



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

Date: October 11, 2011

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 Modifications to Six Tax Increment Finance (TIF) Plans to Allow TIF Assistance for Affordable Rental Housing Projects

Recommendation: Adopt the attached resolution approving modifications to the TIF Plans for six TIF districts (United Van/Bus (UVB) Site, Rosacker Nursery Site, Portland Place, Stinson Technology Campus, Former Federal Reserve and Urban Village), and related modifications to the Common TIF Plan.

Previous Directives: The City Council approved the affected TIF Plans and subsequent modifications on the following dates:

- UVB Site TIF Plan – December 29, 1995
- Rosacker Nursery Site TIF Plan – June 27, 1997; Modification No. 1 – February 6, 1998
- Portland Place TIF Plan – May 22, 1998; Modification No. 1 – October 27, 2000
- Stinson Technology Campus TIF Plan – February 18, 2000
- Former Federal Reserve TIF Plan – February 18, 2000
- Urban Village TIF Plan – July 28, 2000

On September 3, 2010, the City Council approved similar modifications to the Parcel C and Heritage Landing Apartments TIF Plans to allow TIF assistance for affordable rental housing projects.

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

Thomas Streitz, Director, Housing Policy & Development _____

Jeff Streder, Director, Development Finance _____

Presenter in Committee: Jeff Streder (612-673-5130)

Financial Impact

- Certain fund balances from six TIF districts will become eligible 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 August 26, 2011, affected neighborhood organizations (Seward Neighborhood Group, Windom Park Citizens in Action, Phillips West Neighborhood Association, Southeast Como Improvement Association, Downtown Minneapolis Neighborhood Association and Lowry Hill East Neighborhood Association) were notified of the opportunity 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 September 22, 2011, the Minneapolis City Planning Commission Committee of the Whole found that the proposed TIF Plan modifications were consistent with The Minneapolis Plan for Sustainable Growth. The full City Planning Commission is expected to make a finding on October 17, 2011.

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 (affordable) 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 affordable rental housing can occur in TIF districts where tax increment revenues have exceeded expenditures in a number of circumstances, including collecting more increment than originally projected, the receipt of TIF program income through recapture of TIF assistance, developer payments for replacement affordable housing units, and the retirement of all outstanding TIF obligations. If the language permitting pooling is not included in a TIF Plan, the City's options for use of these funds would be prepaying outstanding TIF obligations or declaring these funds "excess tax increment" and returning them to Hennepin County for redistribution to the City, County and School District.

Modifications to the UVB Site, Rosacker Nursery Site, Portland Place, Stinson Technology Campus, Former Federal Reserve and Urban Village TIF Plans have been prepared to add language describing the use of tax increment revenues to assist affordable rental housing projects anywhere within the City of Minneapolis, and to revise the project budgets to reflect expenditures for this purpose. Two corresponding modifications to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan (the "Common Plan") have also been prepared because the UVB Site and Rosacker Nursery Site TIF Plans are included within the Common Plan.

If these TIF plan modifications are approved, available TIF funds would become eligible for affordable rental housing, but could not be expended without future City Council appropriations (either through the normal City budget process or separate Council action). Such future appropriations would allow these funds to be expended for affordable housing purposes through the City's Affordable Housing Trust Fund (AHTF), and would be awarded to projects in accordance with the AHTF program guidelines and competitive process.

Modification No. 116 to the Common Plan and Modification No. 2 to the Rosacker Nursery Site TIF Plan

In 1999, 32 market-rate owner-occupied townhomes and a 15,500-square foot neighborhood retail center were developed on the Rosacker Nursery Site at Stinson Boulevard and 18th Avenue Northeast. Public costs were financed internally and were reimbursed with tax increment revenue generated by the TIF district.

Approval of these modifications to the Common Plan and the Rosacker Nursery Site TIF Plan would enable the City to use up to \$528,000 from this TIF district to assist affordable housing development anywhere in the City of Minneapolis. It is currently projected that virtually all of these TIF funds will be available by the end of 2011.

Modification No. 117 to the Common Plan and Modification No. 1 to the UVB Site TIF Plan

A contaminated industrial site at 26th Street East and 33rd Avenue South (the United Van Bus, or UVB Site) was remediated in the 1990s and redevelopment with new commercial and light industrial uses was completed in 2000.

Approval of these modifications to the Common Plan and the UVB Site TIF Plan would enable the City to use up to \$237,700 from this TIF district to assist affordable housing development anywhere in the City of Minneapolis. It is currently projected that most of these TIF funds will be available by the end of 2011.

Modification No. 2 to the Portland Place TIF Plan

Portland Place, completed in 2000, is a housing development covering two square blocks bounded by 26th and 28th Streets East and Portland and Fifth Avenues South. Substandard rental housing was replaced by owner-occupied single-family homes, twinhomes and townhomes.

Approval of this modification to the Portland Place TIF Plan would enable the City to use up to \$540,000 from this TIF district to assist affordable housing development anywhere in the City of Minneapolis. It is currently projected that \$70,000 of these TIF funds will be available by the end of 2011, with the remaining \$470,000 becoming available in 2012-2017.

