



City of Minneapolis

**Modification No. 7
to the
Franklin Avenue Redevelopment Plan
and Amendment to the Franklin
Avenue TIF Plan (District No. 27)

(Many Rivers West)**

March 5, 2004

Prepared by the Development Finance Division,
City of Minneapolis Finance Department
105 5th Avenue South, Minneapolis, Minnesota 55401

Modification No. 7 to the Franklin Avenue Redevelopment Plan
(Many Rivers West TIF Plan)

FRANKLIN AVENUE REDEVELOPMENT PLAN

April 16, 1981

Modification No. 1, January 17, 1986

Modification No. 2, March 6, 1987

Modification No. 3, November 10, 1988

Modification No. 4, June 6, 1990

Modification No. 5 ~ withdrawn

Modification No. 6, January 18, 2002

Modification No. 7, March 5, 2004

REDEVELOPMENT PROGRAM
AND
SUPPORTING DOCUMENTATION

Section One	REDEVELOPMENT PROGRAM
	Redevelopment Plan – Changed
	Relocation Plan – No Change
	Statement of Proposed Method of Financing – No Change
	Legal Information – No Change
Section Two	SUPPORTING DOCUMENTATION
	Project Area Report – Changed
	Citizen Participation Report – No Change
	Public Improvements – No Change
	Implementation Schedule – No Change
	Environmental Review – No Change
	Affirmative Action Policy – No Change
Section Three	TAX INCREMENT FINANCING PLAN – Changed
List of Maps	CHANGED
	Map 6 – TIF Boundary Map - Changed

SECTION ONE

FRANKLIN AVENUE REDEVELOPMENT PLAN

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- A. Table of Contents – No Change
- B. Description of Project – **Changed**
- C. Land Use Plan – No Change
- D. Project Proposals – **Changed**
- E. Relocation – No Change
- F. Official Action to Carry out the Plan – No Change
- G. Procedure for Changes in approved Redevelopment Plan – No Change

SECTION ONE

FRANKLIN AVENUE REDEVELOPMENT PLAN Modification No. 7, Dated March 5, 2004

Several plan documents have been prepared that are related to the proposed Many Rivers Project, including the Many Rivers West Tax Increment Finance (“TIF”) Plan, this Modification No. 7 to the Franklin Avenue Redevelopment Plan, and Modification No. 98 to the Common Plans (collectively, the “Plans”). Because the Franklin Avenue Redevelopment Project is within the Common Development and Redevelopment Project and Common TIF Plan, Modification No. 98 to the Common Plans was prepared.

This Modification No. 7 to the Franklin Avenue Redevelopment Plan authorizes the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein. The Modification also removes parcels from the Franklin Avenue Redevelopment TIF District No. 27 in order that those parcels can be included in the new Many Rivers West TIF District. The new public redevelopment costs associated with the proposed Many Rivers project cannot be financed within the limitations imposed by the existing Franklin Avenue Redevelopment TIF District No. 27 because of statutory limitations on the use of tax increment from the TIF District, the short remaining term of the existing district, and the impact of the prior pledge¹ of revenue from this district to the outstanding debt of other projects. A request will be made to Hennepin County to decertify and remove the affected parcels from the existing TIF, which is designated as Minneapolis TIF Project No. 27 in the Hennepin County administrative system. The new Many Rivers West TIF District is not being incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments, and is created as a free-standing tax increment district. The parcels included in the project area and TIF District remain within the existing Franklin Avenue Redevelopment Project Area.

The TIF plan establishes a new housing TIF district: the “Many Rivers West TIF District”, and authorizes public redevelopment activities and expenditures. Tax increment will be used to pay a portion of the public redevelopment costs for the construction costs associated with the project, in addition to City administration costs.

