



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

Date: September 24, 2013

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

Subject: Hi-Lake Triangle Apartments - Request to Award \$425,000 in TOD Program Funds, Request for Appropriation for Tax Increment Financing

Recommendations:

1. Amend the 2013 General Appropriation Resolution by establishing the Community Planning & Economic Development agency Fund 01CTA – Hi-Lake Triangle (01CTA-8900220) and approving an initial appropriation of \$5,000 in the fund;
2. Amend the 2013 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01CPZ–Common Project Reserve (01CPZ-8900900) appropriation by \$425,000;
3. Increase the 2013 Revenue Budget for the Community Planning & Economic Development agency Fund 01CAZ – Common Project Uncertified (01CAZ-8900900-382901) by \$425,000;
4. Amend the 2013 General Appropriation Resolution by increasing the Community Planning & Economic Development agency Fund 01CAZ– Common Project Uncertified (01CAZ-8900220) appropriation by \$425,000;
5. Authorize Loan of \$425,000 in Transit Oriented Development (TOD) Program funds to the Hi-Lake Triangle Apartments Project;
6. Authorize an Easement Option Agreement consistent with terms in this report; and
7. Adopt a resolution rescinding Modification No. 122 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan, and authorizing administrative amendments to the Hi-Lake Triangle Apartments Tax Increment Financing Plan and Modification No. 23 to the Model City Urban Renewal Plan.

Previous Directives:

On January 28, 2011 the City Council approved \$1,034,000 Livable Communities Demonstration Account Funds (LCDA) for the Hi-Lake Triangle Apartments. On July 1, 2011 the City Council approved a recommendation for staff to proceed with Project Analysis Authorization. On July 22, 2011 the City Council gave preliminary Housing Revenue Entitlement Bond approval of up to \$6,500,000 for the Hi-Lake Triangle Apartments. On September 21, 2012, the City Council approved the Hi-Lake Triangle Apartments Tax Increment Financing (TIF) Plan, Modification No. 23 to the Model City Urban Renewal Plan and Modification No. 122 to the Common Plan. On November 17, 2012 the City Council granted final Housing Revenue Bond approval of up to \$6,500,000 for the Hi-Lake Triangle Apartments Project. On March 7, 2013, the City Council approved an updated and amended Bond resolution for the Housing Revenue Bonds approved in November 2012.

Prepared by: Matthew Hendricks, Finance Analyst (612) 673-5236

Approved by: Thomas A. Streitz, Director of Housing Development _____

Charles T. Lutz, CPED Deputy Director _____

Presenter in Committee: Dollie Crowther, Principal Project Coordinator

Financial Impact

1. Action requires an appropriation increase to the Operating Budget
Dept Name: CPED - 8900220
Fund Name: 01CTA
Amount: \$5,000
2. Action requires an appropriation increase to the Capital Budget
Dept Name: CPED - 8900900
Fund Name: 01CPZ
Amount: \$425,000
3. Action requires an appropriation increase to the Capital Budget
Dept Name: CPED – 8900900
Fund Name: 01CAZ
Amount: \$425,000
4. Action provides increased revenue for appropriation increase
Dept Name: CPED – 8900220
Fund Name: 01CAZ
Amount: \$425,000

Community Impact

- Neighborhood Notification: The East Phillips Neighborhood reviewed the development of this project on June 9, 2011. The East Phillips Improvement Coalition, the Corcoran Neighborhood Association and the Longfellow Community Council were given the opportunity to review and comment on the Hi-Lake Triangle Apartments TIF Plan and related plan modifications.
- City Goals: This project addresses the following goals: A Place to call Home, eco-Focused, Many People - One Minneapolis, Jobs and Economic Vitality, Livable Communities - Healthy Lives
- Comprehensive Plan: Section 4.1 Minneapolis will encourage reinvestment along major urban corridors as a way of promoting growth in all neighborhoods; Section 4.3 Minneapolis will support development in Commercial Corridors where it enhances the street's character, improved its ability to accommodate automobile traffic and foster pedestrian movement and expands the range of goods and services offered; Section 4.9 Minneapolis will grow by increasing its supply of housing; Minneapolis will increase its housing that is affordable to low and moderate income households.
- Zoning Code: The project will comply.

Supporting Information

Hi-Lake Triangle Apartments is located at 2230 E. Lake Street, the northwest corner of Lake Street and Hiawatha Avenues. It is currently owned by Wellington Management Inc. and will be conveyed at closing to the newly formed applicant, Hi-Lake Triangle Limited Partnership. The property is currently vacant land. The project will consist of 64 affordable rental housing units for seniors in a 6-story building that encourages city living for the elderly. The vacant site was acquired from the Metropolitan Council in 2009 through a public auction. The site did not require clean-up.

The proposed development will be 53 one-bedroom units and 11 two-bedroom units that will be 650 sq. ft. and 950 sq. ft., respectively. All of the units will be handicapped accessible. The project will also incorporate 5,125 gross square feet of retail space on the ground level which will open directly to the sidewalks and plaza area. All of the units will be affordable to individuals and families earning at or below 60% of the Area Median Income.

