



520 Second Street SE  
Tax Increment Financing Plan

Draft for Public Review  
March 16, 2012

**Table of Contents**

I. Introduction ..... 1

II. TIF District Boundary..... 1

III. Type of TIF District..... 1

IV. Maximum Duration of the TIF District ..... 2

V. Statement of Objectives ..... 2

VI. Proposed Development Activity..... 3

    A. Description of Proposed Development Activity..... 3

    B. Property That May Be Acquired ..... 3

    C. Other Expected Development Activity ..... 3

VII. Description of Financing..... 3

    A. Costs to be Paid with Tax Increment..... 4

    B. Maximum Bonds to be Issued ..... 4

    C. Other Sources of Funding ..... 4

    D. Original Net Tax Capacity ..... 4

    E. Original Tax Capacity Rate ..... 4

    F. Fiscal Disparities Election ..... 5

    G. Projected Captured Net Tax Capacity and Tax Increment ..... 5

VIII. Estimated Impact on Other Taxing Jurisdictions..... 5

IX. Basis for Finding That Development Would Not Occur Without TIF Assistance..... 6

**Exhibits**

1. TIF District Boundary Map and Project Area Boundary Map
2. Documentation of Eligibility
3. Assumptions Schedule
4. Projected Tax Increment Schedule
5. Market Value Test Schedule
6. Site Plan and Rendering

# 520 Second Street SE Tax Increment Financing Plan

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## I. Introduction

Three plan documents have been prepared to facilitate the development of a six-story, 91-unit affordable rental apartment project at 520 Second Street SE:

- The 520 Second Street SE Tax Increment Financing (TIF) Plan establishes a new housing TIF District within the Holmes Urban Renewal Area to help finance various public project costs and to establish a budget for the use of tax increment revenue generated by the new TIF District.
- Modification No. 11 to the Holmes Urban Renewal Plan updates the Plan's Land Use Map and Land Use Provisions and Requirements, to achieve consistency with the City's comprehensive plan and the Master Plan for the Marcy-Holmes Neighborhood and to reflect the proposed reuse of the property at 520 Second Street SE.
- Because the Holmes Urban Renewal Area is located within the Minneapolis Common Project, Modification No. 120 to the Common Development and Redevelopment Plan and Common TIF Plan (the "Common Plan") has been prepared to include a description of the planned development activity and financing and to incorporate by reference Modification No. 11 to the Holmes Urban Renewal Plan into the Common Plan. The 520 Second Street SE TIF District will not be incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments.

## II. TIF District Boundary

The 520 Second Street SE TIF District consists of two tax parcels identified below. The TIF District is located within the Marcy-Holmes neighborhood and Ward 3 of Minneapolis, and is within the Holmes Urban Renewal Area.

Property Identification Number	Property Address
23-029-24-41-0209	520 Second Street SE
23-029-24-41-0046	518 Second Street SE

The TIF District Boundary Map and a map showing the TIF District within the boundary of the Holmes Urban Renewal Area are attached as Exhibit 1.

## III. Type of TIF District

The 520 Second Street SE TIF District is a "housing district" as defined in the Minnesota Tax Increment Financing Act (the "TIF Act", M.S. Sections 469.174-469.1799):

**M.S. Section 469.174, Subd. 11** "Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act

of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts and that satisfies the requirements of section 469.1761. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

**M.S. Section 469.1761, Subd. 1.** (a) In order for a tax increment financing district to qualify as a housing district: (1) the income limitations provided in this section must be satisfied; and (2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses. (b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located in a targeted area as defined in M.S. Section 462C.02, Subd. 9, clause (e).

**M.S. Section 469.1761, Subd. 3.** For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district.

Additional information about the district's eligibility as a housing TIF District is provided in Exhibit 2.

#### **IV. Maximum Duration of the TIF District**

The maximum duration of the 520 Second Street SE TIF District is that which is prescribed by the TIF Act for a housing district. At the time this document was prepared, the TIF Act allowed for a maximum of 26 years of tax increment collection.

#### **V. Statement of Objectives**

The City of Minneapolis (the "City") seeks to achieve the following objectives through this TIF Plan:

- Increase the number of housing units and choices within the city.
- Increase housing density.
- Provide affordable housing units.
- Eliminate blighting influences.
- Support strong and diverse neighborhoods where people choose to live.
- Promote transit-oriented and sustainable development.
- Increase the property tax base.

## **VI. Proposed Development Activity**

### **A. Description of Proposed Development Activity**

Second Street Holdings, LLC owns the property at 520 Second Street SE and proposes to develop a housing project consisting of 91 rental apartments along with 96 underground parking spaces. The project includes six stories above grade with two levels of underground parking.

The proposed unit mix is 74 one-bedroom units that are 560 square feet and 17 studio apartments ranging from 441 to 528 square feet. The building will have a secured entry, on-site office and management space, rooftop deck, community room, on-site laundry facilities on each floor, bike racks in each parking stall, and storage lockers for tenant use. Thirty-seven units will be affordable to households at or below 50 percent of Area Median Income and 54 units will be affordable to households at or below 60 percent of the Area Median Income. The owner will pay all utilities.

The project will be owned by 520 Second Street Apartments, LP. The General Partner of the Limited Partnership will be 520 Second Street Apartments LLC. Members of the General Partnership will be Lucy Brown Minn and John K. Wall. The Limited Partner will be the tax credit investor that is yet to be identified.

The site is currently occupied by a vacant one-story building and a surface parking lot. The existing building is approved for demolition and will be removed to make way for the proposed development. The vacant building is not structurally sound and was found to be economically unfeasible for renovation.

### **B. Property That May Be Acquired**

The City does not currently intend to acquire any property within the TIF District.

### **C. Other Expected Development Activity**

No additional development activity is anticipated within the TIF District.