The Franklin Avenue Redevelopment Plan, Dated April 16, 1981 is hereby modified as follows:

Section B. Description of Project – **Changed**

¹ On March 15, 2002, several parcels, including parcels that are located within the Many Rivers East TIF District and those parcels proposed for inclusion in the Many Rivers West TIF District, were released from the prior pledge of TI Revenue Bonds of 1990 (the Common Project) by the MBIA Insurance Corporation.

Many Rivers was originally proposed by the American Indian Housing & Community Development Corporation (AIHCDC) as a multi-phased, 76-unit housing project that would be located on East Franklin Avenue on the 1500 block (East Site, Phase 1) and the 1400 block (West Site, Phase 2). The total Many Rivers development will consist of two new four-story mixed-use buildings on these two blocks, with a total of 76 rental apartment units. The 50-unit Many Rivers East project was completed August 2003, and is now 100% occupied. AIHCDC is now ready to proceed with the development of the Many Rivers West project, which will include 26 housing units and approximately 5,500 square feet of commercial space.

Phase 2 ~ Many Rivers West

The Many Rivers West site includes a vacant duplex (1915 14th Avenue), a vacant lot at 1921 14th Avenue South, a vacant commercial building (1400 East Franklin) owned by AIHCDC, and a vacant parcel owned by the City (1404-1410 East Franklin). The site is irregular in shape with approximately 28,600 square feet, including a portion of a previously vacated east-west alley.

It is estimated that the Many Rivers West project will generate an annual tax increment of approximately \$40,000. The City would issue a pay-as-you-go TIF note to the developer for approximately \$400,000 that would be used in addition to rental revenue to amortize the proposed housing revenue bonds, which will be purchased directly by US Bank. The housing revenue bonds would come from the City 2003 Entitlement allocation, and would also include the automatic 4% low-income housing tax credits (LIHTC). The term of the TIF district will be the maximum statutory term of 25 years, with any excess increment contributed to the City's Affordable Housing Trust Fund.

AIHCDC has also received a commitment of \$450,000 from MHFA's Minnesota Affordable Rental Investment Fund (MARIF) program and \$224,400 from Hennepin County's Affordable Housing Investment Fund. The developer has also obtained a reservation for three project-based Section 8 units.

Unit Breakdown/Affordability

Many Rivers West will have 1, 2 and 3 bedroom units, with the following projected affordability levels.

8 units at 50% of the MMI
3 units at 30% of the MMI
8 units at 60% of the MMI
19 units

7 units at market rate rental

26 total units

Since there will be 11 units at or below 50% of MMI, the project complies with the City Affordable Housing Policy, which would require at least 6 units (i.e. 20% of 26).

Section D. Project Proposals – **Changed**

The Many Rivers West TIF District is being established within and under the authority of the Franklin Avenue Redevelopment Project (see the Many Rivers West TIF Plan under separate cover).

The developer, the American Indian Housing and Community Development Corporation (AIHCDC), is incorporated in Minnesota as a nonprofit corporation and is the general partner of Many Rivers West Limited Partnership, a Minnesota limited partnership.

Tax increment generated within the TIF District will be a source of public funds used to pay a portion of the public redevelopment costs associated with the Many Rivers West Project. Other sources of funds to pay public redevelopment costs may include housing revenue bonds, LIHTC syndication-investor equity, Hennepin County AHIF, Metropolitan Council LHIA funds, Empowerment Zone funds, MHFA MARIF funds, and City Multifamily funds.

The proposed TIF district consists of 7 parcels at the northeast corner of E. Franklin Avenue and 14th Avenue S. The tax parcels to be included in the proposed TIF District are:

<i>Property Identification Number</i>	<i>Address</i>
26-029-24-43-0148	1400 E. Franklin Avenue
26-029-24-43-0070	1404 E. Franklin Avenue
26-029-24-43-0067	1406 E. Franklin Avenue
26-029-24-43-0068	1408 E. Franklin Avenue
26-029-24-43-0069	1410 E. Franklin Avenue
26-029-24-43-0062	1915 14 th Avenue S.
26-029-24-43-0194	1921 14 th Avenue S.