Project Financing

The total development cost of the project is approximately \$11,447,000. This amount includes the development of the commercial component which is approximately \$994,000. Syndication proceeds amount to \$2,786,500, and the amortizing first mortgage will generate approximately \$5,100,000 in capital for construction of the development. Other sources include Metropolitan Council Livable Communities Demonstration Account and Hennepin County Transit Oriented Development grant funding.

The project has secured most of the sources needed to begin construction, and the developer has requested \$425,000 in City Transit-Oriented Development (TOD) Program funding to close a remaining budget shortfall due to higher-than-projected construction costs.

The Transit-Oriented Development (TOD) Program was established by the City in 1999 to support redevelopment initiatives in station areas in the Hiawatha LRT Corridor. To fund the program, \$4,000,000 in tax increment revenues from the Common Project were designated by Council action as a set-aside. Upon approval of this loan \$1,075,000 in funding will remain within this program.

The funding is proposed to be a 30-year loan, with interest accruing at 1%, with all principal and accrued interest payable after 30 years. In the event of a sale or refinancing, the TOD loan would be repayable, and recapture provisions connected to the tax increment financing would be triggered. The loan will be secured by a mortgage on the Hi-Lake Triangle Apartments development. The sources and uses for the project are detailed on page two of the Project Data Worksheet, Exhibit 1. Pending the approval of TOD Program funding, the developer is planning for a November 2013 construction start.

Transit Easement for Potential Streetcar Operations

In addition to delivery of a new development that meets City goals, as an inducement for providing a loan from the TOD Program, CPED is proposing that the developer provide an option for a future easement for transit operations.

A potential streetcar line may, in the future, use portions of two properties owned by Wellington Management for a streetcar station near the Lake Street LRT station. On the Hi-Lake Triangle Apartments property, the Metropolitan Council reserved a 40-foot easement on the eastern edge of the parcel as part of the sale of the property to the developer. On the adjacent Hi-Lake Shopping Center property, the City secured an easement in 2006 that provides some access for future transit, although it is not clear at this time whether the dimensions of the 2006 easement would enable construction and operation of a streetcar line. Until a streetcar route decision is made, and further engineering is completed, this will remain an open question.

The easement option related to the \$425,000 TOD Program loan resolves two issues:

First, it resolves the gap between the 2006 easement across the Hi-Lake Shopping Center property and the 2013 easement across the Hi-Lake Triangle Apartments property. The diagram attached as Exhibit 2 shows the two easement areas and the gap between them.

Second, it enables the City or its transit-related partner agencies to expand the 2006 easement (if needed to enable transit operations) in the future. The cost of expanding the easement is \$115 per square foot of building, as well as the costs to partially demolish and repair those portions of the building that may be impacted by the expanded easement area.

The option could be exercised any time after November 1, 2018, based on the projection that any potential work on a transit corridor in this location would occur after that date. If no transit service is planned in this location by 2025, then the City's right to purchase the easement would terminate at year-end 2025. Because the City does not have any interest in obtaining easement rights on land currently occupied by a corner of the Hi-Lake Shopping Center without a related transit use, the property would remain in Wellington's ownership

without any easement impacts in the event no transit improvements are ultimately implemented in this corridor.

Common Development and Redevelopment Plan

In order to be eligible for the TOD Program funds, the Hi-Lake Triangle Apartments must be within the boundaries of the Common Project as described in the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan (the "Common Plan"). Prior to the adoption of Modification No. 122 to the Common Plan, the Hi-Lake Triangle Apartments property was located within the boundaries of the Common Project. Modification No. 122 removed the Hi-Lake Triangle Apartments site from the Common Project. By rescinding the approval of Modification No. 122, the attached resolution will again place this development site within the boundaries of the Common Project.

The attached resolution also authorizes the preparation of administrative amendments to the Hi-Lake Triangle Apartments Tax Increment Financing Plan and Modification No. 23 to the Model City Urban Renewal Plan, to delete references to Modification No. 122. These administrative amendments will not require further Council action.

Exhibits:

1. Project Data Worksheet
2. Easement Area Diagram
3. Resolution

**RESOLUTION
OF THE
CITY OF MINNEAPOLIS**

By Goodman and Hodges

Rescinding approval of Modification No 122 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. By Resolution No 2012R-475 duly adopted September 21, 2012 and approved September 25, 2012, the City approved Modification No 122 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan ("Modification No 122").

1.2. The City concurrently adopted Modification No 23 to the Model City Urban Renewal Plan ("Modification No 23") and the Hi-Lake Triangle Apartments Tax Increment Financing Plan ("the Hi-Lake TIF Plan").

1.3. Modification No 122 changed the Common Project boundary to remove a parcel located at 2230 E Lake Street, which is the site of a proposed 64-unit affordable rental housing project.

1.4. The subject parcel is also located within the Hiawatha and Lake Redevelopment Project Area and Hi-Lake Triangle Apartments Tax Increment Financing District.

1.5. The City recently received a request for Transit-Oriented Development ("TOD") Program funds for the proposed development.

1.6. To be eligible for TOD Program funds, the proposed development must be located within the Common Project.

Section 2. Rescission

2.1. To facilitate TOD Program funding of the proposed development, the Council hereby rescinds its prior approval of Modification No 122.

Section 3. Amendment

3.1. After passage and publication of this Resolution, City staff is authorized and directed to administratively amend the Hi-Lake TIF Plan and Modification No 23 to delete references to Modification No 122.