

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 4/5/2016
Referral: N/A
From: Community Planning & Economic Development
Prepared by: Elfric K. Porte, II., Manager Residential & Real Estate Development
Presented by: Elfric K. Porte, II., Manager Residential & Real Estate Development
File type: Resolution
Subcategory: Designation

Subject:

Deletion of parcels from Minneapolis Housing Replacement Tax Increment Financing Districts II and III.

Description:

Passage of a resolution deleting 147 parcels from Minneapolis Housing Replacement Tax Increment Financing Districts II and III for the purpose of increasing future capacity to add qualified parcels to a to-be-created housing replacement tax increment financing district.

Previous Actions:

August 9, 1996 – Council approved the first Housing Replacement District (HRD) Tax Increment Financing (TIF) Plan.

August 22, 2003 – Council approved HRD II TIF Plan.

December 8, 2009 – Council approved HRD III TIF Plan and modifications to HRD I and II TIF Plans.

1997 – 2015 – Council passed various resolutions adding parcels to and deleting parcels from HRDs.

Ward/Address:

All Wards

(See attached map for locations of parcels to be deleted from and parcels to remain in Housing Replacement TIF Districts.)

Background/Analysis:

A housing replacement district (HRD) is a tax increment financing (TIF) district authorized by special legislation originally enacted by the Minnesota Legislature in 1995 and amended six times between 1996 and 2011. HRDs have as their sole purpose the acquisition and preparation of parcels for sale for the development of market rate housing, which is defined as housing with a market value that does not exceed 150 percent of the average market value of single-family housing in the city.

HRD TIF Plans identify parcels that consist of vacant land, vacant housing or substandard housing, and authorize acquisition, demolition, occupant relocation, site preparation and pollution remediation, as necessary, in order to sell the parcels for development of new or rehabilitated market rate housing. The plans also authorize the use of tax increment revenues for acquisition and preparation of vacant land, vacant housing or substandard housing parcels located outside the HRDs, for redevelopment as market rate housing.

There are three Minneapolis HRDs, approved by the City Council in 1996, 2003 and 2009. The second and third districts were established after time limits for expanding existing districts were reached and as the special legislation was amended to allow greater numbers of parcels to be included in the HRDs.

The current maximum number of parcels that may be included into Minneapolis HRDs is 500. As parcels have been added to and deleted from HRDs since 1996, all of the 500 “slots” have been used.

NOTE: *Special legislation following the May 2011 tornado allowed for additional HRD parcels, but those parcels do not increase the 500 limit.*

The HRD TIF Plans describe the circumstances under which parcels may be deleted from HRDs:

If for any reason parcels identified in this Plan, or added to this District in the future, are not redeveloped or rehabilitated for market rate housing, such parcels may be deleted from the District. Examples of circumstances that may result in the deletion of a parcel from the District include polluted soils, excessive site preparation costs, the City’s inability to acquire the property, limitations on the marketability of the property, or changes in approved City land use plans. Under such circumstances, parcels may be deleted from the District by resolution of the City Council. If the parcels that are deleted from the District have not generated any tax increment subsequent to their initial certification, they may be replaced by other eligible parcels.

Due to limitations on marketability and changes in the development plans of the City, 144 parcels (see Attachment 1 for a list) have remained in the City’s inventory longer than anticipated. These tax-exempt parcels have not generated any tax increment revenue and can therefore be deleted from the districts and replaced by other eligible parcels more likely to fulfill the purpose of the HRDs. The removal of these parcels coincides with current strategic repositioning efforts and creates the opportunity to align future parcel additions with resulting strategies.

Since the time limit for adding parcels to HRD III has expired, a proposed TIF plan for a new HRD will be prepared and presented for Council approval. The new plan will include a list of parcels to replace the openings made by the removal of these parcels from HRD II and HRD III. Once drafted, the proposed plan will be made available for a 45-day public review period prior to Council consideration, including review by the City Planning Commission, the Hennepin County Board of Commissioners and the Minneapolis Board of Education, and a public hearing conducted by the Community Development & Regulatory Services Committee.

Three additional parcels have been identified for deletion from the districts even though they have generated tax increment and thus their slots cannot be reused; these parcels were either not acquired by the City or were sold to developers who have not constructed market rate housing.

Financial Review:
No financial impact.

Most of the parcels to be removed from HRD II and HRD III are not generating tax increment revenue. It is anticipated that in late 2016 or early 2017, they will be replaced by parcels more likely to generate tax increment revenue.

Attachments:

1. Deletion of Parcels from Minneapolis HRD TIF Districts II and III_ List
2. Deletion of Parcels from Minneapolis HRD TIF Districts II and III_ Map
3. Deletion of Parcels from Minneapolis HRD TIF Districts II and III_ Resolution