



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

Date: November 7, 2012

To: Council Member Lisa Goodman, Chair, Community Development Committee
Council Member Betsy Hodges, Chair, Ways and Means/Budget Committee

Subject: Decertification of Tax Increment Financing (TIF) Districts

Recommendation: That the City Council (i) adopt the attached resolution approving the decertification of the following TIF Districts as of December 31, 2012:

**Clare Housing TIF District No. 137,
Creamette TIF District No. 84,
MILES I TIF District No. 46,
Nicollet-Franklin TIF District No. 97,
SEMI Phase 4 TIF District No. 78,
United Van/Bus TIF District No. 71,
Urban Village TIF District No. 112, and
Village in Phillips Phase 2 TIF District No. 146.**

and (ii) authorize and direct the City Finance Officer to make any appropriation adjustments needed in order to close-out the individual funds when all obligations have been paid and return any excess TIF revenue to the County for subsequent distribution to the City, County and School District.

Previous Directives:

On May 24, 1991, the City Council adopted a resolution establishing the Minneapolis Industrial Land & Employment Strategy (MILES) I TIF District No. 46 (the "MILES I TIF District") and approving the TIF Plan relating thereto, as well as a modification to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan.

On December 29, 1995, the City Council adopted a resolution establishing the United Van Bus (UVB) Site TIF District No. 71 (the "United Van/Bus TIF District") and approving the TIF Plan relating thereto, as well as a modification to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan.

On April 25, 1997, the City Council adopted a resolution establishing the South East Minneapolis Industrial (SEMI) Area Phase 4 TIF District No. 78 (the "SEMI Phase 4 TIF District") and approving the TIF Plan relating thereto, as well as a modification to the SEMI Area Redevelopment Plan.

On November 21, 1997, the City Council adopted a resolution establishing the Creamette TIF District No. 84 (the "Creamette TIF District") and approving the TIF Plan relating thereto, as well as a modification to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan.

On January 1, 2000, the City Council adopted a resolution establishing the Nicollet-Franklin TIF District No. 97 (the "Nicollet-Franklin TIF District") and approving the TIF Plan relating thereto, as well as the Nicollet-Franklin Redevelopment Plan and the Nicollet-Franklin Hazardous Substance Subdistrict Plan.

On July 28, 2000, the City Council adopted a resolution establishing the Urban Village TIF District No. 112 (the "Urban Village TIF District") within the Urban Village Redevelopment Project and approving the TIF Plan relating thereto.

On July 2, 2004, the City Council adopted a resolution establishing the Clare Apartments/Old Third Avenue Townhomes TIF District No. 137 (the "Clare Housing TIF District") and approving the TIF Plan relating thereto, as well as the Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan.

On March 10, 2006, the City Council adopted a resolution establishing the Village in Phillips, Phase 2, TIF District No. 146 (the "Village in Phillips Phase 2 TIF District") and approving the TIF Plan relating thereto, as well as a modification to the Village in Phillips Redevelopment Plan.

Since establishment of the TIF Districts described above, additional actions have been taken by the City Council to approve various modifications to the TIF Plans for these TIF districts. Most recent actions include:

On October 21, 2011, the City Council adopted a resolution approving a modification to the TIF Plans for the United Van/Bus TIF District and the Urban Village TIF District, which provided for the use of TIF revenues within these respective districts to be used for affordable rental housing projects.

On August 3, 2012, the City Council adopted a resolution approving a Spending Plan which provided for the use of TIF revenues from the MILES I TIF District, the SEMI Phase 4 TIF District, the Nicollet-Franklin TIF District, and the Clare Housing TIF District to pay tornado recovery costs, as authorized pursuant to Laws 2011 First Special Session, Chapter 7, Article 5, Section 12 ("Tornado Recovery").

Department Information

Prepared by: Pamela McKenna, Development Finance Specialist (673-5038)

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

Jeff C. Streder, Director, Development Finance _____

Presenter in Committee: Jeff Streder

Financial Impact

- Decertification of the TIF districts will result in \$57.3 million in market value being returned to the City's tax base, an increase in the City's Net Tax Capacity for taxes payable in 2013 of approximately \$730,000.
- After payment of all outstanding obligations relating to these districts, approximately \$600,000 in total excess tax increment will be returned to the County from the districts for redistribution to the City, County and School District. Approximately one-half of that total will be returned to the City.

