



11/29

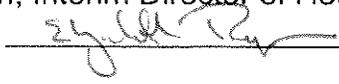
**Request for City Council Committee Action
From the Department of Community Planning & Economic Development**

Date: October 12, 2004

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

Prepared by: Beverly A. Wilson, Planner, Phone 612-673-5030

**Presenter in
Committee:** Cynthia Lee, Manager, MultiFamily Housing Development
Phone 612-673-5266

Approved by: Elizabeth Ryan, Interim Director of Housing Policy and
Development 

Subject: Modification to TIF Plans to allow Pooling for Affordable Housing

RECOMMENDATION: Schedule public hearing for a Modification to five TIF Plans to allow Pooling for Affordable Housing; Request review and comment by Ways and Means/Budget Committee.

Financial Impact (Check those that apply)

- No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain):
- Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

A plan document has been prepared that includes budget adjustments to five tax increment finance plans to allow pooling of tax increment revenue to assist affordable housing. As provided in Minnesota Statutes, a portion of tax increment from these districts may be used to assist qualified low income housing throughout the city. The TIF plans that are being amended are: 1) Parcel C Tax Increment Finance Plan, 2) East Hennepin & University Tax Increment Finance Plan, 3) Humboldt Greenway Tax

1998

1999

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

2021

2022

2023

2024

2025

2026

2027

2028

2029

2030

2031

2032

2033

2034

2035

2036

2037

2038

2039

2040

Increment Finance Plan, 4) Bottineau Tax Increment Finance Plan, and 5) Heritage Landing Apartments Tax Increment Finance Plan (the "Modification").

It is requested that the Community Development Committee schedule a public hearing on the proposed Modification, to be held by the Community Development Committee on Tuesday, October 26, 2004, at 1:30 p.m. Final Council Action will be held on Friday, November 5, 2004.

It is requested that the Ways and Means/Budget Committee review the proposed Modification and submit its comments at the public hearing to be held by the Community Development Committee on Tuesday, October 26, 2004.



Modification No. 1 to the Parcel C Tax Increment Finance Plan

Modification No. 1 to the East Hennepin & University Tax Increment Finance Plan

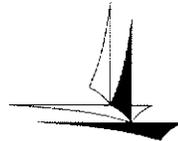
Modification No. 2 to the Humboldt Greenway Tax Increment Finance Plan

Modification No. 1 to the Bottineau Tax Increment Finance Plan

Modification No. 1 to the Heritage Landing Apartments Tax Increment Finance Plan

September 24, 2004

Prepared by the Development Finance Division
Crown Roller Mill, 105 5th Avenue S.
Minneapolis, Minnesota 55401



City of Minneapolis

Introduction

Five tax increment finance (TIF) plans are being amended to include budget adjustments to allow for pooling of tax increment revenue to assist affordable housing. As provided in Minnesota Statutes Section 469.176, Subd. 4k, a portion of tax increment from these districts may be used to assist qualified low income housing throughout the city. It is the city's plan to allocate any such funds to the CPED Affordable Housing Trust Fund program. Through the established program guidelines and competitive process, such funds will be awarded to eligible low income rental housing projects. The affordable housing language already appears in recent TIF plans. The TIF plans that are being amended are:

- ◆ Parcel C Tax Increment Finance Plan
- ◆ East Hennepin & University Tax Increment Finance Plan
- ◆ Humboldt Greenway Tax Increment Finance Plan
- ◆ Bottineau Tax Increment Finance Plan
- ◆ Heritage Landing Apartments Tax Increment Finance Plan

Modification No. 1 to the Parcel C Tax Increment Finance Plan

The Parcel C Tax Increment Finance (TIF) Plan was adopted by the Minneapolis City Council on December 14, 2001. The Redevelopment Tax Increment District #121 was certified by Hennepin County on March 25, 2002.

The Parcel C TIF Plan is being amended to include the following:

J. Affordable Housing & Expenditures Outside TIF District (Added)

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.1763, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
 - (i) acquire and prepare the site of the housing;
 - (ii) acquire, construct, or rehabilitate the housing; or
 - (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may

be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district, except that such administrative expenses can be considered expenditures inside the district, if the only other expenses outside of the district are for affordable housing purposes as described above.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district.

