

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

Date: August 24, 2010

To: Council Member Lisa Goodman, Chair, Community Development Committee
Referral to: Council Member Betsy Hodges, Chair, Ways and Means/Budget Committee

Subject: Public Hearing and Approval of Modification No. 1 to the Parcel C TIF Plan and Modification No. 1 to the Heritage Landing Apartments TIF Plan

Recommendation: Adopt the attached resolution approving Modification No. 1 to the Parcel C TIF Plan and Modification No. 1 to the Heritage Landing Apartments TIF Plan.

Previous Directives: The Parcel C TIF Plan was approved by the City Council on December 14, 2001. The Heritage Landing Apartments TIF Plan was approved by the City Council on November 13, 1998.

Prepared by: Wesley J. Butler, Manager, Multifamily Housing (612-673-5194)

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

Thomas Streitz, Director, Housing Policy & Development _____

Presenter in Committee: Wesley J. Butler

Financial Impact

Certain fund balances from these two TIF districts will become available for affordable housing purposes through the City's Affordable Housing Trust Fund. The actual expenditure of these funds will be subject to future City Council approvals and appropriations.

Community Impact

- Neighborhood Notification: On July 9, 2010, the Downtown Minneapolis Neighborhood Association and the Warehouse District-North Loop Association were invited to review and comment on the proposed TIF Plan modifications.
- City Goals: A Safe Place To Call Home; Livable Communities, Healthy Lives.
- Sustainability Targets: Affordable housing production.
- Comprehensive Plan: On August 16, 2010, the Minneapolis City Planning Commission found that the proposed TIF Plan modifications were consistent with The Minneapolis Plan for Sustainable Growth.

Supporting Information

Minnesota Statutes Sections 469.176, Subd. 4k and 469.1763 Subd. 2, paragraph (d), permit pooling of up to 35 percent of the tax increment revenue from tax increment financing (TIF) districts for the exclusive purpose of assisting qualified low-income rental housing anywhere in the city. A district's TIF Plan must identify this use of revenue and must include a budget for this purpose.

Pooling for qualified low-income rental housing can occur in districts where tax increment revenues are greater than projected, which may occur due to rising property values, the receipt of TIF program income through recapture of TIF assistance, developer payments for replacement affordable housing units, or other factors. Only those annual tax increment revenues remaining after payment of debt service and administrative costs are available to be pooled for qualified low-income rental housing. If the language permitting pooling is not

included in a TIF Plan, the City's options for use of the tax increment revenue that would otherwise be eligible for pooling is limited to paying debt or other contractual obligations, holding the revenue in reserve for payment of debt or other contractual obligations, or declaring the revenue "excess increment", in which case it would be returned to Hennepin County and allocated to the various taxing jurisdictions.

Modifications to the Parcel C and Heritage Landing Apartments TIF Plans have been prepared to add language describing the use of tax increment revenues to assist qualified low-income rental housing projects elsewhere within the city, and to revise the project budgets to reflect expenditures for this purpose. Funds made available as a result of this action will be allocated for affordable housing purposes through the City's Affordable Housing Trust Fund, and will be awarded to projects in accordance with the program guidelines and competitive process.

Modification No. 1 to the Parcel C TIF Plan

Parcel C is the downtown block between Second Street South and Washington Avenue South, and Fifth and Portland Avenues South. Development on the block has included CSM Corporation's Depot Office Center, the 22-unit Metropolitan Lofts ownership housing development, the new home of the MacPhail Center for Music, and structured parking. CSM elected to make a financial contribution to the City in lieu of providing affordable housing units within the development project, in accordance with the City's Affordable Housing Policy. The amount of this payment was \$320,000. In addition, the City has collected tax increment not needed for project or administrative costs.

Approval of Modification No. 1 will enable the City to use up to \$1,500,000 from this TIF district to assist affordable housing development anywhere in the city. Approximately \$700,000 will be available by the end of 2010, with the remaining \$800,000 becoming available in 2011-2018.

Modification No. 1 to the Heritage Landing Apartments TIF Plan

Heritage Landing Apartments, completed in 2000, is a 229-unit mixed-income rental housing project at 415 First Street North. The project was planned and constructed prior to the approval of the City's Affordable Housing Policy. However, during profit-sharing and subsidy recapture negotiations, it was envisioned that all recaptured revenue from the developer and tax increment not needed for project or administrative costs would be used to assist affordable housing development in the future.

Approval of Modification No. 1 will enable the City to use up to \$2,550,000 from this TIF district to assist affordable housing development anywhere in the city. Approximately \$950,000 will be available by the end of 2010, with the remaining \$1,600,000 becoming available in 2011-2026.

Attachments

- Resolution Approving TIF Plan Modifications
- Modification No. 1 to the Parcel C TIF Plan
- Modification No. 1 to the Heritage Landing Apartments TIF Plan

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman and Hodges

Approving Modification No 1 to the Heritage Landing Apartments Tax Increment Finance Plan and Modification No 1 to the Parcel C Tax Increment Finance 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 98R-431 duly adopted November 13, 1998 and approved November 18, 1998, the City approved the Heritage Landing Apartments Tax Increment Finance Plan and thereby established the Heritage Landing Apartments Tax Increment Financing District.

1.3. By Resolution 2001R-517 duly adopted and approved December 14, 2001, the City approved the Parcel C Tax Increment Finance Plan and thereby established the Parcel C Tax Increment Financing District.

1.4. It has been proposed and the City has caused to be prepared, and this Council has investigated the facts with respect to, Modification No 1 to the Heritage Landing Apartments Tax Increment Finance Plan and Modification No 1 to the Parcel C Tax Increment Finance Plan (collectively, the "Modifications"). The Modifications amend the project budgets, update other financial information, and add language describing the use of tax increment revenues to assist qualified low-income rental housing projects elsewhere within the city, in accordance with Minnesota Statutes Sections 469.176, Subd 4k and 469.1763, Subd 2, paragraph (d).

1.5. The City has performed all actions required by law to be performed prior to the adoption of the Modifications, including, but not limited to, a review of the proposed Modifications by the affected neighborhood groups and the City Planning Commission, transmittal of the proposed Modifications 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 notice as required by law.

Section 2. Findings

2.1 The Council hereby finds, determines and reaffirms the findings made in Resolutions 98R-431 and 2001R-517.

2.2. The Council further finds, determines and declares that the objectives and actions authorized by the Modifications are all pursuant to and in accordance with the Project Laws.

2.3. The Council further finds, determines and declares that the Modifications conform to the general plan for the development or redevelopment of the city as a whole.

2.4. The Council hereby finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Modifications.

Section 3. Approval of the Modifications

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

Section 4. Implementation of the Modifications

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 Modifications, 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.