The Project Area Report, which documents the eligibility of this site for the establishment of a Housing TIF District, is appended as Exhibit #2 to this plan.

SECTION THREE

FRANKLIN AVENUE TAX INCREMENT FINANCE PLAN

April 16, 1981

Amended January 18, 2002

Amended March 5, 2004

The Franklin Avenue Tax Increment Financing Plan, dated April 16, 1981 is hereby amended as follows:

The parcels to be deleted from the Franklin Avenue Redevelopment TIF District No. 27 are:

<i>Property Identification Number</i>	<i>Address</i>
26-029-24-43-0067	1406 E. Franklin Avenue
26-029-24-43-0068	1408 E. Franklin Avenue
26-029-24-43-0069	1410 E. Franklin Avenue
26-029-24-43-0070	1404 E. Franklin Avenue

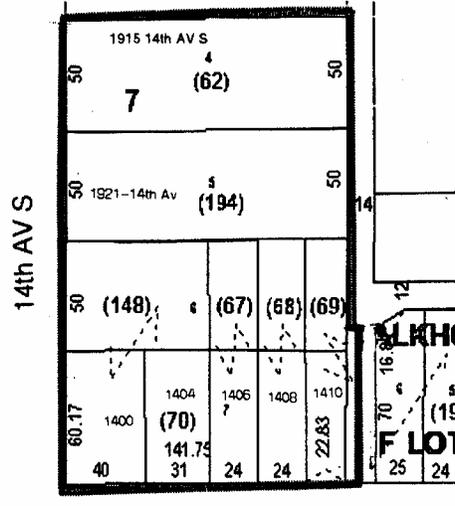
This Modification removes four parcels from the Franklin Avenue Redevelopment TIF District No. 27 in order that those parcels can be included in the new Many Rivers West TIF District. The new public redevelopment costs associated with the proposed Many Rivers project cannot be financed within the limitations imposed by the existing Franklin Avenue Redevelopment TIF District No. 27 because of statutory limitations on the use of tax increment from the TIF District, the short remaining term of the existing district, and the impact of the prior pledge of revenue from this district to the outstanding debt of other projects. A request will be made to Hennepin County to decertify and remove the affected parcels from the existing TIF, which is designated as Minneapolis TIF Project No. 27 in the Hennepin County administrative system.

The property to be included in the proposed Many Rivers West TIF district includes seven tax parcels listed below at the northeast corner of E. Franklin Avenue and 14th Avenue S. The TIF District is being established within and under the authority of the Franklin Avenue Redevelopment Project.

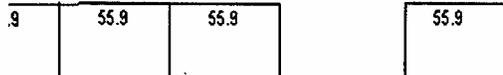
<i>Property Identification Number</i>	<i>Address</i>
26-029-24-43-0148	1400 E. Franklin Avenue
26-029-24-43-0070	1404 E. Franklin Avenue
26-029-24-43-0067	1406 E. Franklin Avenue
26-029-24-43-0068	1408 E. Franklin Avenue
26-029-24-43-0069	1410 E. Franklin Avenue
26-029-24-43-0062	1915 14 th Avenue S.
26-029-24-43-0194	1921 14 th Avenue S.

For complete information concerning the proposed TIF Plan, please refer to the Many Rivers West TIF Plan, dated March 5, 2004, under separate cover.

Exhibit # 1



E FRANKLIN



Many Rivers West
Tax Increment Finance District
Boundary Map
March 5, 2004

Boundary

PROJECT AREA REPORT
AND ELIGIBILITY DOCUMENTATION

Many Rivers West Tax Increment Finance Plan

March 5, 2004

Many Rivers was originally proposed by the American Indian Housing & Community Development Corporation (AIHDC) as a multi-phased, 76-unit housing project that would be located on East Franklin Avenue on the 1500 block (East Site, Phase 1) and the 1400 block (West Site, this Phase 2). The total Many Rivers development will consist of two new four-story mixed-use buildings on these two blocks, with a total of 76 rental apartment units. The 50-unit Many Rivers East project closed in June 2002, and was completed August 2003, and is now 100% occupied. AIHDC is now ready to proceed with the development of the Many Rivers West project, which will include 26 housing units and approximately 5,500 square feet of commercial space.