## **VII. Description of Financing**

The figures, sources, and methods of financing identified in this TIF Plan are based on the best estimates and projections available at the time this plan was prepared. Slight changes can be expected. However, if significant changes occur that affect the structure or financial feasibility of the project, or increase the project costs to be paid with tax increment or bonded indebtedness to be incurred beyond the amounts listed in this TIF Plan, then a formal modification to this plan may become necessary. Such a modification would require the same review and approval process as the original approval of this TIF Plan.

**A. Costs to be Paid with Tax Increment**

The total cost of the project is currently estimated to be approximately \$14.9 million. The maximum amount of project costs that can be paid utilizing tax increment revenues generated from within the 520 Second Street SE TIF District is shown below.

The City reserves the right to administratively adjust the amount of any of the line items listed, or to incorporate additional eligible line items, provided that the total use figures listed below are not exceeded.

Sources

Tax Increment	<u>\$1,660,000</u>
Total Sources	\$1,660,000

Uses

Affordable Housing Construction	\$790,000
Pay-As-You-Go Note Interest	704,000
City Administration Costs	<u>166,000</u>
Total Uses	\$1,660,000

**B. Maximum Bonds to be Issued**

It is not anticipated that the City will issue any tax increment bonds for the 520 Second Street SE project. It is anticipated that the City will issue to the developer a pay-as-you-go TIF note in an amount not to exceed \$790,000. The City will semi-annually distribute net tax increment to the developer under the terms of the TIF note which will be used, along with operating revenue generated by the housing project itself, to pay semi-annual debt service on one or more series of housing revenue bonds that the City will issue to help construct the project.

**C. Other Sources of Funding**

In addition to the housing revenue bonds described in Section VII B, other sources of funding to construct the project will include developer land equity, tax credit syndication proceeds, deferred developer fees, a loan from the City's Affordable Housing Trust Fund, and potential grant funds from Hennepin County.

**D. Original Net Tax Capacity**

The original Estimated Market Value (EMV) of the TIF District (as of January 2, 2011) is \$514,100. It is projected that upon project completion and property reclassification to low-income residential rental property (class 4d) the Original Net Tax Capacity of the TIF District will be \$3,856.

**E. Original Tax Capacity Rate**

The Original Tax Capacity Rate of the TIF District will be 153.011%, which is the total tax capacity rate for all applicable taxing jurisdictions for taxes payable in 2012. For tax increment projection purposes (see Section VII G), a total tax capacity rate of 146.000% was used.

**F. Fiscal Disparities Election**

For the purpose of calculating tax increment, the City of Minneapolis elects that the fiscal disparity contribution, that is required for all commercial/industrial property located within the TIF District, will be made from “outside” the TIF District (M.S. Section 469.177, Subd. 3, Paragraph (a)).

**G. Projected Captured Net Tax Capacity and Tax Increment**

Upon project completion it is projected that the total EMV of the property in the TIF District will be \$7,000,000, and the total net tax capacity (NTC) will be \$52,500. The captured net tax capacity of the TIF District at completion is therefore projected to be \$48,644 (for taxes payable in 2015).

The Assumptions Schedule (Exhibit 3) shows the various assumptions used in projecting net tax increment from the TIF District.

The Projected Tax Increment Schedule (Exhibit 4) shows how tax increment was projected over a 25-year period (2013 to 2037).

**VIII. Estimated Impact on Other Taxing Jurisdictions**

It is the position of the City of Minneapolis that the development of the property included in this TIF District would not occur as proposed without tax increment financing assistance.

Nevertheless, if it is assumed for the purpose of analysis that the proposed development would occur without tax increment financing assistance, and that the estimated captured net tax capacity at project completion would be immediately available, then the estimated annual impact to the applicable taxing jurisdictions would be as follows:

## 520 Second Street SE Tax Increment Financing Plan

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Taxing Jurisdiction	Pay 2012 Tax <u>Capacity Rate</u>	Property Taxes Resulting From \$48,644 in Captured Net <u>Tax Capacity</u>
City of Minneapolis	72.510%	\$35,272
Hennepin County	47.564	23,137
Special School District #1	24.213	11,778
Other	<u>8.724</u>	<u>4,244</u>
<b>Total</b>	<b>153.011%</b>	<b>\$74,431</b>

### Fiscal and Economic Implications of the TIF District

The estimated amount of total tax increment that would be generated over the maximum duration of the TIF District is \$1,730,351.

The probable impact of the TIF District on City-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the TIF District is projected to be very minor due to the small size of the project in comparison to the size of the City budget and tax base.

The estimated amount of tax increment generated over the life of the TIF District that would be attributable to the School District, assuming the School District's tax rate remains at approximately 15.8 percent of the total tax rate, would equal \$273,817.

The estimated amount of tax increment generated over the life of the TIF District that would be attributable to the County, assuming the County's tax rate remains at approximately 31.1 percent of the total tax rate, would equal \$537,886.

As of the date this plan was prepared, neither the County nor School District have requested any additional information which could assist them in determining additional costs that may accrue due to the development in the TIF District.

### **IX. Basis for Finding That Development Would Not Occur Without TIF Assistance**

M.S. Section 469.175, Subd. 3 provides that, prior to the approval of a TIF Plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future, and therefore the use of tax increment financing is deemed necessary.

It is the position of the City of Minneapolis that the private development to be constructed in the 520 Second Street SE TIF District would not occur without public participation and financial assistance. This conclusion and finding is based upon the factors and circumstances described below.

## 520 Second Street SE Tax Increment Financing Plan

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The developer has stated that “but-for” the use of tax increment financing the development will not proceed. A financial analysis conducted by the City indicated that projected development costs exceed available funding sources and that a funding gap exists. In order to close this funding gap, tax increment financing assistance is deemed necessary and appropriate.

The project is consistent with development objectives set forth in the Minneapolis Tax Increment Policy in that it will 1) provide housing choices that meet the needs of current residents and attract new residents to the city, 2) provide affordable housing, 3) develop an underutilized site and 4) eliminate blighting influences.

The amount of tax increment financing requested is reasonable when compared to the overall cost of developing the project, and the developer has explored other options to secure private and public funding for these costs prior to requesting tax increment financing assistance from the City.