Background Information

Clare Housing TIF District No. 137 was initially established to provide financial assistance for the development of an affordable housing facility in the St. Anthony East Neighborhood. The project changed after establishment of the district and the developer was able to secure an alternative funding source, so tax increment assistance was no longer necessary.

Subsequently the Council approved the use of \$65,000 of the tax increment revenue that had been generated from the district to pay Tornado Recovery costs. Upon payment of the Tornado Recovery costs and other administrative costs of the district, there will be no other costs eligible to be paid from the district, therefore any remaining TIF revenues (approximately \$5,000) will be returned to the County for redistribution to the County, City and School District.

Creamette TIF District No. 84 was established to provide financial assistance to pay renovation and related costs of converting the historic Champion Building into market rate and affordable rent restricted housing units. Assistance was provided to the developer through a pay-as-you-go note. In 2012 the note was repaid in full. Upon payment of the final administrative costs of the district, there will be no other costs eligible to be paid from the district, therefore any remaining TIF revenues (approximately \$180,000) will be returned to the County for redistribution to the County, City and School District.

MILES I TIF District No. 46 was established within the City's Common Project to provide financial assistance for the acquisition and relocation of the Grace-Lee Products facility within the Bottineau, Sheridan and Marshall Terrace neighborhoods.

Subsequently the Council approved the use of \$65,000 of tax increment revenue from the district to pay Tornado Recovery costs. Upon payment of the Tornado Recovery costs and other administrative costs of the district, there will be no other costs eligible to be paid from the district, therefore any remaining TIF revenues (approximately \$200,000) will be returned to the County for redistribution to the County, City and School District.

Nicollet-Franklin TIF District No. 97, along with a hazardous substance subdistrict, was established to provide financial assistance to pay acquisition, relocation, demolition and remediation costs associated with the development of a 15,000 square foot bank and drive-in teller facility and a 19,000 square foot addition to the Park Nicollet Clinic. Assistance was provided through the issuance of two pay-as-you-go notes, which have been repaid in full.

Subsequently the Council approved the use of \$395,000 of tax increment revenue from the district to pay Tornado Recovery costs. Upon payment of the Tornado Recovery costs and other administrative costs of the district, there will be no other costs eligible to be paid from the district, therefore any remaining TIF revenues (approximately \$1,500) will be returned to the County for redistribution to the County, City and School District.

SEMI Phase 4 TIF District No. 78, was established to provide financial assistance to pay site preparation costs associated with the industrial redevelopment of the former Metal Coatings/Lewis Nut & Bolt sites and construction of a 140,000 square foot office/warehouse facility with industrial space. Assistance was provided through the issuance of a pay-as-you-go note, which has been repaid in full.

Subsequently the Council approved the use of \$250,000 of tax increment revenue from the district to pay Tornado Recovery costs. Upon payment of the Tornado Recovery costs and other administrative costs of the district, there will be no other costs eligible to be paid from the district, therefore any remaining TIF revenues (approximately \$140,000) will be returned to the County for redistribution to the County, City and School District.

United Van TIF District No. 71 was established within the City's Common Project to provide financial assistance to pay redevelopment costs associated with the acquisition and preparation of the United Van/Bus site for light industrial redevelopment.

Subsequently the Council approved the use of up to \$237,700 of tax increment revenue from the district to pay costs related to affordable rental housing projects within the City. Upon payment of the costs relating to the affordable housing projects and other administrative costs of the district, there will be no other costs eligible to be paid from the district, therefore any remaining TIF revenues (approximately \$18,500) will be returned to the County for redistribution to the County, City and School District.

Urban Village TIF District No. 112 was established to provide financial assistance for the redevelopment of a multi-block area in the Lowry Hill East neighborhood to provide a higher density, mixed-income housing development, including for-sale, market rate rental and affordable units. Assistance was provided through the issuance of a tax increment revenue note which has been prepaid.

Subsequently the Council approved the use of \$1,225,000 of tax increment revenue from the district to pay costs related to affordable rental housing projects within the City. Upon payment of the costs relating to the affordable housing projects and other administrative costs of the district, there will be no other costs eligible to be paid from the district, therefore any remaining TIF revenues (approximately \$60,000) will be returned to the County for redistribution to the County, City and School District.

Village in Phillips Phase 2 TIF District No. 146 was established to provide financial assistance for the development of a homeownership housing project. The project did not proceed as anticipated, no tax increment revenue has been generated from the district and the only expenses that have been incurred relate to County administrative costs.