The Parcel C TIF Budget is amended as follows:

Parcel C Tax Increment District Budget

Sources	Up Front	Over Time
Developer Funds	\$4,099,300	---
Tax Increment	---	\$17,984,424
Annual Local Contributions	---	---
Total Sources	\$4,099,300	\$17,984,424
Uses		
Acquisition	---	---
Relocation	0	---
Public Facilities (Parking)	3,894,300	---
Building Rehabilitation	0	---
Pay-As-You-Go Note Principal	---	4,099,300
Pay-As-You-Go Note Interest	---	7,744,326
Pooling for Affordable Housing	205,000	4,342,356
Administration	---	1,798,442
Total Uses	\$4,099,300	\$17,984,424

Modification No. 1 to the East Hennepin & University TIF Plan

The East Hennepin & University TIF Plan was adopted by the Minneapolis City Council on June 9, 2000. The Redevelopment Tax Increment District #102 was certified by Hennepin County on July 18, 2000.

The East Hennepin & University TIF Plan is being amended to include the following:

J. Affordable Housing & Expenditures Outside TIF District (Added)

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.1763, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
 - (i) acquire and prepare the site of the housing;
 - (ii) acquire, construct, or rehabilitate the housing; or
 - (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district, except that such administrative expenses can be considered expenditures inside the district, if the only other expenses outside of the district are for affordable housing purposes as described above.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district.

The East Hennepin & University TIF Budget is amended as follows:

East Hennepin & University Tax Increment District Budget

Sources	Up Front	Over Time
Developer Funds	\$11,000,000	
Tax Increment		\$44,576,923
Total Sources	\$11,000,000	\$44,576,923
Uses		
Land	\$2,500,000	
Relocation	500,000	
Demolition	900,000	
Environmental Remediation	800,000	
Public Improvements	1,500,000	
Building Rehabilitation	1,200,000	
Structured Parking	3,600,000	
Pay-As-You-Go Principal		\$11,000,000
Pay-As-You-Go Interest		17,975,000
Pooling For Affordable Housing		11,144,231
Administration		4,457,692
Total Uses	\$11,000,000	\$44,576,923

Modification No. 2 to the Humboldt Greenway Tax Increment Finance Plan

The Humboldt Greenway Redevelopment Tax Increment Finance (TIF) Plan was adopted by the Minneapolis City Council on February 4, 2000 and modified on June 22, 2001. The Redevelopment Tax Increment District #98 was certified by Hennepin County on July 18, 2000.

The Humboldt Greenway TIF Plan is being amended to include the following:

IX. Affordable Housing & Expenditures Outside TIF District (Updated)

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.1763, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);

- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
 - (i) acquire and prepare the site of the housing;
 - (ii) acquire, construct, or rehabilitate the housing; or
 - (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district, except that such administrative expenses can be considered expenditures inside the district, if the only other expenses outside of the district are for affordable housing purposes as described above.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district.

The Humboldt Greenway TIF Budget is amended as follows:

Humboldt Greenway Tax Increment District Budget

Sources	Up Front	Over Time
TIF Note/Bond Proceeds	\$4,500,000	---
Tax Increment	---	\$11,846,154
Total Sources	\$4,500,000	\$11,846,154
Uses		
Acquisition, relocation, demolition	\$3,502,000	---
Discount/Cost of Issuance	87,119	---
Bond Interest	910,881	\$3,200,000
Bond Principal		4,500,000
Pooling for Affordable Housing		2,961,539
Administration	---	1,184,615
Total Uses	\$4,500,000	\$11,846,154

Modification No. 1 to the Bottineau Tax Increment Finance Plan

The Bottineau TIF Plan was adopted by the Minneapolis City Council on August 24, 2001. The Redevelopment Tax Increment District #117 was certified by Hennepin County on March 27, 2002.

The Bottineau TIF Plan is being amended to include the following:

K. Affordable Housing & Expenditures Outside TIF District (Added)

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.1763, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
 - (i) acquire and prepare the site of the housing;
 - (ii) acquire, construct, or rehabilitate the housing; or
 - (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district, except that such administrative expenses can be considered expenditures inside the district, if the only other expenses outside of the district are for affordable housing purposes as described above.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district.