The funding gap is in part due to the inclusion of 91 affordable rental units within the project, in compliance with the City’s Unified Housing Policy. The Unified Housing Policy recognizes the serious shortage of affordable housing in Minneapolis and seeks to “grow the population and to have no net loss of housing across all income levels”.

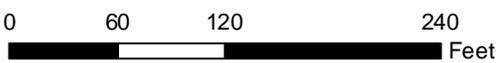
The Unified Housing Policy also states that the City will focus on linking incentives to housing opportunities in proximity to jobs and transit. The 520 Second Street SE project site is in close proximity to multiple transit resources, including eight Metro Transit bus routes (many of which provide direct access to downtown Minneapolis and its employment and transit opportunities), existing and planned LRT stations, dedicated walking and bicycling trails, the Stone Arch Bridge connection to downtown, and Nice Ride and Hour Car kiosks. The site is located within the East Hennepin Activity Center, identified and described in the City’s comprehensive plan as having a mix of high-intensity uses, including employment, commercial, office, and residential uses.

A tax increment financing district site must also pass a “market value test” in order to support the finding that the development could not occur without tax increment assistance (M.S. Section 469.175, Subd. 3(b)(2)(ii)). Exhibit 5 contains the calculations necessary to demonstrate that this test has been satisfied.

# 520 Second Street SE TIF District Boundary Map

**Legend**

 TIF District



City of Minneapolis  
Development Finance Division  
March 2012



# 520 Second Street SE TIF District Location Within Holmes Urban Renewal Area



**Legend**

- TIF District
- Holmes Urban Renewal Area
- Mississippi River

0      0.1      0.2  
 ─────────── Miles

City of Minneapolis  
 Development Finance Division  
 March 2012

This map does not include the noncontiguous portion of the Holmes Urban Renewal Area added by Modification No. 5, dated November 10, 1987 (an area near 13th Ave NE and Marshall St. NE).

### Documentation of Eligibility

The purpose of this exhibit is to describe the conditions that qualify the 520 Second Street SE Tax Increment Financing (TIF) District as a housing district as defined in Minnesota Statutes Section 469.174, Subd. 11:

"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts and that satisfies the requirements of section 469.1761. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

and Section 469.1761, Subd. 1:

(a) In order for a tax increment financing district to qualify as a housing district: (1) the income limitations provided in this section must be satisfied; and (2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses. (b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located in a targeted area as defined in M.S. Section 462C.02, Subd. 9, clause (e).

and Section 469.1761, Subd. 3:

For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district.

### Compliance with Income Restrictions

The income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code are such that one of two tests must be met:

- a. **20-50 Test** Twenty percent or more of the residential units in the project are occupied by individuals whose income is 50 percent or less of area median gross income.

- b. **40-60 Test** Forty percent or more of the residential units in the project are occupied by individuals whose income is 60 percent or less of area median gross income.

Thirty-seven of the 91 units in the 520 Second Street SE development, or 41 percent, will be occupied by individuals whose income is 50 percent or less of the area median gross income, and thus the project meets the first test.

### **Compliance with Requirements for Non-Residential Uses**

M.S. Section 469.1761, Subd. 1(a) provides that no more than 20 percent of the square footage of buildings that receive tax increment assistance may consist of commercial, retail or other non-residential uses. The 520 Second Street SE development will not include any non-residential uses.

## Exhibit 3

### Assumptions Schedule

#### 520 Second Street SE Project

#### TIF Plan

**EMV Upon Completion = \$7,000,000 (91 Units @ \$76,923/Unit)**

**Assumes All Units Are Classified as Class 4d Property**

Type of Tax Increment Financing (TIF) District	Housing
Maximum Duration of TIF District	26 Years of Tax Increment Collection
Certification Request Date	06/01/12
Decertification Date	12/31/37 (Years of Increment = 25)

	Construction Year =	2011	2012	2013
	Assessment Year =	2012	2013	2014
	Taxes Payable Year =	2013	2014	2015
EMV Upon Completion		\$515,100	\$7,000,000	\$7,000,000
Percent Complete		---	23%	100%
Total Estimated Market Value		\$515,100	\$1,613,500	\$7,000,000
Times: Classification Rate (a)		1.50%/2.00%	1.50%/2.00%	0.75%
Total Net Tax Capacity (NTC)		\$9,552	\$31,520	\$52,500

	Assessment Year =	2011	2012	2013	2014
	Taxes Payable Year =	2012	2013	2014	2015
EMV - PID# 23-029-24-41-0209		\$475,000	\$475,000	\$475,000	\$475,000
EMV - PID# 23-029-24-41-0046		39,100	39,100	39,100	39,100
Original Estimated Market Value (EMV)		\$514,100	\$514,100	\$514,100	\$514,100
Times: Classification Rate (a)		1.50%/2.00%	1.50%/2.00%	1.50%/2.00%	0.75%
Original Net Tax Capacity (ONTC)		\$9,532	\$9,532	\$9,532	\$3,856

Total Tax Capacity Rate	146.000% (for projection purposes)
City Administrative Fee	10.00%

Pay-As-You-Go Note

Note Date	08/01/12
Annual Rate	5.00%

Notes

- (a) Property is reclassified upon project completion from commercial (class 3a) to low-income residential rental (class 4d).

