



**Request for City Council Committee Action
from the Department of Community Planning and Economic
Development**

Date: December 12, 2006

To: Lisa Goodman, Chair Community Development Committee

Referral to: Paul Ostrow, Chair Ways and Means/Budget Committee

Subject: Modifications to Southeast Minneapolis Industrial (SEMI) Redevelopment and TIF Plans for Pooling in Bioscience Subzone

Recommendation:

- a) Adopt the attached resolution approving the Modifications to Southeast Minneapolis Industrial (SEMI) Redevelopment and TIF Plans for Pooling in a Bioscience Subzone,
- b) Approve prepayment of the Bedford Street Townhomes Tax Increment Financing note, and
- c) Amend the 2006 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund CS30-SEMI Phase 3 (CS30-890-8933) by \$85,000 from the available fund balance.

Previous Directives: On June 30, 1995 the City Council approved the 30 acre South East Minneapolis Industrial (SEMI) Redevelopment Project and Tax Increment District; on February 23, 1996 the SEMI Redevelopment Project Area was expanded to 125 acres and the Phase 2 Tax Increment District was established; on November 22, 1996 the SEMI Redevelopment Project was expanded to its present area of about 525 acres and the Phase 3 Tax Increment District was established; on April 25, 1997 the SEMI Phase 4 Tax Increment District was approved; and on June 12, 1998 the SEMI Phase 5 Tax Increment District was approved. On November 21, 2003 the City Council authorized a request to the State for designation of a portion of SEMI as a State Bioscience Subzone and authorized staff to seek legislation

to permit pooling of tax increment in the SEMI Area.

Prepared by: Jim Forsyth, Senior Project Coordinator, 612-673-5179

Approved by: Charles T. Lutz, Deputy CPED Director _____

Mike Christenson, Director Economic Policy & Dev. _____

Presenter in Committee: Jim Forsyth

Financial Impact

- Action requires an appropriation increase to the Fund CS30 Operating Budget
- Action is within the Business Plan

Community Impact

- Neighborhood Notification: The South East Economic Development (SEED) Committee has endorsed the proposed modification to the Redevelopment and Tax Increment plans.
- City Goals: A premier destination. Retain and grow businesses in life sciences and the creative economy.
- Sustainability Targets: Provide additional bicycle lanes and paths, eliminate a combined sewer overflow source, reduce permeable surface by increasing number of large area stormwater amenities, increase opportunities for workers to earn a livable wage.
- Comprehensive Plan: The infrastructure to be constructed in part with pooled tax increment is consistent with the recently approved SEMI/URP amendment to the Comprehensive Plan.
- Zoning Code: Consistent

Supporting Information

During the 2003 First Special Session of the Minnesota Legislature, Chapter 21, Article 2 was enacted establishing a program for creation of the Bioscience Zone program. The program allowed the establishment of bioscience subzones. Minneapolis applied for and was granted designation of a subzone that included a 250-acre portion of the SEMI Redevelopment Project. That area is depicted on Exhibit #2 of the attached Modification No. 8 to the South East Minneapolis Industrial (SEMI) Redevelopment Plan. Bioscience subzone designation allowed for business subsidy agreements with bioscience businesses that provided a number of tax-related incentives. Additionally legislation in 2005 that was amended in 2006 allowed for tax increment revenue generated within designated bioscience subzones to be pooled to finance public infrastructure within the bioscience subzone.

The subzone area within SEMI is to a great extent devoid of public infrastructure. The area was historically developed as a grain milling and storage area and a large rail yard. As such most of the infrastructure was privately developed and was designed to serve the activities of the time. The area is now planned as a research park, taking advantage of its proximity to the University of Minnesota; however, roads and stormwater management

systems are needed to implement that plan. Additionally, Kasota Road has been planned to provide improved access to new industrial development undertaken in part with tax increment financing. The developments were designed to be accessed by the new alignment of Kasota. The new alignment is also intended to relieve the adjoining residential neighborhood of industrial traffic generated by the development. Due to a lack of funds, the realignment of Kasota is only partially complete. The pooled tax increment revenue from specific TIF districts within SEMI, coupled with other funds including grants, will allow the City to complete construction of Kasota. To the extent that funds are available, the pooled tax increment will also be used to complete stormwater management facilities and Granary Road. The infrastructure planned for funding in part with pooled tax increment made possible with the modification is depicted on Exhibit 1 of the attached Modification #8 to the SEMI Redevelopment Plan.

