

Request for City Council Action

Date: October 28, 2003

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

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

Presented by: Theresa Cunningham, Project Coordinator, Phone 612-673-5237

Approved by: Lee Sheehy, MCDA Executive Director
Chuck Lutz, MCDA Deputy Executive Director _____

SUBJECT: Proposed Village in Phillips, Phase 1 TIF Plan; and Related Plans

Previous Directives: Not Applicable.

Ward: 6

Neighborhood Group Notification: East Phillips Improvement Coalition, the Powderhorn Residents Group, Midtown Phillips Neighborhood Association, the Phillips West Neighborhood Organization, and Village In Phillips-One, Inc.

Consistency with *Building a City That Works*: Not Applicable.

Comprehensive Plan Compliance: Not Applicable.

Zoning Code Compliance: Not Applicable.

Impact on MCDA Budget: (Check those that apply) Not Applicable.

- 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):

Living Wage / Business Subsidy: Not Applicable.

Job Linkage: Not Applicable.

Affirmative Action Compliance: Not Applicable.

RECOMMENDATION: The Deputy Executive Director recommends that the City Council Community Development Committee schedule a public hearing to be held on November 10, 2003 for the proposed Village in Phillips, Phase 1 TIF Plan and related Plans (the “Plans”), and it is recommended that the Ways and Means/Budget Committee review the proposed Plans and submit its comments at the Community Development Committee public hearing scheduled for Monday, November 10, 2003.

The Village in Phillips, Phase 1 TIF Plan provides for the establishment of a new housing TIF district, and authorizes public redevelopment activities and expenditures within the boundaries of the Village in Phillips Redevelopment and Model City Urban Renewal Project Areas. Tax increment will be used to pay for a portion of the public redevelopment costs associated with the TIF District.

The property to be included in the proposed TIF District includes 14 full and 2 partial tax parcels, including streets, alleys and public rights-of-way along the south side of E. 24th Street on both sides of 16th Avenue South. The boundary of the TIF District is shown in Exhibit #2 of the TIF Plan.

The Minneapolis Community Development Agency prepared the proposed Plans and transmitted them to interested parties for review and comment on October 10, 2003.

It is requested that the Community Development Committee schedule a public hearing on the proposed Plans, to be held by the Community Development Committee on Monday, November 10, 2003, at 9:30 a.m. Final Council and MCDA Board Action will be held on Friday, November 21, 2003.

It is requested that the Ways and Means/Budget Committee review the proposed Plans and submit its comments at the public hearing to be held by the Community Development Committee on Monday, November 10, 2003.

**MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY**

**Village in Phillips, Phase 1
Tax Increment Finance Plan**

October 10, 2003

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

**Village in Phillips, Phase 1
Tax Increment Finance Plan
October 10, 2003**

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- 1 Boundary/Acquisition Map
- 2 Project Area Report and Blight Documentation
- 3 Site Plan

Village in Phillips, Phase 1 Tax Increment Finance Plan

October 10, 2003

Introduction

Three plan documents have been prepared that are related to a proposed homeownership and rental housing project that has been proposed in the Phillips neighborhood in south Minneapolis, located within the boundary of the Model City Urban Renewal Project. The three block area is within a quarter mile radius of the proposed Franklin Avenue Light Rail Transit (LRT) Station at Franklin and Hiawatha Avenues, five blocks north of Lake Street and the 29th Street Corridor, and five minutes from Minneapolis' Central Business District.

The plan documents are: this Village in Phillips, Phase 1 Tax Increment Finance Plan (the "TIF Plan"), the Village in Phillips Redevelopment Plan, and Modification No. 19 to the Model City Urban Renewal Plan, (collectively, the "Plans").

The new Village in Phillips Redevelopment Project and Tax Increment District are created as a free-standing project area and tax increment district. The parcels included in the project area and TIF District remain within the existing Model City Urban Renewal Project Area. Modification No. 19 to the Model City Urban Renewal Plan has been prepared to accommodate the activities and financing related to the proposed project.

The **Village in Phillips Redevelopment Plan** creates a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, designates parcels for acquisition, and authorizes the creation of new redevelopment and housing tax increment finance districts as tools for carrying out portions of the redevelopment activities described therein.

