

City of Minneapolis
Request for Committee Action

To: Community Development & Regulatory Services
Date: 1/5/2016
Referral: Ways & Means
From: Community Planning & Economic Development
Prepared by: Rebecca Parrell
Presented by: Rebecca Parrell
File type: Resolution
Subcategory: Designation

Subject:

Modification No. 125 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan and Modification No. 1 to the Lake and Nicollet Redevelopment Plan

Description:

Conduct a public hearing and adopt the resolutions approving Modification No. 125 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan and Modification No. 1 to the Lake and Nicollet Redevelopment Plan, and appropriate Common Project tax increment revenue to repay the temporary funding.

Previous Actions:

1. On November 20, 2015 the City Council authorized the expenditure of up to \$6,275,000 from the Development Account (Fund 01SDA) to temporarily fund the purchase of 30 West Lake Street (the "Grocery Site") and execute an Option Agreement to potentially purchase the leased fee estate of 10 West Lake Street (the "Kmart Site"). This temporary funding will be repaid with Common Project tax increment revenues subject to City Council approval of the modifications and appropriations contained in this RCA.
 2. On April 25, 2014, the City Council approved the Lake and Nicollet Redevelopment Plan.
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Ward/Address:

Ward 10

Background/Analysis:

Modification No. 125 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan (the "Common Plan") and Modification No. 1 to the Lake and Nicollet Redevelopment Plan are necessary to enable the City to use Common Project tax increment revenues as the final funding source for the purchase price and related costs of acquiring the Grocery Site and the option price and related costs for the Kmart Site.

Common Project funds may only be used for redevelopment activities within the Common Project boundaries when the redevelopment project is incorporated into the Common Project. Although both the Grocery Site and Kmart Site are physically located within the Common Project, the Lake and Nicollet Redevelopment Project is not currently incorporated into the Common Project.

The two modifications described in this RCA incorporate the Lake and Nicollet Redevelopment Project into the Minneapolis Common Development and Redevelopment Project (the “Common Project”) and authorize the use of Common Project tax increment revenue for costs associated with the acquisition of the Grocery Site and the Kmart Site. Specifically, Modification No. 125 to the Common Plan includes the following changes:

- incorporating the Lake and Nicollet Redevelopment Project into the Common Project,
- expanding the Common Project boundary to include all of the property within the Lake and Nicollet Redevelopment Project boundary,
- designating additional properties, as identified in the Lake and Nicollet Redevelopment Plan, as property that may be acquired by the City, and
- authorizing the use of Common Project tax increment revenue for costs associated with the acquisition of the Grocery Site and the Kmart Site.

Modification No. 1 to the Lake and Nicollet Redevelopment Plan adds the following language to two sections of the Plan:

- Upon approval of Modification No. 1 to this Redevelopment Plan and Modification No. 125 to the Common Plan, the Lake and Nicollet Redevelopment Project is incorporated into the Common Project through an expansion of the Common Project boundary.
- Tax increment revenues of the Common Project may be used to fund public redevelopment activities, including property acquisition and related costs, in accordance with this Redevelopment Plan.

On December 10, 2015, the Committee of the Whole of the City Planning Commission (CPC) discussed the proposed Modifications consistency with the City’s Comprehensive Plan. It is expected that the CPC will take action and find the proposed Modifications consistent with the City’ Comprehensive Plan at its January 11, 2016 meeting.

Public Review of Proposed Modifications

The 45-day public review and comment period began on November 20, 2015. As of the date of this report’s preparation, the City has not received any public comments.

Funding Source

Common Project tax increment revenues will be used to repay the temporary funding from the Development Account. More specifically, the repayment will be made from the South Nicollet Mall special revenue fund (Fund 01CBY), which is one of the eligible funds of the Common Project.

Financial Review:

Additional appropriation required.

Increase the appropriation in Fund 01CBY (South Nicollet Mall)(01CBY – 8900320) in the amount of \$6,275,000 from available fund balance in order repay the temporary funding (loan) from Fund 01SDA (Development Account).

Future budget impact anticipated.

Monthly rent of \$7,551 that is received from SuperValu under the lease for the Grocery Site will be deposited into Fund 01CBY (South Nicollet Mall) to partially offset the purchase price. Proceeds from the potential future sale of the Grocery Site will also be deposited into this fund.

Since it is currently not known how long the City will retain ownership of the Grocery Site, whether the City will exercise the Option Agreement on the Kmart Site, or how the City will fund the \$7.2 million in additional costs if the Option Agreement is exercised, it should be assumed that the \$6,275,000 in Common Project tax increment revenues described above will not be reimbursed to the City in the near future.

As of December 2015 there is approximately \$15.0 million in available uncommitted Common Project tax increment revenues. Upon approval of these proposed modifications, and repayment of the temporary funding from the Development Account, there will be approximately \$8.7 million in uncommitted Common Project tax increment revenues remaining.

Approved by the Permanent Review Committee.

Meets Small and Underutilized Business Program goals.

Attachments:

1. Proposed Modification No. 125 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan and Proposed Modification No. 1 to the Lake and Nicollet Redevelopment Plan
2. Resolution approving Modification No. 125 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan and Modification No. 1 to the Lake and Nicollet Redevelopment Plan