The Bottineau TIF Budget is amended as follows:

Bottineau Tax Increment District Budget

Sources	Up Front	Over Time
Developer Funds	\$2,200,000	---
Tax Increment	---	\$6,923,077
Annual Local Contributions	---	---
Total Sources	\$2,200,000	\$6,923,077
Uses		
Acquisition	766,527	---
Demolition	335,000	---
Site Improvements	1,098,473	---
Pay-As-You-Go Note Principal	---	2,200,000
Pay-As-You-Go Note Interest	---	2,300,000
Pooling for Affordable Housing	---	1,730,769
Administration	---	692,308
Total Uses	\$2,200,000	\$6,923,077

Modification No. 1 to the Heritage Landing Apartments Tax Increment Finance Plan

The Heritage Landing Apartments TIF Plan was adopted by the Minneapolis City Council on November 13, 1998. The Housing Tax Increment District #92 was certified by Hennepin County on April 6, 1999.

The Heritage Landing Apartments TIF Plan is being amended to include the following:

K. Affordable Housing & Expenditures Outside TIF District (Added)

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.1763, Subd. 2, paragraph (d), which states that such expenditures must:

- 1) be used exclusively to assist housing that meets the requirements for a qualified low-income building (as defined in Section 42 of the Internal Revenue Code (IRC));

- 2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42 of the IRC; and
- 3) be used to:
 - acquire and prepare the site of the housing;
 - acquire, construct, or rehabilitate the housing; or
 - make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or "project area" (as that term is defined in Minnesota Statutes, Section 469.174), but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

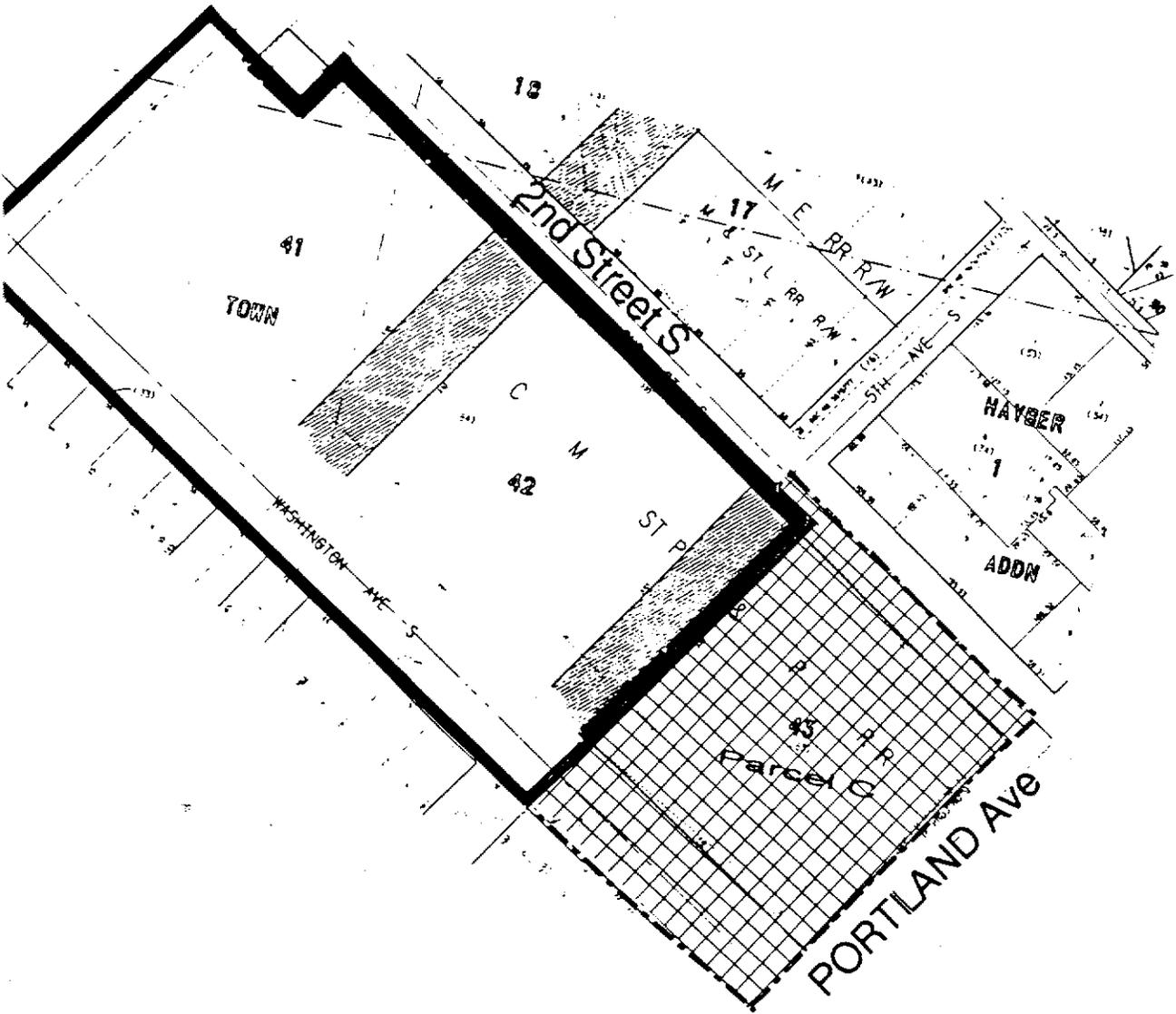
Pursuant to Minnesota Statutes Section 469.1763, Subd. 2, up to 20% of the tax increment from a housing TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 30%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenditures are normally considered outside of the TIF district. However, if the only other expenditures outside of the TIF district are for affordable housing purposes as described above, the administrative expenditures are then considered spent within the TIF district.