## Exhibit 4

### Projected Tax Increment Schedule

520 Second Street SE Project

TIF Plan

EMV Upon Completion = \$7,000,000 (91 Units @ \$76,923/Unit)

Assumes All Units Are Classified as Class 4d Property

Year Ending	Total Net Tax Capacity	<u>Less:</u> Original Net Tax Capacity	<u>Less:</u> Fiscal Disp. @ 0.0000%	<u>Equals:</u> Retained Captured NTC	<u>Times:</u> Total Tax Capacity Rate	<u>Equals:</u> Annual Gross Tax Increment	<u>Less:</u> State Aud. Fee @ 0.36%	<u>Equals:</u> Increment Distributed to City	<u>Less:</u> City Adm. Fee @ 10.00%	<u>Less:</u> Pooling for Housing @ 0.00%	<u>Equals:</u> Net Tax Increment
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(9)	(10)	(10)
12/31/12	9,532	9,532	0	0	146.000%	0	0	0	0	0	0
12/31/13	9,552	9,532	0	20	146.000%	29	0	29	3	0	26
12/31/14	31,520	9,532	0	21,988	146.000%	32,102	116	31,986	3,199	0	28,787
12/31/15	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/16	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/17	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/18	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/19	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/20	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/21	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/22	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/23	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/24	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/25	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/26	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/27	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/28	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/29	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/30	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/31	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/32	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/33	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/34	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/35	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/36	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
12/31/37	52,500	3,856	0	48,644	146.000%	71,020	256	70,764	7,076	0	63,688
						\$1,665,591	\$6,004	\$1,659,587	\$165,950	\$0	\$1,493,637

## Exhibit 5 Market Value Test Schedule

Valuation and Tax Increment Assumptions			
	Pay 2013	Pay 2014	Pay 2015
Total Estimated Market Value (EMV)	\$515,100	\$1,613,500	\$7,000,000
Less: Original EMV	514,100	514,100	514,100
Captured EMV	\$1,000	\$1,099,400	\$6,485,900
Total Net Tax Capacity (NTC)	\$9,552	\$31,520	\$52,500
Less: Original NTC	9,532	9,532	3,856
Captured NTC	\$20	\$21,988	\$48,644
Times: Projected Total Tax Rate	146.000%	146.000%	146.000%
Gross Tax Increment	\$29	\$32,102	\$71,020
Less: State Auditor's Fee (.36%)	0	116	256
Tax Increment Distributed to City	\$29	\$31,986	\$70,764

26 Years of TI Collection		
Years of TIF Collection	Payable Year	Tax Increment Distributed To City
---	2012	\$0
1	2013	29
2	2014	31,986
3	2015	70,764
4	2016	70,764
5	2017	70,764
6	2018	70,764
7	2019	70,764
8	2020	70,764
9	2021	70,764
10	2022	70,764
11	2023	70,764
12	2024	70,764
13	2025	70,764
14	2026	70,764
15	2027	70,764
16	2028	70,764
17	2029	70,764
18	2030	70,764
19	2031	70,764
20	2032	70,764
21	2033	70,764
22	2034	70,764
23	2035	70,764
24	2036	70,764
25	2037	70,764
26	2038	70,764
		\$1,730,351
<b>P.V. @</b>	<b>5.00%</b>	<b>\$914,706</b>

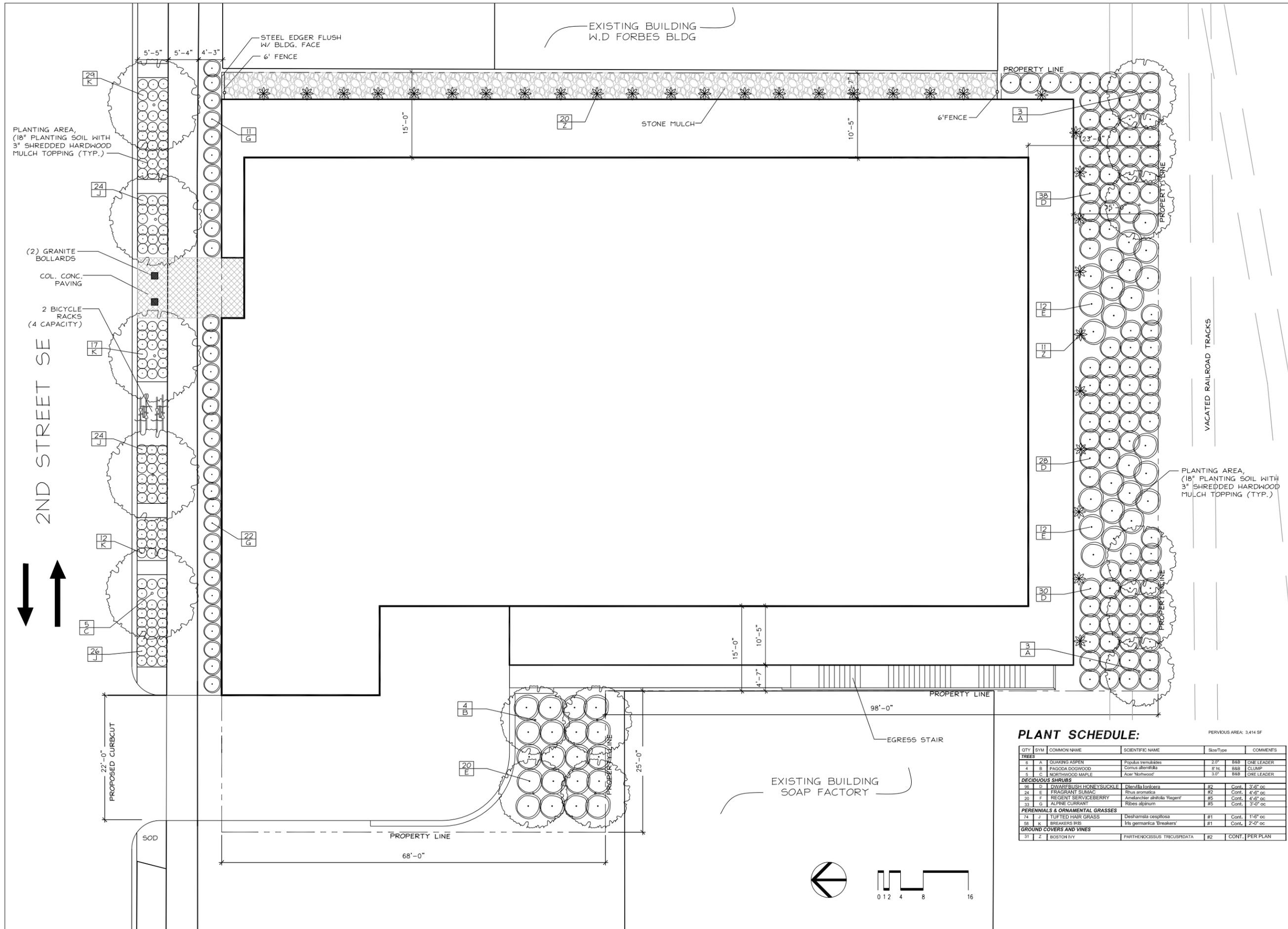
Market Value Test	
<b><u>Analysis Required by M.S. Section 469.175, Subd. 3 (2)</u></b>	
(1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...":	
(a) Projected estimated market value without the use of tax increment	\$514,100
(b) Original estimated market value	514,100
(c) Increased estimated market value without the use of tax increment = (a) - (b)	\$0
(2) "... increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.":	
(d) Increase in the estimated market value of the completed development.	\$7,000,000
(e) Present value of the projected tax increment for the maximum duration of the district	914,706
(f) Difference = (d) - (e)	\$6,085,294
<b>(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.</b>	