This TIF Plan provides for the establishment of a new Housing TIF district: the "Village in Phillips, Phase 1 Tax Increment Financing District (the "TIF District"). This TIF Plan authorizes public redevelopment activities and expenditures, establishes a new housing TIF district and a budget for expenditures within the boundaries of Village in Phillips and Model City Project Areas (the "Project Area"). Tax increment will be used to pay for a portion of the public redevelopment costs associated with the project.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

The TIF District is being established within and under the authority of the Village in Phillips Redevelopment Project. The properties to be included in the proposed TIF District consist of a total of 16 (14 full and 2 partial) parcels along the south side of E. 24th Street on both sides of 16th Avenue South. The boundary is shown on the boundary map (Exhibit #2). The tax parcels to be included in the TIF District are:

<u>PIN Number</u>	<u>Address</u>	
35-029-24-14-0023	1619 E. 24 th Street	
35-029-24-14-0025	2406-08 – 17 th Av S.*	North 10 feet
35-029-24-14-0026	1617 E. 24 th Street	
35-029-24-14-0027	1613 E. 24 th Street	
35-029-24-14-0028	1609 E. 24 th Street	
35-029-24-14-0029	1607 E. 24 th Street	
35-029-24-14-0030	1605 E. 24 th Street	
35-029-24-14-0031	1603 E. 24 th Street	
35-029-24-14-0032	2409 – 16 th Av S.	
35-029-24-14-0033	1601 E. 24 th Street	
35-029-24-14-0058	1539 E. 24 th Street	
35-029-24-14-0059	2406 16 th Av S.	
35-029-24-14-0060	2408 16 th Av S.	
35-029-24-14-0061	1535 E. 24 th Street	
35-029-24-14-0064	2401-11 Bloomington*	East 15 feet
35-029-24-14-0208	1529 E. 24 th Street	

*at the time of this writing, lot splits/combinations for these two parcels have been requested. Once completed, there will be 14 property identification numbers included in the TIF district.

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 TIF Plan.

II. Statement of Objectives

The objectives for this TIF Plan are described in Village in Phillips Redevelopment Plan in Section B. 3.

*Village in Phillips, Phase 1 Tax Increment Finance Plan
October 10, 2003*

III. Development Program

A. Description of Development Program

The Village in Phillips (VIP) project is a joint collaboration of several Minneapolis non-profit community developers and an active and incorporated block club proposing to comprehensively redevelop a three block area in the Eastern Region of the Phillips Neighborhood. The proposed multiphased development area is bounded by the alley west of 18th Avenue South on the east, the alley west of Bloomington Avenue on the west, 24th Street on the north, and 25th Street on the south.

The proposed multi-phased development will produce new townhome units, substantially rehabilitated units, new mixed-use residential and commercial space.

The first phase, Phase 1, includes new construction of 28 townhouse units (25 ownership and 3 Minneapolis Public Housing Agency (MPHA) rental units). Five units will be targeted towards families at less than 50% of median income, 20 units targeted towards families with 50% - 115% of median incomes (10 units are proposed at 50-80% and 10 units at 80-115%), and the MPHA rental units towards families at less than 30% of median incomes. Fifteen units will be in a land trust, and 5 units will be constructed by Habitat for Humanity. There will be 4 buildings containing two and three-bedroom units (6 two-bedroom, and 22 three-bedroom units). Also, all of the units will provide for the option of finishing an additional bedroom on the lower level. Future phases include new construction of mixed use rental and a small commercial component.

Reports from the Family Housing Fund, State of the City Report, "A Dream Deferred: the 50/30 Housing Research Initiative" published by the Urban Coalition and the Roy Wilkins Center (University of Minnesota) all support the need for affordable housing. In the Wilder Research Center's Metrotrend Report, residents cited affordable housing as their number one concern in the Twin Cities.

The most recent State of the City Report 2002 illustrates the Phillips Community reported that less than 23% of housing units are homesteaded in the Phillips community. The Phillips community, along with the Near North community, has significantly more housing structures that are in disrepair than the rest of the city. Over 68% of the residential properties in Phillips were developed by the year 1920. The era in which a community was developed influences the mix of housing types built. This in turn affects the current condition of the property. It also bears on the likelihood of property to be owner occupied, because multi-family structures are less likely to be owner occupied than single family homes.

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October 10, 2003*

Sale prices for single family homes continued to climb in 2002. The median sale price for a single family home in 2002 was \$152,000—an 11% increase over the 2001 figure. More recent information indicates that the median sale price in the Twin Cities has reached \$207,000. Finding any type of decent, affordable housing, whether rented or owned, has become increasingly hard to find for many people in the Twin Cities. Much of the problem stems from a shortage of lower-priced housing combined with the failure of incomes to keep pace with rising housing costs.¹ In 2002, modifications were made to the city's comprehensive plan that strengthened its commitment to policies of housing growth and of increasing the supply of affordable housing. 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. Key city housing policy documents include:

(1) "The Minneapolis Plan" which includes the addition of 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.

(2) The "Zoning Code" which includes a modification to the Code that 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.

Additional strategic policy documents include the Affordable Housing Resolution which established the city's "Affordable Housing Initiative" directing the activity of city staff in the development of housing affordable to low income households.

