



Modification No. 1 to the
Former Federal Reserve
Tax Increment Finance Plan

Draft for Public Review
August 26, 2011

Former Federal Reserve Tax Increment Finance Plan

Modification No. 1

Introduction **(New)**

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Development Program
 - A. Description of Development Program
 - B. List of Property That May Be Acquired
 - C. Development Activity For Which Contracts Have Been Signed and Other Specific Development Expected to Occur
 - D. Other Development Activity
- IV. Description of Financing **(Changed)**
 - A. Project Costs **(Changed)**
 - B. Bonded Indebtedness to be Incurred
 - C. Sources of Revenue
 - D. Original Net Tax Capacity **(Changed)**
 - E. Estimated Captured Net Tax Capacity **(Changed)**
 - F. Duration of District
 - G. Fiscal Disparities Election
 - H. Original Tax Capacity Rate **(Changed)**
 - I. LGA/HACA Penalty Exemption
 - J. Affordable Housing and Expenditures Outside TIF District **(New)**
- V. Type of Tax Increment Financing District
- VI. Estimated Impact on Other Taxing Jurisdictions
- VII. Basis for Finding That Development Would Not Occur Without Tax Increment Financing Assistance
- VIII. Modifications to Tax Increment Financing Plans

Exhibits

- #1 Boundary Map
- #2 Project Area Report and Documentation of Blight

Introduction

This Modification No. 1 to the Former Federal Reserve TIF Plan amends the project budget, updates other financial information, and adds language describing the allowable use of tax increment revenues to assist qualified low-income rental housing projects located anywhere within the City of Minneapolis, in accordance with Minnesota Statutes Sections 469.176, Subd. 4k and 469.1763, Subd. 2, paragraph (d).

Section IV – Description of Financing is updated by Modification No. 1. Changes are described in italics prior to each affected subsection. Only those parts of the TIF Plan changed by Modification No. 1 appear below.

IV. Description of Financing

[Subsections A, D, E and H are modified as described below. Subsection J is added.]

IV.A. Project Costs

[Section IV.A. is updated as follows.]

The maximum project costs to be financed with tax increment revenues collected from the Former Federal Reserve Tax Increment Financing District is shown in the revised budget below.

	Original Budget		Revised Budget
	Up-Front	Over Time	
Sources			
Developer Funds	\$7,250,000	---	(a)
Tax Increment	---	\$17,000,000	\$22,800,000
Total Sources	\$7,250,000	\$17,000,000	\$22,800,000
 Uses			
Public Redevelopment Costs	\$7,250,000	---	\$7,250,000
Pay-As-You-Go Note Principal		\$7,250,000	(a)
Pay-As-You-Go Note Interest	---	8,050,000	12,800,000
Administration	---	1,700,000	1,140,000
Affordable Housing	---	---	1,610,000
Total Uses	\$7,250,000	\$17,000,000	\$22,800,000

(a) Per revised State Auditor reporting instructions, the revised budget does not include the \$7,250,000 tax increment revenue note that was issued to the developer.

IV.D. Original Net Tax Capacity

[The following language is added to Section IV.D.]

For taxes payable in 2011, the Original Net Tax Capacity of the TIF District was \$14,250.

IV.E. Estimated Captured Net Tax Capacity

[The following language is added to Section IV.E.]

For taxes payable in 2011, the total net tax capacity was \$879,250, the captured net tax capacity was \$865,000, and the gross tax increment (before the State Auditor fee) was \$1,249,111.90.

IV.H. Original Tax Capacity Rate

[Section IV.H. is replaced by the following language.]

The Original Tax Capacity Rate of the TIF District is 144.406%.

IV.J. Affordable Housing and Expenditures Outside TIF District

[Section IV.J. is added to the TIF Plan.]

Pursuant to Minnesota Statutes Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of Minnesota Statutes Section 469.1763, Subd. 2, paragraph (d), which states that such expenditures must:

- 1) be used exclusively to assist housing that meets the requirements for a qualified low-income building (as defined in Section 42 of the Internal Revenue Code);
- 2) not exceed the qualified basis of the housing (as defined in Section 42(c) of the Internal Revenue Code) less the amount of any credit allowed under Section 42; and
- 3) be used to:
 - acquire and prepare the site of the housing;
 - acquire, construct, or rehabilitate the housing; or
 - make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or “project area” (as that term is defined in Minnesota Statutes Section 469.174), but may be spent anywhere within the City of Minneapolis. However, the amount of tax increment used for such purposes is restricted.

Pursuant to Minnesota Statutes Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenditures are normally considered

expenditures outside of the TIF district. However, if the only other expenditures outside of the TIF district are for affordable housing purposes as described above, the administrative expenditures are then considered spent within the TIF district.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district. No more than 10% of the increment collected from the district (over its lifetime) may be used for administrative purposes, and no more than 35% of the increment collected from the district (over its lifetime) may be used for affordable housing purposes as described above.

The revised budget in Section IV.A. above reflects this authority and these limitations.