

City of Minneapolis

Request for Committee Action

To: Health, Environment & Community Engagement
Date: 1/30/2017
Referral: Ways & Means
From: Neighborhood & Community Relations
Lead Staff: David Rubedor
Presented by: David Rubedor
File Type: Resolution
Subcategory: Appropriation

Subject:

Restoration of Phase II Neighborhood Revitalization Program (NRP) Funds to approved NRP Neighborhood Action Plans

Description:

1. Authorizing Finance and Property Services and Neighborhood and Community Relations departments to allow neighborhood organizations to contract up to 100% of their approved NRP Phase II allocations, inclusive of the 2012 Community Participation Program (CPP) Equity Funds, according to the Recapitalization Schedule.
2. Passage of Resolution transferring ~~\$9,141,951~~ **\$3,390,597** of revenues from the Consolidated Tax Increment Financing (TIF) District to the NRP Fund.

Previous Actions:

On December 13, 2010, the City Council, as part of its action on the 2011 budget (2011 Budget Directive) gave the following Staff Direction: "Direct the Finance and NCR departments to allow neighborhoods to contract up to 50% of the un-contracted balance of their Phase II allocation (excluding Phase II allocated but not contracted Reserve Funds), as of City Council adoption of the 2011 budget, but not to exceed a total contracted amount of 50% of their Phase II allocation." This action restricted \$12,680,000 of approved and/or allocated NRP Phase II funds.

On April 1, 2011, the City Council amended the 2011 Budget Directive as follows: "Direct the Finance and NCR departments to allow neighborhoods to contract an amount not to exceed 50% of their Phase II allocation (excluding Phase II allocated but not contracted Reserve funds), as of City Council adoption of the 2011 budget, plus the neighborhood's portion, if any, of the \$2.68 million released to NRP after execution of this directive, as allocated by the Policy Board." This action restored \$2.68 million of the funds restricted by the 2011 Budget Directive.

On March 30, 2012, as part of the approval of the 2012 CPP Program Guidelines and allocations, the City Council approved restoring \$858,049 of NRP Phase II funds through the CPP Equity Fund.

Ward/Address:

All Wards

Background/Analysis:

The 2011 Budget Directive and subsequent actions in 2011 and 2012 reduced the capitalization of 66 neighborhood action plans by between \$1,000 and \$691,943.29 for each plan. The action

proposed in this RCA will recapitalize these Plans with revenue from the Consolidated Redevelopment Tax Increment Financing District (the “Consolidated TIF District”) over the four years from 2017 through 2020.

Fulfillment of the Recapitalization schedule is dependent on actual tax increment revenues in future years, as shown in the Revised Finance Plan. As revenues are received in each year, fund will become available for contract as identified in the attached Proposed Repayment Schedule (attached).

The transfer of revenues from the Consolidated TIF District will require future action by the City Council to amend the current TIF Plan. This action will be brought forward by the Finance and Property Services Department within the next several months.

Approval of this action will restore full capitalization for the Phase II Neighborhood Action Plans (inclusive of the 2012 Equity Fund) according to the following schedule:

Recapitalization Schedule:

Neighborhood	Amount
Armatage	79,278.93
Audubon Park	90,412.44
Bancroft	79,651.90
Beltrami	81,370.09
Bottineau	67,220.81
Bryant	88,649.34
Bryn Mawr	16,218.31
CARAG	190,967.57
Cedar-Isles-Dean	78,425.70
Cedar-Riverside	211,372.63
Central	243,776.06
Cleveland	134,534.28
Columbia Park	52,658.00
Downtown East, West	273,950.25
East Calhoun	42,053.00
East Harriet	65,494.78
East Isles	116,176.21
East Phillips	146,766.40
Field, Regina, Northrop	288,113.46
Folwell	13,307.89
Fulton	116,189.85
Hale, Page, Diamond Lake	228,231.00
Harrison	165,000.00
Hawthorne	478,062.04
Holland	205,206.14
Jordan	272,087.00
Kenny	11,064.00
Kenwood	\$1,000.00
Kingfield	185,100.00
Lind-Bohanon	156,341.70
Linden Hills	159,048.28

