

**City of Minneapolis**  
**Request for Committee Action**

**To:** Community Development & Regulatory Services  
**Date:** 4/5/2016  
**Referral:** Ways & Means  
**From:** Community Planning & Economic Development  
**Prepared by:** Tiffany Glasper, Senior Project Coordinator – Residential Finance  
**Presented by:** Tiffany Glasper, Senior Project Coordinator – Residential Finance  
**File type:** Resolution  
**Subcategory:** Designation

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**Subject:**

Tax Increment Financing Plan, TIF Note and redevelopment contract terms for the Hawthorne EcoVillage Apartments Affordable Housing Project

**Description:**

1. Passage of Resolution approving the Hawthorne EcoVillage Apartments Tax Increment Financing (TIF) Plan.
2. Passage of Resolution authorizing the issuance of a limited revenue pay-as-you-go TIF note to Hawthorne Ecovillage Limited Partnership in a principal amount not to exceed \$722,300.
3. Approving the proposed redevelopment contract and business terms per this report. Authorizing appropriate City staff to execute a redevelopment contract, loan agreement and any other necessary documents related to the above recommended actions with Hawthorne EcoVillage Limited Partnership or an affiliated entity.

**Previous Actions:**

- April 26, 2013 – City Council approved exclusive development rights for 12 months with the option for a 6-month administrative extension for Project for Pride in Living on five City-owned parcels located at 617 Lowry Avenue North, 3110 and 3116 Lyndale Avenue North and 3113 and 3117 6<sup>th</sup> Street North.
  - October 18, 2013 – City Council approved an Affordable Housing Trust Fund award in an amount up to \$1,875,000 for the Hawthorne EcoVillage Apartments affordable housing project.
  - October 31, 2014 – City Council approved a 24-month extension of the exclusive development rights on five City-owned parcels located at 617 Lowry Avenue North, 3110 and 3116 Lyndale Avenue North and 3113 and 3117 6<sup>th</sup> Street North.
  - December 11, 2015 – City Council approved Preliminary Analysis Authorization for the subject Tax Increment Financing Plan (15-01475).
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**Ward/Address:**

Ward 5  
617 Lowry Avenue North, 3110 and 3116 Lyndale Avenue North, 3113 and 3117 6th Street North.

## **Background/Analysis:**

### **Project Description**

The Hawthorne EcoVillage Apartments Tax Increment Financing (TIF) Plan establishes a new housing TIF district within the existing West Lowry Avenue Redevelopment Project. The TIF district will consist of the five parcels identified above, located at the southeast corner of the intersection of Lyndale and Lowry Avenues North in the Hawthorne neighborhood.

The development site is located within the four-block Hawthorne EcoVillage, a multi-phase community effort to build sustainable, affordable “green living” residences. The EcoVillage is planned as an innovative, sustainable neighborhood focusing on restoring balance to natural systems, supporting resident health, and cultivating a strong sense of community. Partners include the City of Minneapolis, Family Housing Fund, Hawthorne Neighborhood Council, Hennepin County, Mississippi Watershed Management Organization, Project for Pride in Living and Twin Cities Habitat for Humanity.

The development will consist of the new construction of 75 units of affordable rental housing. There will be a 71-unit apartment building and two detached townhome buildings, each containing two additional units. The units will be a mix of zero-, one-, two- and three-bedroom units affordable to households at or below 50 percent Area Median Income (AMI). There will be up to 70 spaces of underground parking for the residents and other amenities, including an on-site property management office, community room, exercise room, outdoor play area, public art, in-unit washers and dryers, dishwashers and bicycle storage.

This project will be the first higher density housing development on Lowry Avenue North since the roadway reconstruction in 2008 and will set the tone for quality and design. This project will also help catalyze additional housing development in this area of north Minneapolis and will help revitalize this intersection.

