		\$0/SF	\$12/SF	\$16/SF	\$20/SF
		Hold and Maintain	Base Building Scope of Work	Base Building + TI @\$150/SF	Base Building + TI @ \$217/SF
PROJECT COSTS		\$31,000/year	\$2,330,000	\$4,340,000	\$5,260,000
<b>PRIVATE INVESTMENT PERFORMANCE</b>					
Cash Flow			\$19,050	\$28,400	\$37,350
Private Equity			\$235,000.00	\$350,000	\$465,000
Cash-on-Cash Return			8.1%	8.1%	8.0%
For a New Market Tax Credit Project	First 7 yrs		N/A	14.0%	13.9%
<b>CITY INVESTMENT PERFORMANCE</b>					
Property Taxes	1.13%	\$0.00	\$10,620	\$15,820	\$21,020
City Equity		-\$31,000	\$388,000	\$1,010,000	\$1,107,250
Cash-on-Cash			2.7%	1.6%	1.9%

These values are provided for conceptual purposes only.

# **STEP 4 : CONCLUSION**

## STEP 4: CONCLUSION

In Step 2, the decision was made to pursue Option 3,  
“Sale of the Building with a Development Agreement”.

South St. Paul Former Library - Ownership Options

0	1	2	3	4
Do Nothing	Hold	"Fee for Service" Development	Sale with Development Agreement	Sale with no controls

Alternatively, the following could take place:

1. Take fair market value out of the equation and proceed with a remodel that is purely public in nature (no debt, no revenue).
2. Revisit limiting constraints and solve them outside of the property boundaries.
3. Sell the building as-is to a private buyer without any conditions.

## STEP 4: CONCLUSION

To pursue the preferred Ownership Model,  
“Sale of the Building with a Development Agreement”,  
the following must happen:

1. Overcome the funding gap
2. Improve the Market Value



# OVERCOME THE FUNDING GAP

**Partner with a developer (or issue an RFQ) to enter and Predevelopment Agreement for the sale of the property while working through the funding gap.**

In the agreement, the City should be prepared to identify the terms of a Purchase and Development Agreement, including:

1. Public Sale Process – Including Sale Price and Terms for Redevelopment
2. Assistance offered (e.g. TIF funds, business subsidy, and/or public improvements)
3. Developer Role on the project
4. City Responsibilities
5. Schedule
6. Minimum Criteria and Qualification Requirements

# IMPROVE THE MARKET VALUE

**With a higher market value, a higher spend on the project can be justified to investors.**

**In order to get a higher market value, the building needs to secure higher revenues.**

The city may help by assisting a developer by:

1. Matchmaking to secure the highest and best market rents
2. Subsidize rent for a tenant that may not be able to afford the necessary rents.



# NEW HISTORY

**The full feasibility report will be published by May 31, 2025.**

**Thank you!**