Neighborhood	Amount
Loring Park	150,652.19
Lowry Hill	134,626.00
Lowry Hill East	88,584.00
Lynnhurst	85,686.19
Marcy-Holmes	141,447.23
Marshall Terrace	109,036.34
McKinley	174,017.65
Midtown Phillips	73,093.27
Near North, Willard Hay	553,713.34
Nicollet Island/East Bank	52,836.08
Nokomis East	486,254.71
North Loop	87,901.83
Northeast Park	40,620.00
Powderhorn Park	130,000.01
Prospect Park	91,225.00
Seward	44,639.00
Sheridan	108,495.00
Shingle Creek	97,171.82
Southeast Como	122,142.00
St. Anthony East	108,760.36
St. Anthony West	67,392.53
Standish-Ericsson	196,172.30
Sumner-Glenwood	32,986.75
Tangletown	101,012.63
University	4,512.69
Ventura Village	24,999.00
Victory	144,080.95
Waite Park	37,210.68
Webber-Camden	195,802.93
West Calhoun	77,698.28
Whittier	91,331.00

Logan Park	27,231.00
Longfellow	691,943.29

Windom	61,921.00
Windom Park	169,025.94
Total:	\$9,141,951.05

History:

The Minneapolis Neighborhood Revitalization Program (NRP) was authorized by Minnesota Statute and City ordinance to support resident based planning starting in 1991. The program was originally to be capitalized over twenty years with \$404 million in tax increment revenues from Tax Increment Finance (TIF) districts located within the City’s Common Project area. These Program funds would be allocated to neighborhoods in two phases, from 1990 to 2000, and 2001 to 2009. However, starting in 2001, a number of actions restricted the tax increment revenues available to capitalize Phase II of NRP:

- In 2001, changes to the state’s property tax statute significantly reduced revenues from commercial properties, shifted that burden to residential properties, and drastically reduced the amount of tax increment generated by TIF districts across the City and State.
 - This undercut the main source of revenues for Phase II of NRP.
 - This also resulted in routine increases in residential property taxes.
- The 2003 recession also reduced property values in the City, and subsequently the amount of tax increment generated by TIF districts in the Common Project area.
- In response to the reduced amount of available tax increment revenues, the NRP Policy Board took action in 2004 to significantly reduce allocations for Phase II neighborhood action plans, and enacted policies to slow down neighborhood expenditures in order to manage cash flow.
- In response to concerns about increasing residential property taxes, the City Council took action in 2010 to temporarily reduce the size of the Consolidated TIF District by 50% for two years (2012 and 2013) in order to provide property tax relief to City taxpayers. During those two years no tax increment was allocated to the NCR Department. Instead, \$10 million of NRP Phase II funds was used to fund the NCR Department and it’s programs (e.g. the Community Participation Program). In 2014 the Consolidated TIF District automatically returned to it’s original size.
- The original action effectively froze \$12.68 million of neighborhood allocations, but later actions of the City council restored \$3.538 million of NRP capitalization by authorizing staff to contract the additional amount of funds through NRP and CPP programs, leaving a balance of 9,141,951.05.

Total revenues over the twenty year program include \$309,941,631.03 in tax increment revenue, and \$26,427,166.93 of program income generated by neighborhood organizations’ NRP program investments in housing and other projects.

Financial Review:

Additional appropriation required.

Future budget impact anticipated.

Attached is a Revised Finance Plan (Projected Cash Flow Schedule) for the Consolidated TIF District. This projected cash flow schedule indicates that there should be sufficient tax increment revenues generated in 2017-2020 to (1) pay all current debt service on the 2009 Target Bonds (see column 4) (2) reserve enough revenue to retire all outstanding 2009 Target Center Bonds at the end of 2020 (see column 6 and footnote (a)), (3) fund NCR

operations and programs at current or slightly increased levels (see column 5), and (3) repay \$9,141,951 of NRP Phase II funds (see column 7). It is currently projected in this Revised Finance Plan that individual neighborhoods with (1) outstanding balances of less than \$55,000 would be 100% repaid in 2017, (2) outstanding balances of \$55,000-\$155,000 would be repaid in 2017 and 2018 (50% each year), and 3) outstanding balances greater than \$155,000 would be repaid over the years 2017-2020 (25% each year).

It should be noted that the repayment of the NRP Phase II funds is the lowest priority in the cash flow (Priority #4). As noted above and in footnote (a) of the Revised Finance Plan, this Revised Finance Plan assumes the Consolidated TIF District Plan is modified (in coming months) to increase the maximum amount of tax increment revenue that can be collected from this district to \$180,180,000 (the current maximum in the TIF plan is \$147,700,000). If this modification is not approved by the City Council, then there will be no tax increment funds available to repay the NRP Phase II funds.

Approved by the Permanent Review Committee.

Meets Small and Underutilized Business Program goals.

Attachments:

1. Appropriation Resolution (01 CNR-01CON)
2. Revised Finance Plan (Projected Cash Flow Schedule) dated 1/25/17
3. Proposed Repayment Schedule