

Minneapolis Community Development Agency

## Request for City Council Action

Date: February 18, 2003

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means/Budget Committee

Refer to: MCDA Board of Commissioners

Prepared by Wayne Olson, Phone 612-673-5090

Approved by Lee Sheehy, MCDA Executive Director  
Chuck Lutz, MCDA Deputy Executive Director \_\_\_\_\_

**Subject: Approval of Modification No. 1 to the Deep Rock Tax Increment Finance Plan and Hazardous Substance Subdistrict, Modification No. 13 to the Seward South Urban Renewal Plan and Modification No. 93 to the Common Development and Redevelopment Plan to authorize budget amendment for project costs.**

**Previous Directives:** The council approved Modification 41 to the Common Plan, Modification 11 to the Seward South Urban Renewal Area; and the Deep Rock TIF Plan and Hazardous Substance Subdistrict as well as the Deep Rock Tax Increment Finance Plan on March 29, 1996 (Res Numbers 96R-083 and 96-1454M). The council approved Modification No. 12 to the Seward South Urban Renewal Area on April 23, 2001 (Res Numbers 2001R-164 and 2001 2414M).

**Ward:** 9

**Neighborhood Group Notification:** Longfellow Neighborhood along with the appropriate taxing jurisdictions were notified via correspondence dated January 3, 2003.

**Consistency with *Building a City That Works*:** Goal 3: Create strong and diverse neighborhoods where people choose to live; Objective B.

**Comprehensive Plan Compliance:** The Plan complies.

**Zoning Code Compliance:** Not applicable.

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**Impact on MCDA Budget:** (Check those that apply)

- No financial impact
- Action requires an appropriation increase to the MCDA Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):

The action requires additional expenditure of revenue from increment within the district.

**Living Wage / Business Subsidy:** NA.

**Job Linkage:** NA.

**Affirmative Action Compliance:** Additional environmental work will require contractor compliance.

**RECOMMENDATION:**

**City Council Recommendation:** The Executive Director recommends that the City Council approve Modification No. 1 to the Deep Rock Tax Increment Finance Plan and Hazardous Substance Subdistrict, Modification No. 13 to the Seward South Urban Renewal Plan and Modification No. 93 to the Common Development and Redevelopment Plan to authorize budget amendment for project costs.

**MCDA Board Recommendation:** The Executive Director recommends that the Board of Commissioners approve Modification No. 1 to the Deep Rock Tax Increment Finance Plan and Hazardous Substance Subdistrict, Modification No. 13 to the Seward South Urban Renewal Plan and Modification No. 93 to the Common Development and Redevelopment Plan to authorize budget amendment for project costs.

**Background/Supporting Information**

The Deep Rock/TIRO Industries site encompasses two full city blocks at the northern edge of the Longfellow neighborhood at 2700 E 28<sup>th</sup> St. In 1969 the MHRA acquired the 373,601 sf site from the Ford Deep Rock Oil Company, including 20 petroleum storage tanks. The MHRA removed the tanks and sold the property to Aslessen's Inc. which built a 145,000 sf light industrial facility. The MCDA re-acquired the property and signed a lease with TIRO industries, a contract manufacturer of skin and hair care products. Subsequent to the time of purchase, it was anticipated TIRO would expand on the block so clean up efforts were included in the project budget for the vacant land.

Total Project Sources of funds provided in the TIF Plan are increased to include additional tax increment revenue from the Tax Increment Financing District and Hazardous Substance Subdistrict by an additional \$330,000 as described below.

**Environmental Condition and Cleanup:**

Groundwater contamination clean up efforts were developed and have been completed since the inception of the development. Remaining off-site wells need to be maintained to monitor potential contamination, as well as some clean up equipment (e.g. wells) must be removed from the site. The original project budget assumed \$428,000 in pollution remediation, \$292,000 in pollution testing as well as a \$99,600 contingency to cover both acquisition and pollution related activities.

As of this report, expenditures have exceeded the original budget. Therefore the modification to the Deep Rock contemplates those budget overruns, as well as additional site equipment removal and off site well placement and monitoring. The budget also includes the requisite contingency and administration costs.

The break out occurs as follows:

Pollution Remediation (budget overrun coverage as well as new costs):	\$250,000
Contingency on Pollution Remediation:	\$ 50,000
Administration (10% of projected costs)	\$ 30,000
 Total Increase in Project Budget:	 \$330,000

This action is administrative in nature insofar as increment captured at the site is sufficient to cover budget as projected. The district will be decertified no later than January 1, 2007 according to the original Tax Increment Plan approved by Council.