Pursuant to the provisions, requirements and restrictions noted above, the City elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district. It currently anticipates that up to 10% of the increment collected from the district (over its lifetime) may be used for administrative purposes, and up to 30% of the increment collected from the district (over its lifetime) will be used for affordable housing purposes as described above.

The Heritage Landing Apartments TIF Budget is amended as follows:

Heritage Landing Apartments Tax Increment District Budget

Acquisition & related costs	\$2,000,000
Public Improvements and Site Preparation	2,400,000
Contingency @10%	440,000
Pooling for Affordable Housing	1,382,857
Administration	691,424
Total Uses	\$6,914,286

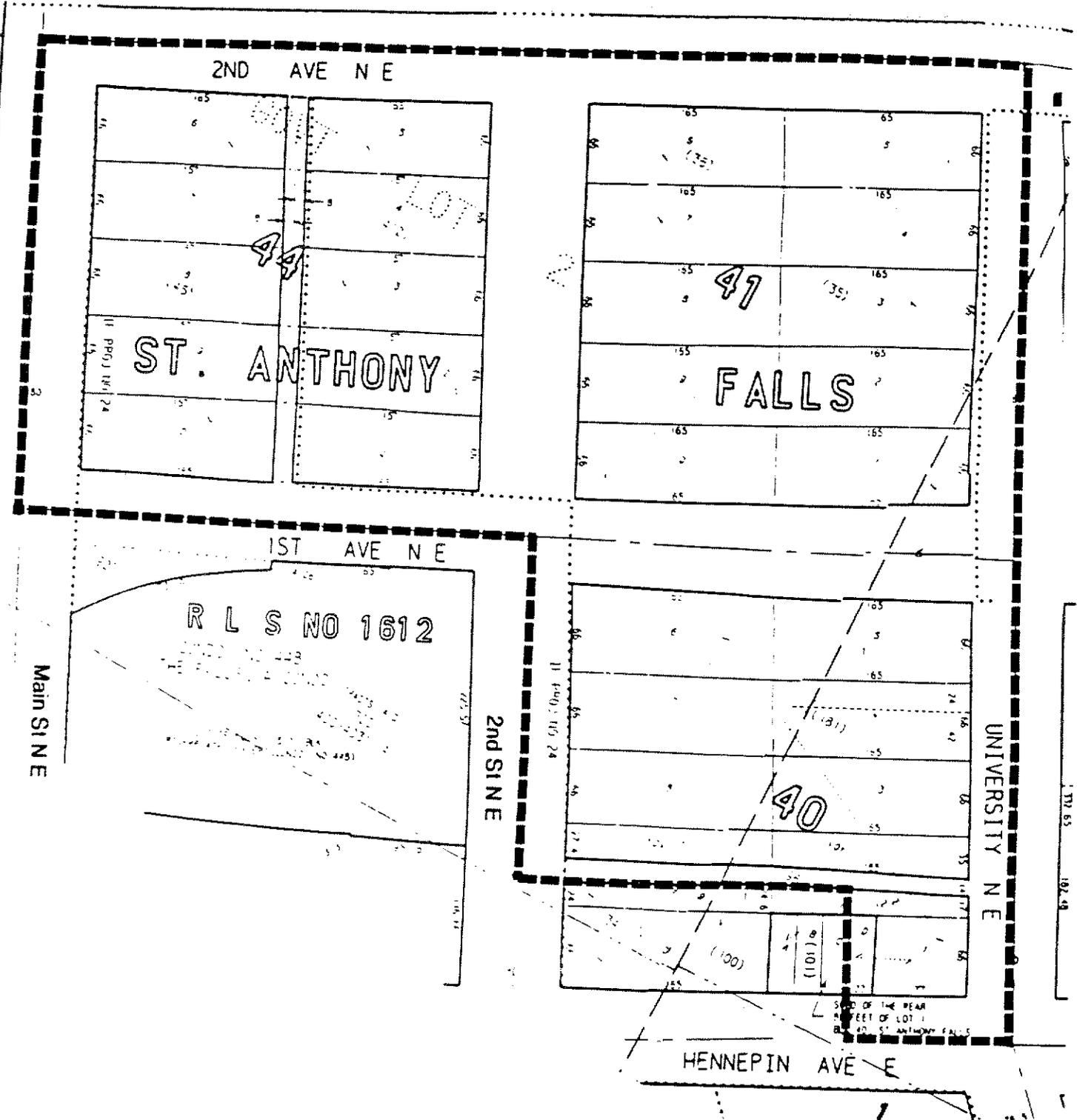


MCDA
Mapes Through Partners

**Parcel C TIF
 Boundary Map
 October 26, 2001**

Boundary of Parcel C TIF
 District





MCDA

Project Through Partners

East Hennepin & University Redevelopment Plan
and Tax Increment Finance Plan

LEGEND

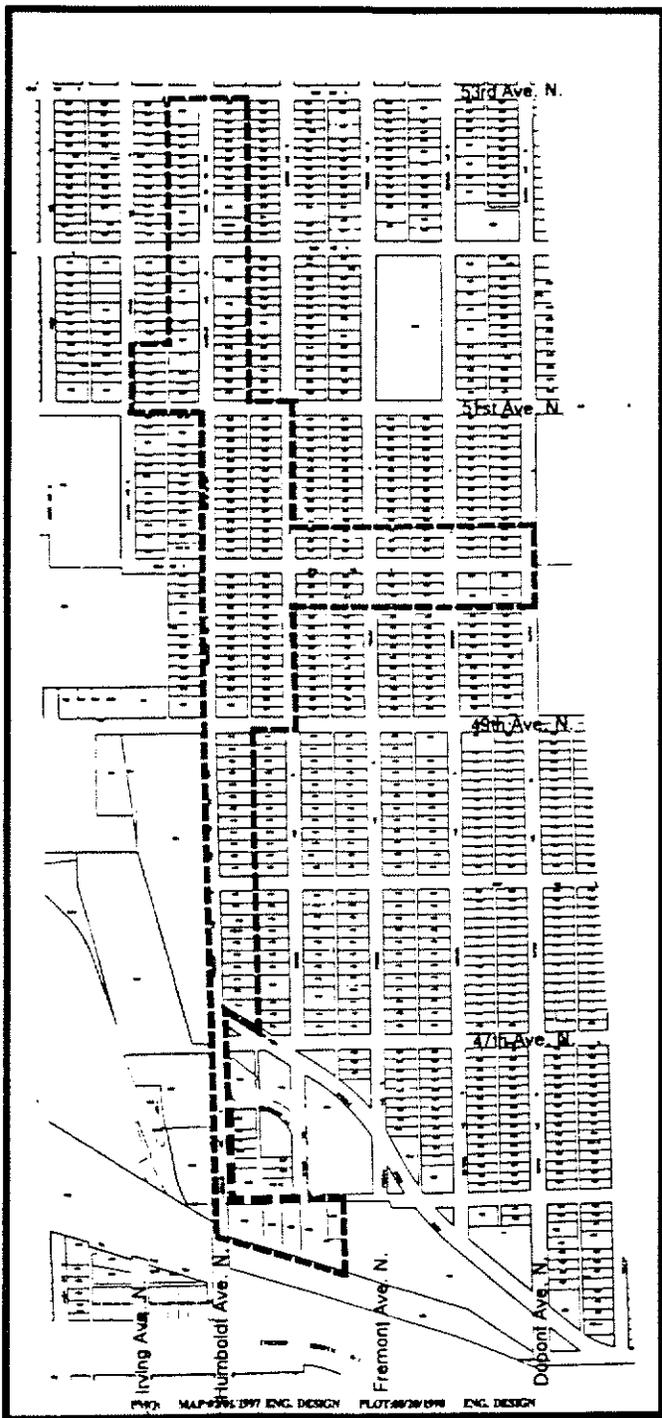
Project and Tax
Increment Finance
District Boundary