The Plan modifications amend four Southeast Minneapolis Industrial (SEMI) Area Tax Increment Financing (TIF) Plans to permit pooling of tax increment revenue for costs associated with construction of public infrastructure in the Bioscience Subzone of the SEMI Redevelopment Project. Infrastructure projects that will be funded in part by this source will include roadways, stormwater management systems and other public infrastructure (water supply, sanitary sewers, sidewalks, and lighting).

The modifications change the boundary of the SEMI Phase 3 TIF District (County Designation #79) by deleting the Bedford Street Townhomes Project Parcels and payment in full of the Tax Increment Limited Revenue Note for that project. On approval of the modifications, the County will be directed to decertify those parcels. Decertification of the Bedford parcels will mean that the only remaining parcels in SEMI Phase 3 will be in the Bioscience Zone and therefore eligible to be pooled.

Estimated Development Costs and Public Costs: Public costs are being prepared by the Public Works Department. Their initial conservative estimate of costs associated with planned infrastructure is:

Kasota Road (west portion)	\$8,000,000
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Granary Road (25 th Avenue to St. Paul border)	\$3,150,000
Granary Road (25 th Avenue to 35W)	\$9,450,000
25 th Avenue SE extension	\$1,000,000
Malcolm Avenue reconstruction	\$850,000
North and South regional stormwater ponds	\$6,800,000

Total	\$37,250,000
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Anticipated sources of funds to meet these costs include pooled tax increment of \$6,550,000, State grants and bonds, assessments, MSA funds, Federal Highway Administration and Economic Development Administration funds, Mississippi Watershed Management Organization funds, MILES and others that may be identified.

An increase in the appropriation in the SEMI TI Fund CS30, from available fund balances, by \$85,000 is the only financial commitment at this time. The appropriation in Fund CS3 will allow the TIF note for the Bedford Street Townhomes project to be paid in full and this will allow deletion of the Bedford parcels from the SEMI Phase 3 TI district. As noted above, deletion of those parcels will ensure consistency with the designated Bioscience Zone.

PROJECT ELEMENTS NOT IN CONFORMANCE WITH TIF

There are no project elements that are not in conformance with tax increment policy.

Exhibits:

Modification No. 8 to the South East Minneapolis Industrial (SEMI) Area Redevelopment Plan and Modifications to the Phase 1, 2, 3 and 5 TIF Plans.

Resolution approving the Modifications to Southeast Minneapolis Industrial (SEMI) Redevelopment and TIF Plans for Pooling in a Bioscience Subzone.

Adopting Modification No 8 to the Southeast Minneapolis Industrial (SEMI) Area Redevelopment Plan, Modification No 1 to the SEMI Area Phase 1 Tax Increment Finance (TIF) Plan, Modification No 2 to the SEMI Area Phase 2 TIF Plan, Modification No 2 to the SEMI Area Phase 3 TIF Plan and Modification No 1 to the SEMI Area Phase 5 TIF Plan