Architecture  
Interior Design  
Landscape Architecture  
Engineering

**Boorman  
Kroos  
Vogel  
Group  
Inc.**

222 North Second Street  
Minneapolis MN 55401  
Telephone: 612-339-3752  
Facsimile: 612-339-6212  
[www.bkvgroup.com](http://www.bkvgroup.com)

520  
SECOND STREET



**PLANT SCHEDULE:**

PERVIOUS AREA: 3,414 SF

QTY	SYM	COMMON NAME	SCIENTIFIC NAME	Size/Type	COMMENTS
<b>TREES</b>					
6	A	QUAKING ASPEN	<i>Populus tremuloides</i>	2.0' B&B	ONE LEADER
4	B	PAGODA DOGWOOD	<i>Cornus alternifolia</i>	8' H B&B	CLUMP
5	C	NORTHWOOD MAPLE	<i>Acer 'Northwood'</i>	3.0' B&B	ONE LEADER
<b>DECIDUOUS SHRUBS</b>					
96	D	DWARF BUSH HONEYSUCKLE	<i>Lonicera tatarica</i>	#2	Cont. 3'-5" oc
24	E	FRAGRANT SUMAC	<i>Rhus aromatica</i>	#2	Cont. 4'-5" oc
20	F	REGENT SERVICEBERRY	<i>Amelanchier alnifolia 'Regent'</i>	#5	Cont. 4'-5" oc
33	G	ALPINE CURRANT	<i>Ribes alpinum</i>	#5	Cont. 3'-0" oc
<b>PERENNIALS &amp; ORNAMENTAL GRASSES</b>					
74	J	TUFTED HAIR GRASS	<i>Dichanthia cespitosa</i>	#1	Cont. 1'-5" oc
58	K	BREAKERS IRIS	<i>Iris germanica 'Breakers'</i>	#1	Cont. 2'-0" oc
<b>GROUND COVERS AND VINES</b>					
31	Z	BOSTON IVY	<i>PARthenocissus TRICUSPIDATA</i>	#2	CONT. PER PLAN

REVISIONS	No.	DATE

DATE: 05-14-10  
DRAWN BY:  
CHECKED BY:  
COMMISSION NO.: 1615.01

SITE/LANDSCAPE  
PLAN

**L100**





Modification No. 11 to the  
Holmes Urban Renewal Plan

and

Modification No. 120 to the  
Common Development and Redevelopment Plan  
and Common Tax Increment Financing Plan

Draft for Public Review  
March 16, 2012

**Modification No. 11  
to the  
Holmes Urban Renewal Plan**

**August 15, 1968  
Revised November 12, 1968**

Revised	June 19, 1973
Revised	August 15, 1974
Modification No. 1	August 11, 1977; Revised October 14, 1977
Modification No. 2	July 17, 1980 (Not Approved)
Modification No. 3	August 7, 1980
Modification No. 4	August 31, 1984
Modification No. 5	November 10, 1987
Modification No. 6	August 16, 1988
Modification No. 7	January 20, 1989; Revised January 31, 1989
Modification No. 8	April 28, 2000; Revised May 18, 2000
Modification No. 9	May 30, 2008
Modification No. 10	October 30, 2009

TABLE OF CONTENTS

- A. Table of Contents
  - B. Description of Project
    - 1. Boundaries of Redevelopment Project – No Change
    - 2. Project Boundary Map – No Change
    - 3. Objectives of the Redevelopment Plan – No Change
    - 4. Type of Redevelopment Activities – No Change
  - C. Land Use Plan – **Changed** *(Note: Subsections have been restructured and renamed, and new language replaces former language.)*
    - 1. Future Land Use
    - 2. Conformance with Approved City Plans
    - 3. Land Use Restrictions
  - D. Project Proposals
    - 1. Land Acquisition – No Change
    - 2. Rehabilitation – No Change
    - 3. Redevelopers' Obligations – No Change
  - E. Relocation – No Change
  - F. Official Action to Carry Out the Redevelopment Plan – No Change
  - G. Procedure for Changes in Approved Redevelopment Plan – No Change
- Exhibit 1 – Future Land Use Map – **Changed**

## Introduction

Three plan documents have been prepared to facilitate the development of a six-story, 91-unit affordable rental apartment project at 520 Second Street SE:

- This Modification No. 11 to the Holmes Urban Renewal Plan updates the Plan's Land Use Map and Land Use Provisions and Requirements, to achieve consistency with the City's comprehensive plan and the Master Plan for the Marcy-Holmes Neighborhood and to reflect the proposed reuse of the property at 520 Second Street SE.
- The 520 Second Street SE Tax Increment Financing (TIF) Plan establishes a new housing TIF District within the Holmes Urban Renewal Area to help finance various public project costs and to establish a budget for the use of tax increment revenue generated by the new TIF District.
- Because the Holmes Urban Renewal Area is located within the Minneapolis Common Project, Modification No. 120 to the Common Development and Redevelopment Plan and Common TIF Plan (the "Common Plan") has been prepared to include a description of the planned development activity and financing and to incorporate Modification No. 11 to the Holmes Urban Renewal Plan into the Common Plan. The 520 Second Street SE TIF District will not be incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments.