This Project Area Report and Documentation of Eligibility describes the conditions that qualify the Many Rivers West site as a housing tax increment finance district.

The TIF district is being established within and under the authority of the Franklin Avenue Redevelopment Project. Modification No. 7 to the Franklin Avenue Redevelopment Plan authorizes the creation of a new tax increment finance ("TIF") district as a tool for carrying out the redevelopment activities described therein, and removes parcels from the Franklin Avenue Redevelopment TIF District in order that those parcels can be included in the new Many Rivers West TIF District.

Area Characteristics

The Many Rivers West Project is located in south Minneapolis in the 6th ward of the Phillips Community and Ventura Village neighborhood. The proposed TIF district consists of 7 parcels at the northeast corner of E. Franklin Avenue and 14th Avenue South. The site is irregular in shape with approximately 28,600 square feet, including an east-west alley that has been vacated.

Many Rivers is designed in accordance with a Master Plan for the surrounding neighborhood, which calls for medium density mixed-use development along the East Franklin commercial corridor.

Findings of Eligibility for a Housing Tax Increment Finance District

The Many Rivers West TIF District is to be a housing TIF District as defined in the Minnesota Statutes, Section 469.174, Subdivision 11, which states:

"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts.

A district does not qualify as a housing district under this subdivision if the fair market value of the improvements which are constructed in the district for commercial uses or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

There are two specific questions that must be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the Many Rivers West Project.

- 1) Does the project comply with the income restrictions for rental housing projects identified in Minnesota Statutes, Section 469.1761, Subdivision 3?
- 2) Does the fair market value of the low and moderate income housing project constitute at least 80% of the total valuation of the improvements constructed in the district?

Income Restrictions^{2, 3}

For this project, moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan median family income. Low income housing is defined as housing affordable to families with incomes below 80 percent of the Metropolitan median family income⁴. Although 7 units are at market rate, market rate for this neighborhood is allowable to households with median incomes below 120% of median income. Consequently, 100% percent of the units in the project will be affordable to low or moderate income households in this income range.

Additionally, the proposed project must satisfy the income requirements for a Housing Tax Increment Finance District as stated in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.1761, Subdivision 3). Subdivision 3 states that rental housing must meet one of the following tests in order to qualify as a Housing Tax Increment District:

1. At least 20 percent of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income; or
2. At least 40 percent of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income; or
3. At least 50 percent of the units must be occupied by individuals whose income is 80 percent or less of the area median gross income.

Unit Breakdown/Affordability

Many Rivers West will have 1, 2 and 3 bedroom units, with the following projected affordability levels.

8 units at 50% of the MMI
3 units at 30% of the MMI
8 units at 60% of the MMI
19 units

7 units at market rate rental

26 total units

Since there will be 11 units at or below 50% of MMI, the project complies with the City Affordable Housing Policy, which would require at least 6 units (i.e. 20% of 26).

² The FY2003 Median Family Income Metro Area, State of Minnesota is \$72,200 as estimated by HUD

³ The MMI for Tax Credit Income Limits for 2004 is \$76,400

⁴ The Ventura Village neighborhood Median Income is \$25,949 source: 2000 Census

The proposed project meets all three income requirements for a Housing TIF District. Income guidelines will be monitored for the life of the district, as the requirements of this subdivision apply for the duration of the tax increment financing district.

Valuation Test

In addition to the rental apartment units, the project will include about 5,495 square feet of commercial space on the ground floor. AIHCDC has an agreement in principle with a Tribal College for a portion of the space and is in discussion with other prospects.