April 28, 2000

Boundary Map

EXHIBIT 1



MCDA

Regional Growth Partners

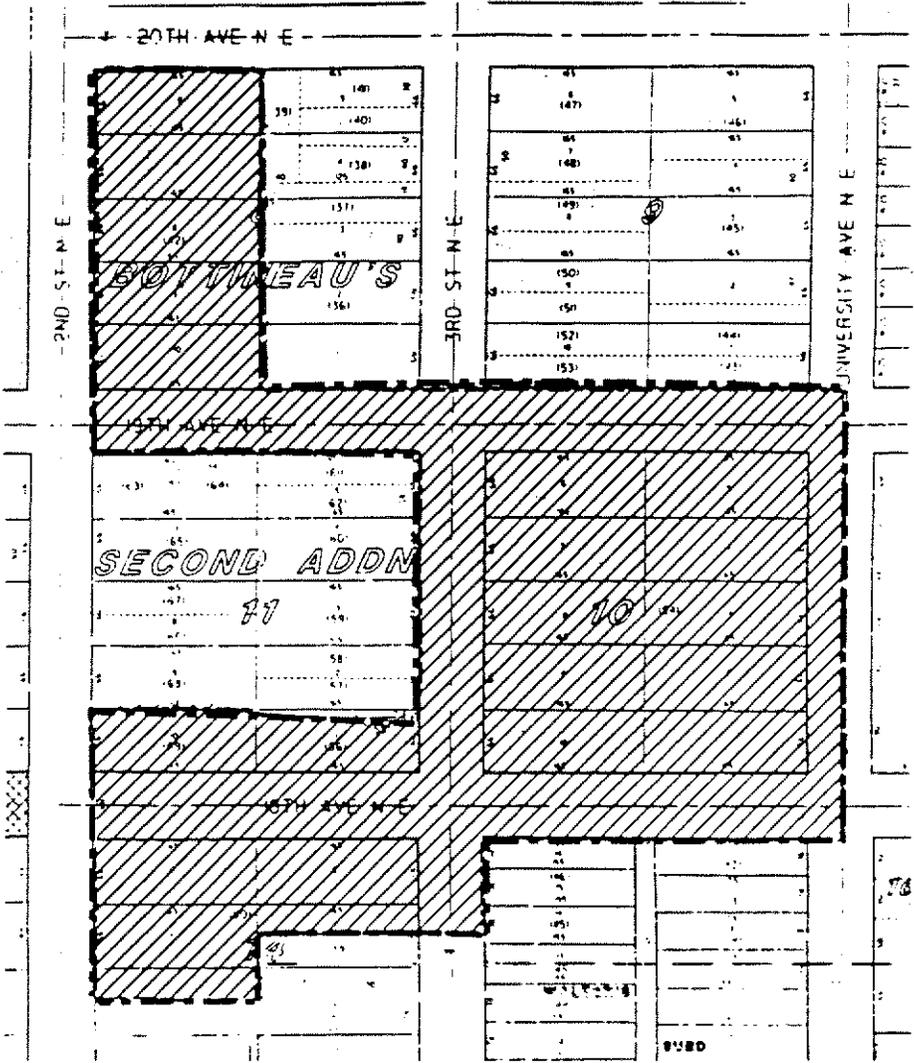
Humboldt Greenway Redevelopment
Tax Increment Finance Plan