Only those portions of the Holmes Urban Renewal Plan that are being modified appear in this document.

## Modification No. 11

*The following language replaces the existing language in Section C of the Holmes Urban Renewal Plan:*

### C. Land Use Plan

#### 1. Future Land Use

The proposed reuses of land within the project area are those specified in the City's comprehensive plan, *The Minneapolis Plan for Sustainable Growth*, and include the following:

Urban Neighborhood – Predominantly residential area with a range of densities, with highest densities generally to be concentrated around identified nodes and corridors. May include undesignated nodes and some other small-scale uses, including neighborhood-serving commercial and institutional and semi-public uses (for example, schools, community centers, religious institutions, public safety facilities, etc.) scattered throughout.

Commercial – Includes a broad range of commercial uses. This designation is reserved for areas that are less suited for mixed use development that includes residential.

Mixed Use – Allows for mixed use development, including mixed use with residential. Mixed use may include either a mix of retail, office or residential uses within a building or within a district. There is no requirement that every building be mixed use.

Transitional Industrial – Industrial areas located outside of Industrial Employment Districts are labeled “transitional” since they may eventually evolve to other uses compatible with surrounding development. Although they may remain industrial for some time, they will not have the same level of policy protection as areas within industrial districts.

Open Space and Parks – Applies to land or water areas generally free from development. Primarily used for park and recreation purposes, natural resource conservation, or historic or scenic purposes.

Community Corridor – Primarily residential with intermittent commercial uses clustered at intersections in nodes. Commercial uses are generally small-scale retail sales and services serving the immediate neighborhood. Residential density is allowed at medium density (20-50 du/acre), transitioning to low density in surrounding areas.

Commercial Corridor – Historically have been prominent destinations with a mix of uses, with commercial uses dominating. Residential density is allowed at high density (50-120 du/acre), transitioning down to medium density in surrounding areas.

Activity Center – Mix of uses with citywide and regional draw. High intensity of uses, including employment, commercial, office, and residential uses. Activity Centers typically have a busy street life with activity throughout the day and into the evening. They are heavily oriented towards pedestrians, and maintain a traditional urban form and scale. Activity Centers are also well served by transit.

The Future Land Use Map is included as Exhibit 1.

## **2. Conformance with Approved City Plans**

The proposed development at 520 Second Street SE conforms to City-approved plans and ordinances. *The Minneapolis Plan for Sustainable Growth* designates the future land use of the property as Urban Neighborhood, which is a predominantly residential area with a range of densities, with highest densities generally to be concentrated around identified nodes and corridors. The 520 Second Street SE site is also located within the East Hennepin Activity Center, which provides additional guidance for high-density development.

### **The Minneapolis Plan for Sustainable Growth**

The proposed development at 520 Second Street SE conforms to the following comprehensive plan policies:

**Policy 1.12: Support Activity Centers by preserving the mix and intensity of land uses and by enhancing the design features that give each center its unique urban character.**

1.12.1 Encourage a variety of commercial and residential uses that generate activity all day

long and into the evening.

- 1.12.2 Encourage mixed use buildings, with commercial uses located on the ground floor and secure entrances for residential uses.
- 1.12.3 Encourage active uses on the ground floor of buildings in Activity Centers.
- 1.12.4 Discourage uses that diminish the transit and pedestrian character of Activity Centers, such as automobile services, surface parking lots, and drive-through facilities.
- 1.12.5 Encourage a height of at least two stories for new buildings in Activity Centers, in keeping with neighborhood character.
- 1.12.6 Encourage the development of high- to very-high density housing within the boundaries of Activity Centers.
- 1.12.7 Encourage the development of medium- to high-density housing immediately adjacent to Activity Centers to serve as a transition to surrounding residential areas.
- 1.12.8 Support district parking strategies in Activity Centers, including shared parking facilities with uniform signage, and other strategies.
- 1.12.9 Encourage architectural design, building massing and site plans to create or improve public and semi-public spaces in Activity Centers.
- 1.12.10 Encourage developments to incorporate climate sensitive site and building design practices.

**Policy 3.1: Grow by increasing the supply of housing.**

- 3.1.1 Support the development of new medium- and high-density housing in appropriate locations throughout the city.
- 3.1.2 Use planning processes and other opportunities for community engagement to build community understanding of the important role that urban density plays in stabilizing and strengthening the city.
- 3.1.3 Continue to streamline city development review, permitting, and licensing to make it easier to develop property in the City of Minneapolis.

**Policy 3.2: Support housing density in locations that are well connected by transit, and are close to commercial, cultural and natural amenities.**

- 3.2.1 Encourage and support housing development along commercial and community corridors, and in and near growth centers, activity centers, retail centers, transit station areas, and neighborhood commercial nodes.
- 3.2.2 Engage in dialogue with communities about appropriate locations for housing density, and ways to make new development compatible with existing structures and uses

**Policy 3.3: Increase housing that is affordable to low and moderate income households.**

- 3.3.1 Continue to utilize housing development finance programs to foster growth in the city's affordable housing stock in all parts of the city.