**Other:**

It is anticipated that the county land just to the north of this site will be used for Phase III of Greenway development for bike and pedestrian trails. Staff has preliminarily discussed land needs with regards to this site with county staff. In addition, the neighborhood has expressed interest in the potential opportunities for the remaining vacant land in conjunction with this future planned use by the Greenway.

## Resolution

### **Adopting Modification No 1 to the Deep Rock Tax Increment Finance (TIF) Plan and Hazardous Substance Subdistrict; Modification No 13 to the Seward South Urban Renewal Plan, and Modification No 93 to the Common Plans, to reflect a budget modification to the TIF Plan.**

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

#### **Section 1.     Recitals**

- 1.1. That the Minneapolis Community Development Agency (the "Agency") is the Housing and Redevelopment Authority in and for the City of Minneapolis (the "City") with the authority to propose and implement redevelopment projects and tax increment financing districts, among other things, all pursuant to Minnesota Statutes, Sections 469.001 through 469.047, and 469.174 through 469.179 as amended; Laws of Minnesota 1971, Chapter 677, as amended; Laws of Minnesota 1980, Chapter 595, as amended; and Minnesota Code of Ordinances, Chapter 422.
- 1.2. That by Resolution No 89R-530 duly adopted December 15, 1989, and approved December 21, 1989, the City of Minneapolis has approved the creation by the Agency of the Common Development and Redevelopment Project (the "Common Project Area") and the adoption of the Common Development and Redevelopment Plan and the Common Tax Increment Financing Plan (the "Common Plans") relating thereto, all pursuant to Minnesota Statutes, Sections 469.001 through 469.047, 469.124 through 469.134, and 469.174 through 469.179 as amended; Laws of Minnesota 1971, Chapter 677, as amended; Laws of Minnesota 1980, Chapter 595, as amended, and Minneapolis Code of Ordinances, Chapter 422.
- 1.3. That by Resolution duly adopted on March 29, 1996, by Resolution No 1996R-083, the Minneapolis City Council approved the Deep Rock Tax Increment Finance (TIF) Plan and Hazardous Substance Subdistrict, Modification No 11 to the Seward South Urban Renewal Plan, and Modification No 41 to the Common Plans.
- 1.4. The Agency has prepared, and this City Council (the "Council") has examined the proposed Modification No 1 to the Deep Rock TIF and Hazardous Substance Subdistrict and related Modifications (the "Modifications") which Modifications authorize a budget amendment to the TIF Plan and Hazardous Substance Subdistrict to include additional tax increment revenue from the TIF district. The additional costs relate to activities identified in the Development Action Response

Plan approved by the Minnesota Pollution Control Agency in August 1994, all pursuant to and in accordance with Minnesota Statutes, Sections 469.001 through 469.047 and 469.174 through 469.179, as amended.

- 1.5. The Agency and the Council have performed all actions required by law to be performed prior to the adoption of the Modifications, including, but not limited to, a review of the proposed Modifications by the affected neighborhood groups and the Planning Commission, transmittal of the proposed Modifications to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing after published and mailed notice as required by law.

**Section 2. Findings for the Adoption of the Modifications.**

- 2.1. The Council finds, determines and reaffirms the findings made in Resolution 1996R-083 on March 29, 1996.
- 2.2. The Council further finds, determines and declares that the Modifications conform to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Modifications were issued, are incorporated herein by reference, and are on file in the office of the City Clerk.
- 2.3. The Council further finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Modifications.

**Section 3. Approval of the Modifications.**

- 3.1 Based upon the findings set forth in Section 2 hereof, the Modifications presented to the Council on this date are hereby approved and shall be placed on file in the office of the City Clerk.

**Section 4. Implementation of the Modifications.**

- 4.1. The officers and staff of the City and the Agency, and the City's and the Agency's consultants and counsel, are authorized and directed to proceed with the implementation of the Modifications, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further plans, modifications, resolutions, documents and contracts necessary for this purpose.

MINNEAPOLIS  
COMMUNITY  
DEVELOPMENT  
AGENCY

**Modification No. 1  
to the Deep Rock  
Tax Increment Finance Plan  
and Deep Rock Hazardous Substance  
Subdistrict**

**January 17, 2003**

*Progress Through Partnership*

**MCDA**



Crown Roller Mill  
Suite 200  
105 5th Avenue South  
Minneapolis, Minnesota 55401

**Modification No. 1**

to the  
**Deep Rock Tax Increment Finance Plan, and the Deep Rock Hazardous Substance  
Subdistrict  
January 17, 2003**