B. Property That May Be Acquired

By including in this Plan a list of property that may be acquired, the Agency is signifying that it is interested in acquiring the property listed, or portions thereof, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the Agency to acquire a property. The Village in Phillips, Phase 1 TIF District contains the following parcel that is included in this Plan as property that may be acquired:

<u>Address</u>	<u>Property ID Number</u>
1535 E. 24 th Street	35-029-24-14-0061

¹ State of the City Report, 2002

State law authorizes the Agency to acquire property either on a negotiated basis or through the use of its power of eminent domain, if necessary, to carry out a redevelopment plan. The Agency will seek to acquire property from willing sellers whenever possible, but may use the power of eminent domain and its condemnation authority to acquire property identified as "property that may be acquired" when necessary.

C. Development Activity for Which Contracts Have Been Signed and Other Specific Development Expected to Occur

The MCDA is currently negotiating a development agreement with Powderhorn Residents Group, Incorporated for Phase 1 of the Village in Phillips project.

D. Other Development Activity

A three-phased development is proposed that would produce new townhome units, substantially rehabilitated units, and new mixed-use residential and commercial space. As planning and phasing advances, additional tax increment finance plans may be prepared.

IV. Description of Financing

A. Project Costs

Total development costs for the Village in Phillips, Phase 1 project is currently estimated at approximately \$6.2 million. Tax increment financing assistance of \$300,000 is needed for new housing construction. This TIF assistance will be provided to the developer through the issuance of a pay-as-you-go tax increment revenue note (the "TIF Note"). The TIF Note will be issued to the developer by the Agency in the principal amount of \$300,000 and will have a stated interest rate.

As tax increment is generated by the project in future years, a portion of the tax increment collected by the Agency will be paid to the noteholder (twice a year) as payment of principal and interest on the TIF Note. A portion of the tax increment collected by the Agency may also be used for administrative purposes or other affordable housing purposes as allowed by Minnesota State Statutes and stated in the

tax increment budget. The tax increment budget for the TIF district is shown below.

TIF District Budget

Sources	Up-Front	Over Time
Developer Funds	\$300,000	---
Tax Increment	---	\$750,000
Other	---	---
Total Sources.	\$ 300,000	\$ 750,000
Uses		
New housing construction	\$300,000	---
Pay-As-You-Go Note Principal	---	300,000
Pay-As-You-Go Note Interest	---	150,000
MCDA Administration (10%)	---	75,000
Pooling for Affordable Housing (30%)		225,000
Total Uses.	\$ 300,000	\$750,000

The figures, sources and methods of financing identified in this TIF Plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the public redevelopment costs or indebtedness beyond the amounts listed herein, a modification to the TIF Plan will be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan. The actual public commitment to pay public redevelopment costs to be incurred within this Project Area is established in each redevelopment agreement entered into by the Agency and each developer, not by the TIF Plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

B. Bonded Indebtedness to be Incurred

It is anticipated that public redevelopment costs will be financed with pay-as-you-go tax increment financing. It is not anticipated that any tax increment indebtedness will be issued by either the City or Agency for the Village in Phillips, Phase 1 project.

C. Sources of Revenue

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 Village in Phillips, Phase 1 Project. Other sources of funds to pay public redevelopment costs may include East Phillips Improvement Coalition's (EPIC) NRP Grant funds, Empowerment Zone funds,

Family Housing Fund, Hennepin County Affordable Housing Incentive Funds (AHIF), NRP Affordable Housing Funds, CDBG, MCDA Nonprofit Administration funds, Livable Communities Funds, Otto Bremer Foundation, Phillips Foundation, MHFA-Super RFP funds, and other sources not yet identified.

D. Original Net Tax Capacity

The 2003 estimated market value of the tax parcels included in the TIF district is \$643,800. This will result in an original net tax capacity of approximately \$6,438.

E. Estimated Captured Net Tax Capacity at Completion

Upon completion of the redevelopment it is anticipated that the estimated market value of taxable property in the District will increase from \$643,800 to approximately \$3,976,225. This represents an increase of \$3,332,425 and will generate a total net tax capacity of approximately \$39,762, and an estimated captured net tax capacity of \$33,324.

Based upon a total local tax rate of approximately 153.007%, this will generate an estimated annual gross tax increment payment of \$50,998 stabilized, excluding deduction for State Auditor Fee.

F. Duration of District

The Village in Phillips, Phase 1 TIF District is a Housing TIF District. Tax increment can be paid to the MCDA for up to twenty-six years of increment collection, or such period as is authorized by law and is necessary to complete financing of the eligible project costs.