- 3.3.2 Utilize city housing resources and partnerships to preserve the affordability of existing affordable housing.
- 3.3.3 Work to provide affordable housing for both rental and ownership markets at a broad range of income levels.
- 3.3.4 Support policies and programs that create long-term and perpetually affordable housing units.
- 3.3.5 Support the development of housing with supportive services that help households gain stability in areas such as employment, housing retention, parenting, and substance abuse challenges.
- 3.3.6 Use planning processes, requests for proposals for city owned properties, and other community engagement processes to engage in dialogue with community participants about affordable housing and its compatibility with all Minneapolis neighborhoods.
- 3.3.7 Increase low-income family access to ongoing rental assistance.
- 3.3.8 Foster partnerships with housing developers, financial institutions, faith communities and others to extend the city's capacity to create affordable housing.
- 3.3.9 Partner with other municipalities, along with county, metropolitan, state and federal agencies and policymakers, to develop a regional strategy for increasing the supply of affordable housing, supported by a more predictable, long-term revenue stream.

### **Small Area Plans**

The Master Plan for the Marcy-Holmes Neighborhood was approved by the City Council on December 29, 2003. It has since been incorporated as part of *The Minneapolis Plan for Sustainable Growth*. The Holmes Urban Renewal Area falls within the neighborhood plan's study area and recommendations.

The proposed residential use at 520 Second Street SE is consistent with the small area plan. On the plan's future land use map, this site is shown as "multi-family residential." Additionally, the plan states:

Land to the river side of 4th Street SE and the blocks between 14<sup>th</sup> and 15<sup>th</sup> Avenues from Dinkytown to the railroad tracks may be considered for higher density multi-family housing development.

Taller buildings in the neighborhood between Main Street and University Avenue. Heights should gradually increase from University Avenue to Main Street. Buildings can be as tall as the Red Tile Elevator – or about 190 feet above Main Street – between 2nd Street and Main Street.

### **Zoning Ordinance**

The City's zoning code regulates land use and development intensity in order to carry out the policies of the City's comprehensive plan.

The proposed development site at 520 Second Street SE is zoned C3A Community Activity Center District, an appropriate zoning to facilitate the above noted goals of the comprehensive plan and the Master Plan for the Marcy-Holmes Neighborhood.

The proposed development was approved by the City Planning Commission on May 24, 2010, including approvals of conditional use permits, variances, and site plan review. Currently, these approvals are still valid.

**3. Land Use Restrictions**

A redevelopment contract between the City and the developer of property within the project area will contain specific requirements regarding the terms and conditions under which City assistance is provided, including land use restrictions.

**Modification No. 120 to the  
Common Development and Redevelopment Plan  
and  
Common Tax Increment Financing Plan**

TABLE OF CONTENTS

(This Table of Contents is not part of Modification No. 120 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan, and is only for convenience of reference.)

**SECTION A. COMMON DEVELOPMENT AND REDEVELOPMENT PLAN**

		<u>Impact of Mod. 120</u>
Subsection A.1.	Mission Statement	No Change
Subsection A.2.	Definitions	No Change
Subsection A.3.	Description of Public Purpose	No Change
Subsection A.4.	Objectives of Common Project	No Change
Subsection A.5.	Structuring of Common Project	No Change
Subsection A.6.	History of Establishment and Modifications of Projects and TIF Districts Included in Common Project Area	<b>Changed</b>
Subsection A.7.	Estimated Public Improvement Costs	No Change
Subsection A.8.	Boundaries of the Common Project Area	No Change
Subsection A.9.	Development Program Requirements	No Change
Subsection A.10.	Modifications to Common Development and Redevelopment Plan	No Change
Subsection A.11.	Neighborhood Revitalization Program	No Change

**SECTION B. COMMON TAX INCREMENT FINANCING PLAN**

Subsection B.1.	Summaries of Participating Tax Increment Financing Districts	No Change
Subsection B.2.	Boundaries of Participating Tax Increment Financing Districts	No Change
Subsection B.3.	Statement of Objectives and Development Program, Including Property That May Be Acquired	No Change

Subsection B.4.	Properties to be Deleted from Participating Tax Increment Financing Districts	No Change
Subsection B.5.	Development Activity in Common Project for Which Contracts Have Been Signed and Other Specific Development Expected to Occur	<b>Changed</b>
Subsection B.6.	Description of Financing	<b>Changed</b>
Subsection B.7.	Estimated Impact on Other Taxing Jurisdictions	No Change
Subsection B.8.	Modifications to Common Tax Increment Financing Plan	No Change

**Introduction**

Three plan documents have been prepared to facilitate the development of a six-story, 91-unit affordable rental apartment project at 520 Second Street SE:

- Modification No. 11 to the Holmes Urban Renewal Plan updates the Plan’s Land Use Map and Land Use Provisions and Requirements, to achieve consistency with the City’s comprehensive plan and the Master Plan for the Marcy-Holmes Neighborhood and to reflect the proposed reuse of the property at 520 Second Street SE.
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- Because the Holmes Urban Renewal Area is located within the Minneapolis Common Project, this Modification No. 120 to the Common Development and Redevelopment Plan and Common TIF Plan (the “Common Plan”) has been prepared to include a description of the planned development activity and financing and to incorporate Modification No. 11 to the Holmes Urban Renewal Plan into the Common Plan.

By reference, Modification No. 11 to the Holmes Urban Renewal Plan and Modification No. 120 to the Common Plan are Incorporated Documents to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan. The 520 Second Street SE TIF District is not incorporated into the Common Project and is not subject to the existing Common Project obligations and commitments.

Only those portions of the Common Plan that are being modified appear in this document.

**SECTION A. Modification No. 120 to the Common Development and Redevelopment Plan**

Subsection A. 6. History of Establishment and Modification of Underlying Project Areas and Tax Increment Financing Districts Included in Common Project Area - **Changed**

<i><b>Project/District</b></i>	<i><b>Plan Modification</b></i>	<i><b>Anticipated City Council Approval Date</b></i>	<i><b>Resolution Number</b></i>
Holmes Urban Renewal Area	Modification No. 11	May 11, 2012	2012R-
Common Project	Modification No. 120	May 11, 2012	2012R-

**SECTION B. Modification No. 120 to the Common Tax Increment Financing Plan**

**Subsection B. 5. Development Activity in Common Project for Which Contracts Have Been Signed and Other Specific Development Activity Expected to Occur – Changed**

Second Street Holdings, LLC owns the property at 520 Second Street SE and proposes to develop a housing project consisting of 91 rental apartments along with 96 underground parking spaces. The project includes six stories above grade with two levels of underground parking.