Recommendation

The Development Finance Division of the Finance Department has reviewed the status of each individual district included in this report. Other than the costs previously identified in this report for each individual district, there are no other eligible expenses for which the revenues may be used. Sufficient revenues are currently available in each of the individual TIF funds to pay the respective obligations of each district; therefore it is being recommended that the districts be decertified. When all obligations have been paid, any remaining balance in the individual TIF funds is to be returned to the County for subsequent redistribution to the County, City and School District.

At this time, City staff recommends the Council adopt the attached resolution, approving the decertification of the following TIF Districts as of December 31, 2012:

Clare Housing TIF District No. 137,
Creamette TIF District No. 84,
MILES I TIF District No. 46,
Nicollet-Franklin TIF District No. 97,
SEMI Phase 4 TIF District No. 78,
United Van/Bus TIF District No. 71, and
Urban Village TIF District No. 112.
Village in Phillips Phase 2 TIF District No. 146

and authorizing and directing the City Finance Officer to make any appropriation adjustments needed in order to close-out each individual fund when all obligations have been paid and return any excess TIF revenue to the County for subsequent distribution to the City, County and School District.

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman

Approving Decertification of Clare Housing TIF District No. 137, Creamette TIF District No. 84, MILES I TIF District No. 46, Nicollet-Franklin TIF District No. 97, SEMI Phase 4 TIF District No. 78, United Van/Bus TIF District No. 71, Urban Village TIF District No. 112, and Village in Phillips Phase 2 TIF District No. 146

WHEREAS, on May 24, 1991, the City Council adopted a resolution establishing the Minneapolis Industrial Land & Employment Strategy (MILES) I TIF District No. 46 (the "MILES I TIF District") and approving the TIF Plan relating thereto, as well as a modification to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan.

WHEREAS, on December 29, 1995, the City Council adopted a resolution establishing the United Van Bus (UVB) Site TIF District No. 71 (the "United Van TIF District") and approving the TIF Plan relating thereto, as well as a modification to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan.

WHEREAS, on April 25, 1997, the City Council adopted a resolution establishing the South East Minneapolis Industrial (SEMI) Area Phase 4 TIF District No. 78 (the "SEMI Phase 4 TIF District") and approving the TIF Plan relating thereto, as well as a modification to the SEMI Area Redevelopment Plan.

WHEREAS, on November 21, 1997, the City Council adopted a resolution establishing the Creamette TIF District No. 84 (the "Creamette TIF District") and approving the TIF Plan relating thereto, as well as a modification to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan.

WHEREAS on January 1, 2000, the City Council adopted a resolution establishing the Nicollet-Franklin TIF District No. 97 (the "Nicollet-Franklin TIF District") and approving the TIF Plan relating thereto, as well as the Nicollet-Franklin Redevelopment Plan and the Nicollet-Franklin Hazardous Substance Subdistrict Plan.

WHEREAS on July 28, 2000, the City Council adopted a resolution establishing the Urban Village TIF District No. 112 (the "Urban Village TIF District") within the Urban Village Redevelopment Project and approving the TIF Plan relating thereto.

WHEREAS on July 2, 2004, the City Council adopted a resolution establishing the Clare Apartments/Old Third Avenue Townhomes TIF District No. 137 (the "Clare Housing TIF District") and approving the TIF Plan relating thereto, as well as the Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan.

WHEREAS on March 10, 2006, the City Council adopted a resolution establishing the Village in Phillips, Phase 2, TIF District No. 146 (the "Village in Phillips Phase 2 TIF District") and approving the TIF Plan relating thereto, as well as a modification to the Village in Phillips Redevelopment Plan.

WHEREAS, all obligations of the City with respect to the districts described above have been satisfied or sufficient tax increment revenues are available to pay any remaining obligations of the City with respect to each district; and

Now, therefore, Be It Resolved by the City Council of the City of Minneapolis:

That the following districts be decertified as of December 31, 2012: Clare Housing TIF District No. 137, Creamette TIF District No. 84, MILES I TIF District No. 46, Nicollet-Franklin TIF District No. 97, SEMI Phase 4 TIF District No. 78, United Van/Bus TIF District No. 71, Urban Village TIF District No. 112, and Village in Phillips Phase 2 TIF District No. 146 (together, the "Districts").

When all eligible expenses of the Districts have been paid, the City Finance Officer is authorized to establish any appropriations necessary in order to close-out each individual fund and to return any remaining TIF revenue balance to the County for subsequent distribution to the City, County and School District.

City staff is directed to prepare and submit to the Office of the State Auditor and Hennepin County all documentation necessary to formalize these decertifications.