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Development Program
  - A. Description of Development Program
  - B. Property That May Be Acquired
  - C. Development Activity For Which Contracts Have Been Signed
  - D. Other Development Activity
- IV. Description of Financing (**Changed**)
  - A. Project Costs
  - B. Bonded Indebtedness To Occur
  - C. Sources of Revenue
  - D. Most Recent Net Tax Capacity
  - E. Estimated Captured Net Tax Capacity at Completion
  - F. Duration of District
  - G. Fiscal Disparities Election
  - H. Original Tax Capacity Rate
  - I. LGA/HACA Penalty Exemption
- V. Type of Tax Increment Financing District
- VI. Estimated Impact on Other Taxing Jurisdictions
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance
- VIII. Hazardous Substance Subdistrict Plan
  - A. Parcels Included in the Hazardous Substance Subdistrict
  - B. Statement of Hazardous Substance Subdistrict Objectives
  - C. Financial Estimates for the Hazardous Substance Subdistrict
    - 1. Hazardous Substance Subdistrict Costs
    - 2. Bonded Indebtedness to be Incurred
    - 3. Sources of Revenue

4. Most Recent Net Tax Capacity
5. Estimated Captured Net Tax Capacity in the Hazardous Substance Subdistrict
6. Duration of the Subdistrict
7. Fiscal Disparities Election
8. Local Contribution Election

D. Estimate of Impact on Taxing Jurisdictions of Hazardous Substance Subdistrict

E. Basis for the finding that Development Would Not Occur Without Hazardous Substance Subdistrict Assistance

IX. Modifications to Tax Increment Finance Plans

Modification No. 1  
to the  
Deep Rock Tax Increment Finance Plan  
and the  
Deep Rock Hazardous Substance Subdistrict

January 17, 2003

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The Deep Rock Economic Development Tax Increment Financing (TIF) District and Deep Rock Hazardous Substance Subdistrict, approved March 29, 1996 by the Minneapolis City Council, are located within the Seward South Urban Renewal Project. The Seward South Project Area was incorporated into the Common Project of the City of Minneapolis in 1989. Modifications to the Seward South Urban Renewal Plan and the Common Project have been prepared concurrently with this Modification.

Section IV. A. of the Deep Rock TIF Plan and C. Financial Estimates for the Hazardous Substance Subdistrict are modified as follows:

Total Project Budget provided in the Plan is increased to include the following additional costs:

Pollution Remediation	\$ 250,000
Contingency on Pollution Remediation	50,000
Administration	30,000
 Total Increase in Project Budget	 \$ 330,000

Total Project Sources of Funds provided in the Plan is increased to include additional tax increment revenue from the Tax Increment Financing District and Hazardous Substance Subdistrict by an additional \$330,000.

The Tax Increment Budget provided in the Plan is increased to include the following additional costs:

Pollution Remediation	\$ 250,000
Contingency on Pollution Remediation	50,000
Administration	30,000
 Total Increase in Project Budget	 \$ 330,000

The additional costs provided for in this modification relate to activities identified in the development action response plan approved by the Minnesota Pollution Control Agency in August 1994.

MINNEAPOLIS COMMUNITY  
DEVELOPMENT AGENCY

**Modification No. 13  
to the  
Seward South Urban Renewal Plan**

**and**

**Modification No. 93  
to the  
Common Development and Redevelopment  
and Common Tax Increment Finance Plan**

**January 17, 2003**

Prepared by Project Planning and Finance Department, MCDA  
105 5th Avenue South, Minneapolis, Minnesota 55401

# Modification No. 13 to the Seward South Urban Renewal Plan

January 17, 2003

- A. Table of Contents
- B. Description of Project
  - 1. Boundary of Redevelopment Project  
Project Boundary Map
  - 2. Objectives of the Redevelopment Plan
  - 3. Types of Redevelopment Activities
- C. Land Use Plan
  - 1. Land Use Map
    - a. Permitted Land Uses
    - b. Additional Regulations, Controls or Restrictions
- D. Project Proposals
  - 1. Land Acquisition
  - 2. Rehabilitation and Conservation
  - 3. Redevelopers' Obligations
  - 4. Underground Utility Lines
- E. Other Provisions Necessary to Meet State and Local Requirements
  - 1. Relocation
  - 2. Official Action to Carry Out Redevelopment Plan
- F. Procedures for Changes
- G. Redevelopment Plan
- H. Statement of Method Proposed for Financing **Changed**

**Modification No. 13  
to the  
Seward South Urban Renewal Plan  
and  
Modification No. 93 to the Common Development and Redevelopment and  
Common Tax Increment Finance Plan  
January 17, 2003**

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The Deep Rock Economic Development Tax Increment Financing (TIF) District and Deep Rock Hazardous Substance Subdistrict, approved March 29, 1996 by the Minneapolis City Council, are located within the Seward South Urban Renewal Project. The Seward South Project Area was incorporated into the Common Project of the City of Minneapolis in 1989. A Modification to the Deep Rock Tax Increment Finance Plan and Deep Rock Hazardous Substance Subdistrict Plan has been prepared concurrently with this Modification.

