



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
Council Member Betsy Hodges, Chair, Ways and Means/Budget Committee

Subject: Background Information for the Public Hearing and Approval of i) a Spending Plan for Tax Increment Financing Funds in the Tornado Recovery Area and ii) Tornado Recovery Housing Program Guidelines.

Previous Directives:

On July 10, 2012, the Community Development Committee postponed the above referenced Approval and requested additional background information. On October 7, 2011, the City Council approved Special Legislation permitting the use of tax increment revenue from any City TIF district for specified purposes in the tornado recovery area.

Department Information

Prepared by: Cherie Shoquist, Principal Project Coordinator, 612-673-5078

Approved by: Thomas A. Streit, Director, Housing Policy & Development _____

Charles T. Lutz, Deputy Director _____

Presenters in Committee: Tiffany Glasper, Senior Project Coordinator

Cherie Shoquist, Principal Project Coordinator

Background Information:

The May 22, 2011 tornado that hit North Minneapolis was declared a major disaster by the Federal Emergency Management Agency (FEMA) and a federally designated disaster area was identified. As a result of the tornado, 3,600 properties in the disaster area were affected; 1187 sustained minor damages and 204 sustained major damages. (See the attached map of North Minneapolis Tornado Damaged Properties, June 24, 2011).

While the City of Minneapolis received funds for public infrastructure assistance, individual assistance was not granted by FEMA. Not all tornado damaged residential properties were eligible for and able to access disaster recovery funding.

Near the one year anniversary of the tornado, there were approximately 196 properties with open structural orders. Inspectors granted extensions as needed to allow people time to work with insurance and contractors. Of the 196 with open structural orders, 103 properties still had roof damage:

- 47 of these properties have repairs in process or have been granted extensions.
- 44 of these properties are vacant. A coalition of residents, architects, developers, and City staff is evaluating these properties to identify high priorities for rehabilitation.

- 12 properties may be occupied, and the owners have not responded to orders to make repairs.

Additionally, 172 properties (74 condemned and 98 registered as vacant) damaged in the May 22 tornado are on the city's list of vacant and condemned properties (249 list). Of the 172, 40 had open orders for roof repairs, as of May 1, 2012.

All property owners with open orders for tornado damage have been contacted about the availability of resources to help them complete repairs, and a number of property owners are still working through the insurance process. However, it is likely that a portion of the vacant and/or condemned properties and the properties where the owners (banks, private taxpayers and corporations) have not been responsive to repair orders will not be able to be rehabilitated to restore the structural and other tornado related damages. Demolition will be necessary for some of these properties.

The Tax Increment Financing special legislation adopted during the 2011 First Special Session (Ch. 7, Art. 5, Sec. 12) allows for assistance to properties damaged as a result of the tornado; including acquisition, demolition, administrative costs, site improvements and other assistance.

In identifying tornado damaged properties for acquisition and demolition, the Tornado Recovery Housing Program will adhere to our existing strict process for demolition:

- As part of the due diligence process, properties are evaluated by CPED Construction Management Team to determine whether the property is a rehabilitation candidate or a demolition candidate.
- The appropriate neighborhood is notified of the potential acquisition.
- The City of Minneapolis Departments of Zoning and Planning and Regulatory Services review every property that is a candidate for demolition.
- The State Historic Preservation Office is also apprised of the potential acquisition. They provide us feedback to determine if the property is on the State or National register.
- Property is appraised to ensure that the acquisition cost is reasonable. CPED Engineering Staff will secure multiple bids for the demolition to ensure that the contracted vendor's cost is reasonable.

The average demolition cost per property is approximately \$17,000 and approximately \$150 per month for holding costs.

Demolition will only occur when the above process is followed, with neighborhood review and approval of each property acquisition by the City of Minneapolis' Director of Housing Policy and Development.