According to Minnesota Statutes, Section 469.174, Subdivision 11, in order to establish a housing TIF district, the fair market value of the low and moderate income housing project must constitute at least 80% of the total valuation of the improvements constructed in the district.

It has been calculated that the Estimated Market Value (EMV) of the completed project will be about \$2,327,000. Approximately \$1,967,000 of the valuation is attributable to the apartments, and \$360,000 is attributable to the commercial value. This means that about 82% of the assessed value of the complete development is attributable to the housing project.

Minneapolis Housing Policy

In 2002, modifications were made to the city's comprehensive plan ("The Minneapolis Plan") that strengthened its commitment to policies of housing growth and to increasing the supply of affordable housing. The principal goals of city housing policy are to improve choices, both for households with constrained choice and for households with many choices. The Zoning Code was also amended to allow developers of affordable housing to construct more housing units than would otherwise be allowed in instances where a proposed development includes affordable housing units.

"The Minneapolis Plan" includes the following policy statements:

- 4.9 Minneapolis will grow by increasing its supply of housing.
- 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households.
- 4.11 Minneapolis will improve the availability of housing options for its residents.
- 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.
- 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.
- 4.16 Minneapolis will work closely with NRP planning and implementation to ensure that NRP plans are consistent with the City's Housing Policy.

Each of these policies is associated with a set of related implementation steps, which are accomplished through a variety of mechanisms that include regulatory requirements and enforcement, and the financial and staff resources of the City, NRP, and Empowerment Zone. These steps include:

The variety of housing types throughout the city, its communities and the metropolitan area shall be increased giving prospective buyers and renters greater choice in where they live.

- Develop/provide incentives for placing new housing on transportation corridors
- Up to 20 percent of the units in new multifamily housing developments should be affordable

Minneapolis will improve the range of housing options for those with few or constrained choices.

Another way to describe the city's policy objectives in influencing the housing market is to target the variety of residents' housing choices. The new households that establish themselves in Minneapolis will make their decision about housing in distinct economic and family circumstances. Some households will be constrained in their choice. The ability to provide residents from all walks of life

with increased housing choices, in a variety of housing types, ages, (newly constructed and renovated older buildings) and affordability levels will hugely influence the pattern of future prosperity and vitality in the city. Tools have been developed to assist the city and its partners in implementing expanded choice in housing. These tools define terms such as affordability, medium and high density housing. They also relate the city's efforts at expanding housing choice to metropolitan initiatives, and include the Livable Communities Act guidelines, the Consolidated Plan for Housing and Community Development, tax credit programs for affordable housing developments and MCDA/CPED sponsored programs for housing redevelopment and new construction. Implementation steps include:

- Increase the variety of housing types (affordability, style, location) throughout the city, giving greater choice
- Encourage new housing production as a way to increase resident choices throughout the city.
- Promote mixed income housing development as a method of providing more choices to residents
- Promote mixed income housing as part of mixed use development so that the likelihood of affordable housing is increased

Minneapolis will both assume its appropriate responsibility for improving housing options among those with few or constrained choices, and collaborate with partners at the regional, state, federal and local level to assure that appropriate solutions are pursued throughout the region.

The “Zoning Code”

A modification to the Code provides an incentive to the development of affordable housing units, providing a 20% bonus in the number of units that can be built if at least 20% of the development's units are affordable to low-income households.

Eligibility Findings

The proposed project qualifies as a Housing Tax Increment Financing District under Minnesota Statutes. Findings to this affect will be included in the resolution considered by the City Council of the City of Minneapolis at the time that this plan document is offered for approval. The proposed TIF District is located within the Franklin Avenue Redevelopment Project, in accordance with the provisions of Minnesota Statutes Sections 469.001 through 469.047.

Documentation supporting these findings is on file in the office of the Minneapolis Community Planning and Economic Development Department, Development Finance Division, City Finance Department, Suite 575, Crown Roller Mill, 105 5th Avenue South, Minneapolis, Minnesota.