Modification No. 1 to the Stinson Technology Campus TIF Plan

Development within the Stinson Technology Campus TIF District, located at Stinson Boulevard Northeast and Kennedy Street Northeast, included the rehabilitation of several underutilized industrial buildings for use by high tech companies.

Approval of this modification to the Stinson Technology Campus TIF Plan would enable the City to use up to \$1,175,000 from this TIF district to assist affordable housing development anywhere in the City of Minneapolis. It is currently projected that \$400,000 of these TIF funds will be available by the end of 2011, with the remaining \$775,000 becoming available in 2012-2027.

Modification No. 1 to the Former Federal Reserve TIF Plan

The former Federal Reserve Bank Building, located at 250 Marquette Avenue, was remediated and renovated and a 1.5-acre plaza was reconstructed as a landscaped public green space within the Former Federal Reserve TIF District.

Approval of this modification to the Former Federal Reserve TIF Plan would enable the City to use up to \$1,610,000 from this TIF district to assist affordable housing development anywhere in the City of Minneapolis. It is currently projected that \$600,000 of these TIF funds will be available by the end of 2011, with the remaining \$1,010,000 becoming available in 2012-2026.

Modification No. 1 to the Urban Village TIF Plan

The Urban Village TIF District is located between 28th and 29th Streets East, from Aldrich to Dupont Avenues South. Development within the district, completed in 2005, includes 126 mixed-income owner-occupied townhomes on former blighted industrial sites.

Approval of this modification to the Urban Village TIF Plan would enable the City to use up to \$1,225,000 from this TIF district to assist affordable housing development anywhere in the City of Minneapolis. It is currently projected that \$790,000 of these TIF funds will be available by the end of 2011, with the remaining \$435,000 becoming available in 2012.

Attachments

- Map – TIF District Locations
- Resolution Approving TIF Plan Modifications
- Modification No. 116 to the Common Plan and Modification No. 2 to the Rosacker Nursery Site TIF Plan
- Modification No. 117 to the Common Plan and Modification No. 1 to the UVB Site TIF Plan
- Modification No. 2 to the Portland Place TIF Plan
- Modification No. 1 to the Stinson Technology Campus TIF Plan
- Modification No. 1 to the Former Federal Reserve TIF Plan
- Modification No. 1 to the Urban Village TIF Plan

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman and Hodges

Approving Modification No 116 to the Common Plan, Modification No 2 to the Rosacker Nursery Site TIF Plan, Modification No 117 to the Common Plan, Modification No 1 to the UVB Site TIF Plan, Modification No 2 to the Portland Place TIF Plan, Modification No 1 to the Stinson Technology Campus TIF Plan, Modification No 1 to the Former Federal Reserve TIF Plan and Modification No 1 to the Urban Village 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 89R-530 duly adopted December 15, 1989 and approved December 21, 1989, the City approved the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan (the "Common Plan") and thereby established the Common Development and Redevelopment Project (the "Common Project").

1.3. By Resolution 95R-409 duly adopted December 29, 1995 and approved January 4, 1996, the City approved Modification No. 39 to the Common Plan and the United Van Bus (UVB) Site TIF Plan and thereby established the UVB Site TIF District.

1.4. By Resolution 97R-165 duly adopted June 27, 1997 and approved July 2, 1997 the City approved Modification No. 49 to the Common Plan and the Rosacker Nursery Site TIF Plan and thereby established the Rosacker Nursery Site TIF District. By Resolution 98R-027 duly adopted and approved February 6, 1998, the City approved Modification No. 54 to the Common Plan and Modification No. 1 to the Rosacker Nursery Site TIF Plan.

1.5. By Resolution 98R-162 duly adopted and approved May 22, 1998, the City approved the Portland Place TIF Plan and thereby established the Portland Place TIF District. By Resolution 2000R-473 duly adopted October 27, 2000 and approved November 2, 2000, the City approved Modification No. 1 to the Portland Place TIF Plan.

1.6. By Resolution 2000R-059 duly adopted and approved February 18, 2000, the City approved the Stinson Technology Campus TIF Plan and thereby established the Stinson Technology Campus TIF District.

1.7. By Resolution 2000R-056 duly adopted and approved February 18, 2000, the City approved the Former Federal Reserve Tax Increment Finance Plan and thereby established the Former Federal Reserve TIF District.

1.8. By Resolution 2000R-335 duly adopted July 28, 2000 and approved August 3, 2000 the City approved the Urban Village TIF Plan and thereby established the Urban Village TIF District.

1.9. It has been proposed and the City has caused to be prepared, and this Council has investigated the facts with respect to, Modification No 116 to the Common Plan, Modification No 2 to the Rosacker Nursery Site TIF Plan, Modification No 117 to the Common Plan, Modification No 1 to the UVB Site TIF Plan, Modification No 2 to the Portland Place TIF Plan, Modification No 1 to the Stinson Technology Campus TIF Plan, Modification No 1 to the Former Federal Reserve TIF Plan and Modification No 1 to the Urban Village TIF 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 of Minneapolis, in accordance with Minnesota Statutes Sections 469.176, Subd 4k and 469.1763, Subd 2, paragraph (d).

1.10. 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 89R-530, 95R-409, 97R-165, 98R-162, 2000R-473, 2000R-059, 2000R-056 and 2000R-335.

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.