Located on a transit corridor, the site is readily accessible to public transportation on Lyndale and Lowry Avenues North and has good access to both the near northern suburbs and the downtown core. Redevelopment of this site is a key element of the City’s commitment to north Minneapolis and is a vital component of the revival of Lowry Avenue North.

The project will be owned by Hawthorne EcoVillage Limited Partnership. National Equity Fund will be the syndicator, PPL Hawthorne EcoVillage LLC will be the managing general partner and PPL Service Corporation will be the co-general partner.

On January 15, 2016, notice of the opportunity to review and comment on the proposed TIF Plan was sent to the City Planning Commission, the Hennepin County Board of Commissioners, the Minneapolis Board of Education, Hawthorne Neighborhood Council and other interested parties. On February 22, 2016 the City Planning Commission found that the TIF Plan is consistent with *The Minneapolis Plan for Sustainable Growth*. As of the date of preparation of this report, the City has not received any comments on the proposed TIF Plan.

### **Project Financing Overview**

The estimated total development cost for the project is \$17,669,923. Developer equity into the project includes the deferred developer fee of about \$231,637. The sources and uses for the project are detailed on the attached Project Data Worksheet.

The developer’s TIF application requested approximately \$866,000 in pay-as-you-go TIF assistance. Staff analysis determined that the project site qualifies as a housing TIF district. The proposed project eliminates blight, provides affordable housing units and enhances the pedestrian experience at the intersection.

The proposed project would not be feasible without public financial assistance. Because this area of the City has been historically disproportionately affected by disinvestment, foreclosure and other livability factors, there is a significant gap between the available resources and the total development costs. Thus, the project would not be feasible without public financial assistance.

CPED staff has determined that the tax increment financing assistance is justified in an amount up to \$722,300. The assistance will be provided to the project through the issuance of a TIF pay-as-you-go revenue note carrying an annual interest rate of 4.15% and the note is projected to be paid off by 26 years of tax increment collections. The note will be used to help pay debt service on the project.

### **Proposed Redevelopment Contract Terms**

1. The developer will develop the Hawthorne EcoVillage Apartments project consisting of the following:
  - a. At least 20% of the total units will be affordable at or below 50% AMI. The residential rental units will be a mix of zero-, one-, two- and three-bedroom apartments.
  - b. A fitness room, community room, bicycle storage and repair room and property management offices will occupy the first floor.
  - c. Approximately 70 stalls of underground parking.
2. The City will provide TIF assistance in the form of one pay-as-you-go note in a principal amount not to exceed \$722,300 with 26 years of increment collection. The developer will assign the TIF note to the first mortgage lender, Minnesota Housing.
3. The City has received two grant awards from the Metropolitan Council and two grant awards from Hennepin County. The City is entering into separate loan or grant agreements for each of these funding sources.
4. The City will enter into an Affordable Housing Trust Fund Written Agreement with Hawthorne EcoVillage Limited Partnership for the \$1,875,000 in deferred funding from the City.
5. Regarding TIF recapture provisions, there will be recapture language in the redevelopment contract that will give the City the authority to capture a portion of any potential proceeds to the developer as a result of a sale or refinance of the property during the term of the TIF note.

### **Financial Review:**

**No additional appropriation required, amount included in current budget.**

**Future budget impact anticipated.**

The tax increment generated by the increased value of the properties, occurring as a result of the new construction project, will not be included in the City's general tax base. The tax increment will revert to the City's general tax base once the TIF note is paid in full, which is anticipated to be in 26 years. The City will retain 10 percent of the tax increment generated each year for the payment of the TIF administrative costs.

**Approved by the Permanent Review Committee.** – Not Applicable

**Meets Small and Underutilized Business Program goals.** – Not Applicable

**Attachments:**

1. Project Data Worksheet
2. Resolution Approving Hawthorne EcoVillage Apartments TIF Plan
3. Hawthorne EcoVillage Apartments TIF Plan
4. Resolution Authorizing Issuance of TIF Note
5. Development Finance Committee Recommendation