LEGEND

■ ■ ■ Boundary

December 23, 1999

Boundary Map

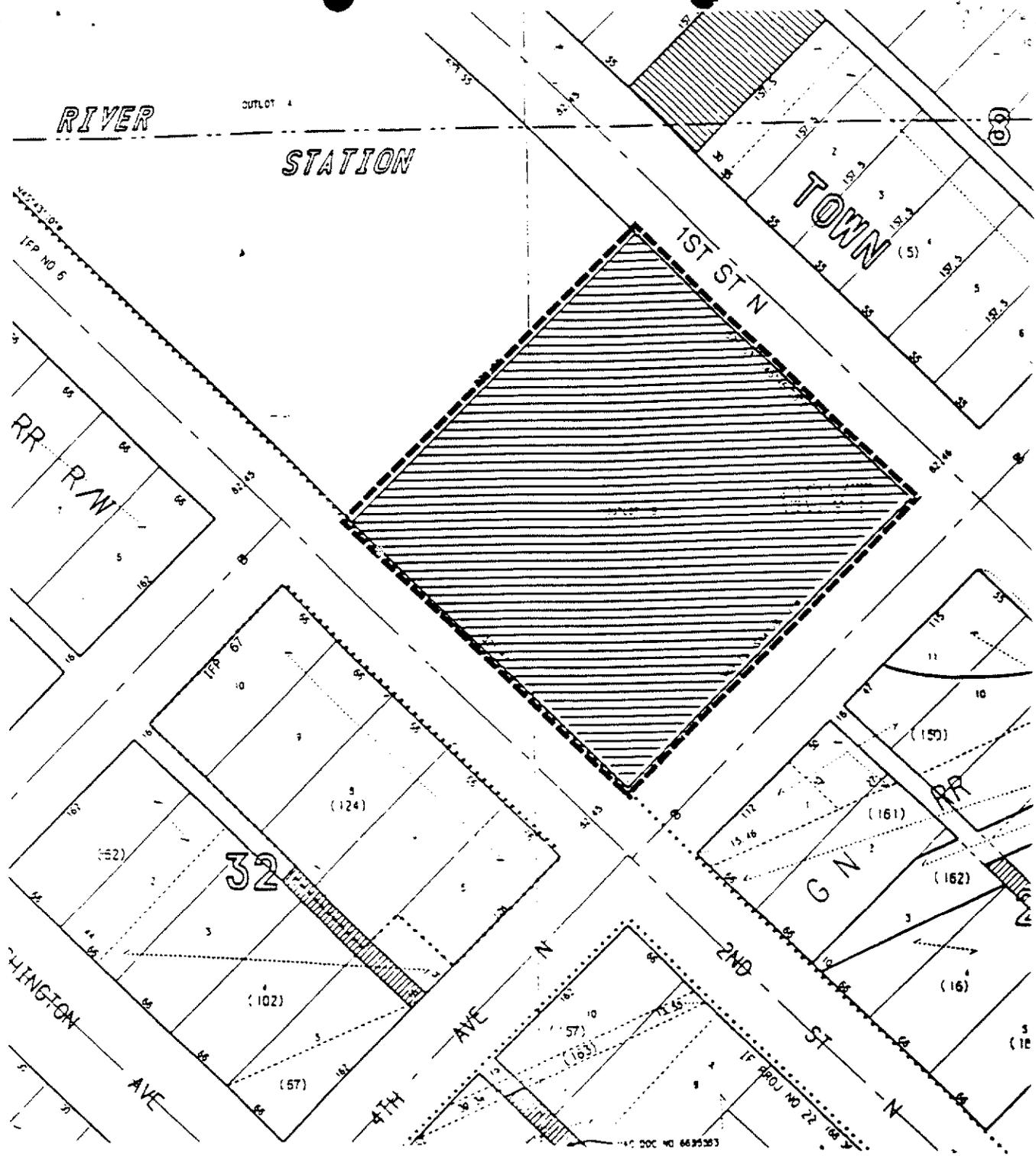


MCDA Map Commission

**Bottineau Tax Increment Finance Plan
Boundary Map
July 13, 2001**



Parcels in Tax
Increment District



MCDA

(Heritage Landing Apartments)
 Housing Development Project and
 Housing TIF District

October 2, 1998

 Property included in the Heritage Landing Apartments Housing Development Project and Housing TIF District