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

Section 1. Recitals

- 1.1 Pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, the City of Minneapolis (the "City"), acting by and through its department of Community Planning and Economic Development, has been granted the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing ("TIF") districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.179, as amended, and other laws enumerated therein (collectively, the "Project Laws").
- 1.2 By Resolution No 95R-199 duly adopted on June 30, 1995, the City approved the SEMI Area Redevelopment Plan and the SEMI Phase 1 TIF Plan, which plans established a project area and TIF district, identified a budget for expenditures, and designated property that may be acquired, all pursuant to and in accordance with the Project Laws.
- 1.3 By Resolution No 96R-046, duly adopted on February 23, 1996, the City approved Modification No 1 to the SEMI Area Redevelopment Plan and approved the SEMI Area Phase 2 TIF Plan.
- 1.4 By Resolution No 96R-302, duly adopted on October 25, 1996, the City approved Modification No 1 to the SEMI Area Phase 2 TIF Plan, including the SEMI Area Phase 2 Hazardous Substance Subdistrict Plan, and Modification No 2 to the SEMI Area Redevelopment Plan.
- 1.5 By Resolution No 96R-347, duly adopted on November 22, 1996, the City approved Modification No 3 to the SEMI Area Redevelopment Plan and the SEMI Area Phase 3 TIF Plan.
- 1.6 By Resolution No 97R-103, duly adopted on April 25, 1997, the City approved Modification No 4 to the SEMI Area Redevelopment Plan and the SEMI Area Phase 4 TIF Plan.

- 1.7 By Resolution No 98R-195, duly adopted on June 12, 1998, the City approved Modification No 5 to the SEMI Area Redevelopment Plan and approved the SEMI Area Phase 5 TIF and Hazardous Substance Subdistrict Plan.
- 1.8 By Resolution No 99R-216, duly adopted on June 25, 1999, the City approved Modification No 6 to the SEMI Area Redevelopment Plan and Modification No 1 to the SEMI Area Phase 3 TIF Plan.
- 1.9 By Resolution No 99-2019M, duly adopted on October 27, 2000, the Minneapolis Community Development Agency approved Modification No 7 to the SEMI Area Redevelopment Plan, which Modification designated parcels for acquisition. By Resolution No 03-625, duly adopted on December 29, 2003, the City transferred administration of all MCDA redevelopment and TIF plans to the City.
- 1.10 The City has caused to be prepared, and this Council has investigated the facts with respect to, the proposed Modification No 8 to the SEMI Area Redevelopment Plan, Modification No 1 to the SEMI Area Phase 1 TIF Plan, Modification No 2 to the SEMI Area Phase 2 TIF Plan, Modification No 2 to the SEMI Area Phase 3 TIF Plan and Modification No 1 to the SEMI Area Phase 5 TIF Plan (collectively, the "Modification"), permitting the pooling of tax increment revenue for costs associated with construction of public infrastructure in the BioScience Sub-zone of the SEMI Redevelopment Project.
- 1.11 The City has performed all actions required by law to be performed prior to the adoption of the Modification, including, but not limited to, authorization from the State for designation of a portion of SEMI as a State Bio-Science Sub-zone, a review of the proposed Modification by the affected neighborhood groups and the Planning Commission, transmittal of the proposed Modification to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing upon published and mailed notice as required by law.

Section 2. Findings for the Adoption of the Modification

- 2.1 The Council reaffirms the findings made in the Resolutions cited in Section 1 hereof.
- 2.2 The Council further finds, determines, and declares that the Modification amends four SEMI Area TIF Plans to permit pooling of tax increment revenue for costs associated with construction of public infrastructure in the BioScience Sub-zone of the SEMI Redevelopment Project. Further, upon approval of the Modification, the existing outstanding Bedford Pay-As-You-Go Note will be paid in full and the County will be directed to decertify certain parcels from the SEMI Phase 3 TIF District (County Designation #79).

- 2.3 The Council further finds, determines, and declares that the Modification conforms to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Modification were issued and are incorporated herein by reference, and are on file in the office of the City Clerk.
- 2.4 The Council further finds, determines and declares that the objectives and actions authorized by the Modification are all pursuant to and in accordance with the Project Laws, including the decertification of parcels in the SEMI Area Phase 3 TIF District.
- 2.5 The Council further finds, determines and declares that it is necessary and in the best interest of the City to approve the Modification.

Section 3. Approval of the Modification

- 3.1 Based upon the findings set forth in Section 2 hereof, the Modification presented to the Council on this date is hereby approved and shall be placed on file in the office of the City Clerk.

Section 4. Implementation of the Modification

- 4.1 After passage and publication of this Resolution, the officers and staff of the City and the City's consultants and counsel are authorized and directed to proceed with the implementation of the Modification, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further modifications, plans, resolutions, documents and contracts necessary for this purpose.