Section H. (Statement of Method Proposed for Financing) of the Seward South Urban Renewal Plan is modified as follows:

Total Project Budget provided in the Plan is increased to include the following additional costs:

Pollution Remediation	\$ 250,000
Contingency on Pollution Remediation Administration	50,000
	30,000
Total Increase in Project Budget	\$ 330,000

Total Project Sources of Funds provided in the Plan is increased to include additional tax increment revenue from the Tax Increment Financing District and Hazardous Substance Subdistrict by an additional \$330,000.

The Tax Increment Budget provided in the Plan is increased to include the following additional costs:

Pollution Remediation	\$ 250,000
Contingency on Pollution Remediation Administration	50,000
	30,000
Total Increase in Project Budget	\$ 330,000

The additional costs provided for in this modification relate to activities identified in the development action response plan approved by the Minnesota Pollution Control Agency in August 1994.

**MODIFICATION NO. 93 TO THE  
COMMON DEVELOPMENT AND REDEVELOPMENT PLAN  
AND  
COMMON TAX INCREMENT FINANCING PLAN  
January 17, 2003**

TABLE OF CONTENTS

(This Table of Contents is not part of Modification No. 93 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan, and is only for convenience of reference.)

**SECTION A. COMMON DEVELOPMENT AND REDEVELOPMENT PLAN**

	<u>Impact of Mod. 93</u>
Subsection A.1. Mission Statement	No Change
Subsection A.2. Definitions	No Change
Subsection A.3. Description of Public Purpose	No Change
Subsection A.4. Objectives of Common Project	No Change
Subsection A.5. Structuring of Common Project	No Change
Subsection A.6. History of Establishment and Modifications of Projects and TIF Districts Included in Common Project Area	<b>Changed</b>
Subsection A.7. Estimated Public Improvement Costs	<b>Changed</b>
Subsection A.8. Boundaries of the Common Project Area	No Change
Subsection A.9. Development Program Requirements	No Change
Subsection A.10. Modifications to Common Development and Redevelopment Plan	No Change
Subsection A.11. Neighborhood Revitalization Program	No Change

**SECTION B. COMMON TAX INCREMENT FINANCING PLAN**

Subsection B.1. Summaries of Participating Tax Increment Financing Districts	No Change
Subsection B.2. Boundaries of Participating Tax Increment Financing Districts	No Change
Subsection B.3. Statement of Objectives and Development Program, Including Property that may be Acquired	No Change
Subsection B.4. Properties to be Deleted From Participating Tax Increment Financing Districts	No Change
Subsection B.5. Development Activity in Common Project for Which Contracts Have Been Signed and Other Specific Development Expected to Occur	No Change

Subsection B.6.	Description of Financing	No Change
Subsection B.7.	Estimated Impact on Other Taxing Jurisdictions	No Change
Subsection B.8.	Modifications to Common Tax Increment Financing Plan	No Change
Subsection B.9.	Neighborhood Revitalization Program	No Change
Subsection B. 10.	Hazardous Substance Subdistrict	No Change

**Modification No. 93  
to the  
Common Development and Redevelopment Plan and Common Tax Increment  
Finance Plan**

**January 17, 2003**

Subsection A. 6. History of Establishment and Modification of Underlying Project Areas and Tax Increment Financing Districts Included in Common Project Area - **Changed**

<i>Project/District</i>	<i>Plan Modification</i>	<i>Anticipated City Council Approval Date</i>	<i>Resolution Number</i>
Seward South	Mod. No. 13	February 28, 2003	2003R-
Common Project	Mod. No. 93	February 28, 2003	2003R-

Subsection A. 7. Estimated Public Improvement Costs (**Changed**)

Subsection A. 7. is amended as follows:

Total Project Budget provided in the Plan is increased to include the following additional costs:

Pollution Remediation	\$ 250,000
Contingency on Pollution Remediation	50,000
Administration	30,000
<b>Total Increase in Project Budget</b>	<b>\$ 330,000</b>

Total Project Sources of Funds provided in the Plan is increased to include additional tax increment revenue from the Tax Increment Financing District and Hazardous Substance Subdistrict by an additional \$330,000.

The Tax Increment Budget provided in the Plan is increased to include the following additional costs:

Pollution Remediation	\$ 250,000
Contingency on Pollution Remediation	50,000
Administration	30,000
<b>Total Increase in Project Budget</b>	<b>\$ 330,000</b>

The additional costs provided for in this modification relate to activities identified in the development action response plan approved by the Minnesota Pollution Control Agency in August 1994.