



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

Date: July 24, 2012

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 Consideration of Modification No. 121 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan, Which Expands the Boundaries of the Common Project to Include the Heritage Park Redevelopment Project and TIF District**

**Recommendation:**

- (1) Adopt the attached resolution approving Modification No. 121 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan.**
- (2) Amend the 2012 General Appropriation Resolution by increasing the Community Planning and Economic Development agency Fund 01CWM – West Side Milling (01CWM-8900900) by \$2,900,000, from the available fund balance.**

**Department Information**

Prepared by: Mark Winkelhake, Manager, Development Finance, 612-673-5105	
Approved by: Jeffrey Streder, Director, Development Finance	_____
Approved by: Tom Streitz, Director of Housing Policy & Development	_____
Approved by: Chuck Lutz, Deputy Director	_____
Presenter in Committee: Mark Winkelhake	

**Financial Impact**

Up to \$2,900,000 in tax increment funds from the West Side Milling TIF District will be used to payoff a portion of the outstanding 2003 general obligation TIF bonds for the Heritage Park project.

**Community Impact**

- Neighborhood Notification – on June 8, 2012 the Heritage Park Neighborhood Association and the Northside Residents Redevelopment Council were invited to review and comment on the proposed modification, and were given notice of the time and place of the public hearing.
- City Goals – A City That Works
- Comprehensive Plan - On June 28, 2012 the City Planning Commission Committee of the Whole found that Modification No. 121 to the Common Development and Redevelopment

Plan and Common Tax Increment Financing Plan was consistent with The Minneapolis Plan for Sustainable Growth. The City Planning Commission is expected to make its finding on July 16, 2012.

## **History**

In 2003 the City issued \$6,900,000 in general obligation (G.O.) TIF bonds for the Heritage Park project. Bond proceeds were used to pay for a portion of the public infrastructure costs of the development. Debt service on the bonds was to be 100% paid with tax increment generated by the Heritage Park TIF District (#114). In the early years of this TIF district development occurred roughly as projected, and the tax increment generated was sufficient to pay annual bond debt service and built a small cash surplus in the Heritage Park TIF fund (Fund 01CHP). However, in more recent years the planned development was only partially realized, existing property values have fallen, and the cash surplus in Fund 01CHP has been needed to help pay debt service on the G.O. TIF bonds.

The cash balance in Fund 01CHP has now been depleted and it is projected that annual debt service will exceed tax increment collections by at least \$200,000 per year into the foreseeable future. The City's Debt Management Committee has reviewed the situation and concludes that the most prudent approach to fix this problem is to use up to \$2.9M of funds on hand to payoff a portion of the Heritage Park bonds, and refinance/refund the remaining outstanding bonds (approximately \$3.0M) in the fall of 2012 to take advantage of lower interest rates. It is currently anticipated that City staff will be requesting authorization to refund the Heritage Park bonds at the July 30, 2012 Ways & Means/Budget Committee meeting.

## **Debt Workout Plan**

Staff believes that the best source of funds for this debt workout plan is tax increment from the West Side Milling TIF District (#86). This TIF district annually generates surplus tax increment and has accumulated enough cash to be able to contribute up to \$2.9M to the Heritage Park debt workout plan.

Current projections indicate that the West Side Milling TIF District will have all of its debt paid off by the end of 2017. If \$2.9M in TI funds are used for the Heritage Park debt workout plan, then it is projected that all of the West Side Milling debt would be paid off one year later (in 2018). At that time the TIF district would be decertified and the property located within the district would be returned to the City's tax base. Decertification in 2018 is still seven years before the TIF district must be decertified in 2025 pursuant to state statutes.

In order to accomplish this workout plan both the Heritage Park TIF District and the West Side Milling TIF District must be located in the same project area, so that tax increment revenues can be moved (pooled) from one TIF district to another. The Common Project is the City's largest project area, it already encompasses the West Side Milling TIF District, and it currently abuts the Heritage Park TIF District.

Modification No. 121 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan (see Exhibit 1) expands the boundaries of the Common Project to include both the Heritage Park Redevelopment Project and Heritage Park TIF District, and identifies tax increment revenue from the West Side Milling TIF District as a source of funds to payoff a portion of the Heritage Park G.O. TIF bonds.

## Exhibits

- 1) Modification No. 121 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan
- 2) Approving Resolution

## EXHIBIT 2

### RESOLUTION OF THE CITY OF MINNEAPOLIS

By Goodman and Hodges

#### **Approving Modification No 121 to the Common Development and Redevelopment Plan and Common Tax Increment Financing 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 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 Plans") and established the Common Development and Redevelopment Project (the "Common Project").

1.3. It has been proposed and the City has caused to be prepared, and this Council has investigated the facts with respect to, Modification No 121 to the Common Plans (the "Modification"). The Modification expands the boundaries of the Common Project to include the entire Heritage Park Redevelopment Project and identifies Common Project tax increment revenue generated by the West Side Milling District TIF District as a source to payoff a portion of the General Obligation TIF bonds issued in 2003 to pay for infrastructure costs of the Heritage Park Redevelopment Project. These actions are all pursuant to and in accordance with the Project Laws.

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

#### Section 2. Findings

2.1. The Council hereby finds, determines and declares that the objectives and actions authorized by the Modification are all pursuant to and in accordance with the Project Laws.

2.2. 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 City Planning Commission with respect to the Modification were issued, are incorporated herein by reference, and are on file in the office of the City Clerk.

2.3. The Council further finds, determines and declares that the Modification will afford maximum opportunity, consistent with the sound needs of the city as a whole, for the redevelopment of the project area by private enterprise.

2.4. The Council further finds, determines and declares that the reasons and facts supporting the findings in this resolution are described in the Modification.

2.5. 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 Modification.

### Section 3. Approval

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

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.