The proposed unit mix is 74 one-bedroom units that are 560 square feet and 17 studio apartments ranging from 441 to 528 square feet. The building will have a secured entry, on-site office and management space, rooftop deck, community room, on-site laundry facilities on each floor, bike racks in each parking stall, and storage lockers for tenant use. Thirty-seven units will be affordable to households at or below 50 percent of Area Median Income and 54 units will be affordable to households at or below 60 percent of the Area Median Income. The owner will pay all utilities.

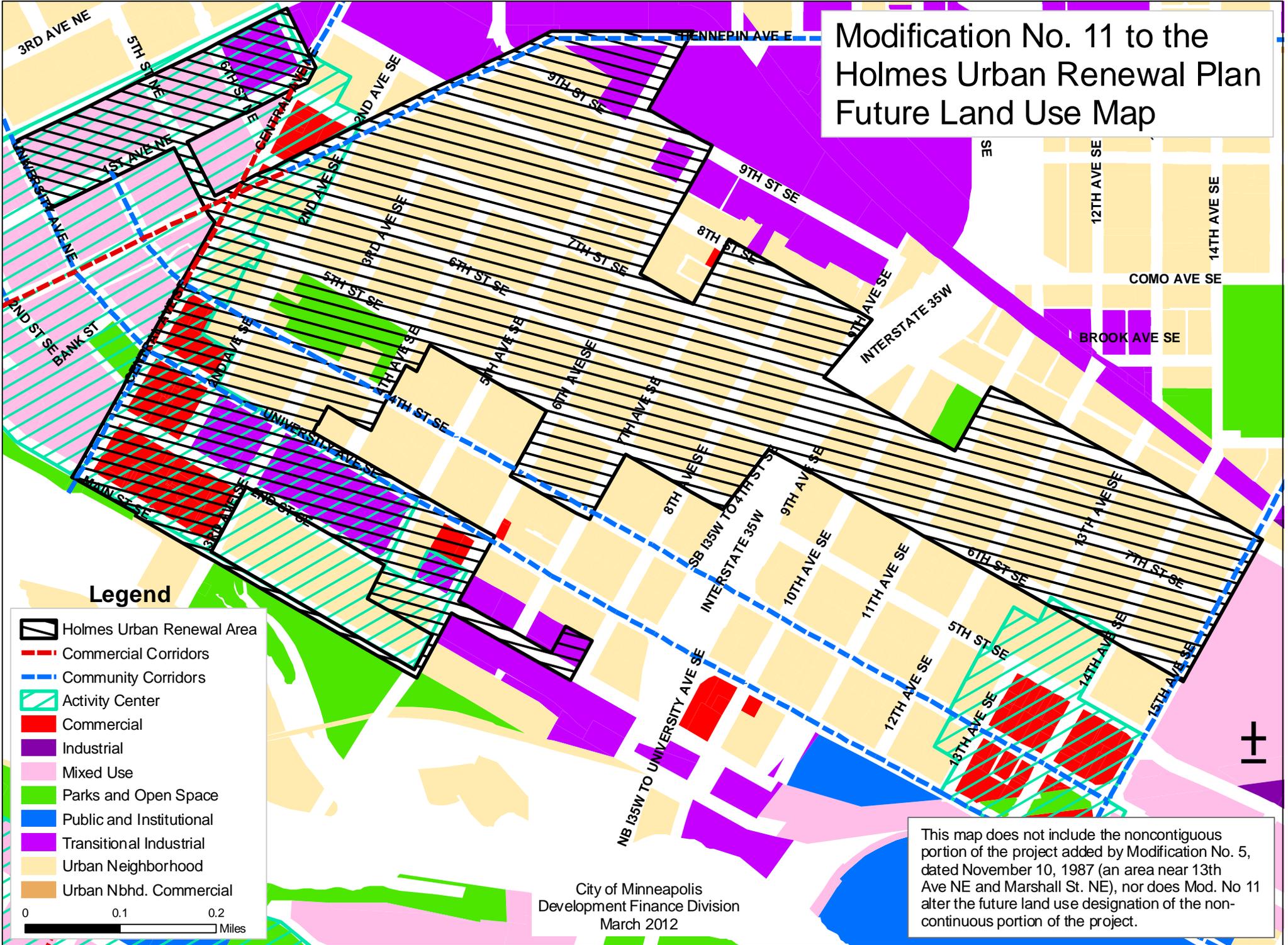
The project will be owned by 520 Second Street Apartments, LP. The General Partner of the Limited Partnership will be 520 Second Street Apartments LLC. Members of the General Partnership will be Lucy Brown Minn and John K. Wall. The Limited Partner will be the tax credit investor that is yet to be identified.

The site is currently occupied by a vacant one-story building and a surface parking lot. The existing building is approved for demolition and will be removed to make way for the proposed development. The vacant building is not structurally sound and was found to be economically unfeasible for renovation.

**Subsection B. 6. Description of Financing – Changed**

It is anticipated that the City of Minneapolis will issue to the developer a pay-as-you-go TIF note in an amount not to exceed \$790,000. The City will semi-annually distribute net tax increment to the developer under the terms of the TIF note which will be used, along with operating revenue generated by the housing project itself, to pay semi-annual debt service on one or more series of housing revenue bonds that the City will issue to help construct the project. Other sources of funding to construct the project will include developer land equity, tax credit syndication proceeds, deferred developer fees, a loan from the City's Affordable Housing Trust Fund, and potential grant funds from Hennepin County.

# Modification No. 11 to the Holmes Urban Renewal Plan Future Land Use Map



This map does not include the noncontiguous portion of the project added by Modification No. 5, dated November 10, 1987 (an area near 13th Ave NE and Marshall St. NE), nor does Mod. No 11 alter the future land use designation of the non-contiguous portion of the project.