G. Fiscal Disparities Election

It is the intent of the MCDA and the City of Minneapolis that the entire fiscal disparity contribution required of the City for development occurring within this TIF District be taken from outside the TIF District. The option provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected.

H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2004. For project and impact purposes, a total tax rate of 153.007% has been used in the TIF Plan.

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I. Permit Activity and Prior Planned Improvements

The TIF District does not include any "prior planned improvements" as that term is described in Minnesota Statutes, Section 469.177. Subd. 4.

The letter requesting certification by Hennepin County of the TIF District will be accompanied by a list of all of the building permits issued for the property included in this TIF District during the eighteen months immediately preceding approval of this TIF Plan, as mandated by Minnesota Statutes, Section 469.175, Subdivision 3.

J. Affordable Housing and Expenditures Outside TIF District

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 469.173, 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:
 - 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, 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 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 Agency 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

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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.

V. Type of Tax Increment Financing District

The proposed TIF District is a "Housing District" as defined in Minnesota Statutes Section 469.174 Subdivision 11:

"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.

VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the redevelopment of the property would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for purposes of analysis that the proposed development described herein, as the Project would occur without the tax increment financing assistance and that the estimated captured tax capacity generated by the development would under those circumstances be immediately available to the taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

Taxing Jurisdictions	Tax Capacity Rate Payable 2003	Property Tax Revenues Resulting from \$33,324 Captured Tax Capacity
City of Minneapolis	63.883%	\$21,288
Hennepin County	44.832	14,940
Special School District #1	33.555	11,182
Other Taxing Jurisdictions	<u>10.737</u>	<u>3,578</u>
Total	153.007%	\$50,988

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VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance

Minnesota Statutes, Section 469.175, Subdivision 3, provides that prior to the approval of a tax increment financing plan, the City Council must find that the proposed development or redevelopment would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future and therefore the use of tax increment financing is deemed necessary.

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the private redevelopment of the property included in the TIF District could not occur without public participation and financial assistance. This conclusion is based upon the following factors:

Village in Phillips, Phase 1 will eliminate functionally and economically obsolete, blighted, unimproved vacant land and develop in its place a homeownership townhouse project that includes affordable housing. Records from the State of the City Report 2002 indicate that over 50% of residential properties were developed by 1920, and further, that the percentage of housing that is rated below average by the City Assessor's Office, the Phillips community has significantly more housing structures that are in disrepair than the rest of the city, with the exception of the Near North community.

For over a decade, the Village in Phillips project has been a neighborhood driven ambition. A unique collaborative planning process among several Minneapolis non-profit community developers and residents produced a design by and for neighborhood residents. The vision is to create a safe, diverse, sustainable, child friendly and physically identifiable "village". Residents forged the project out of a deep commitment to protect and provide for children and families. The area, plagued with problems of the drug market, gunfire, youth gangs and prostitution, including the loss of lives to violence, deteriorating housing and blight continue to be dominant features of this area of the city. Area residents envision a new way of life, and working together, residents created a plan to safeguard and enhance the lives of children and families through innovative architecture and landscape design. Several goals have been set addressing their concerns including "eyes on the street" for safety and protection, increased community and private green places for play, increased density, and energy efficient design resulting in a sustainable community. Methods to reduce traffic speed and defined parking areas to reduce congested parking are included in the design plans.

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During the past decade, the Phillips community grew by 14.83%, representing the largest total population increase of the city's 11 communities.²

The developer, PRG, has obtained a number of funding commitments from sources which include EPIC NRP Grant funds, Empowerment Zone funds, Family Housing Fund, Hennepin County Affordable Housing Incentive Funds, NRP Affordable Housing Funds, CDBG, MCDA Nonprofit Administration funds, Livable Communities Funds, Otto Bremer Foundation, Phillips Foundation, MHFA-Super RFP funds, and other sources not yet identified. Additional funds are being sought from other sources as well. All of the identified public financing sources are necessary to fill the financing gap for this project as without these sources, the project would not be able to go forward. The project has the support of neighborhood groups and a commitment for long-term support for the project.

Therefore, it is the opinion of the City of Minneapolis that the proposed housing project to be financed, in part, by this TIF District would not occur solely through private investment within the foreseeable future.

The TIF Act requires that a potential TIF district must also pass a market value test in order to make a finding that the increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by this TIF Plan.

Because it is the opinion of the City of Minneapolis that the proposed Project to be financed, in part, by this TIF District would not occur solely through private investment at this time, the City projects that the estimated market value of the site without the use of tax increment would remain at its present level. The calculations necessary to pass this test are contained on the next page of this TIF Plan. As shown there, the public redevelopment activity, expenditures, and market values associated with the redevelopment that is proposed in this plan results in a series of calculations and figures that clearly pass the market value test.

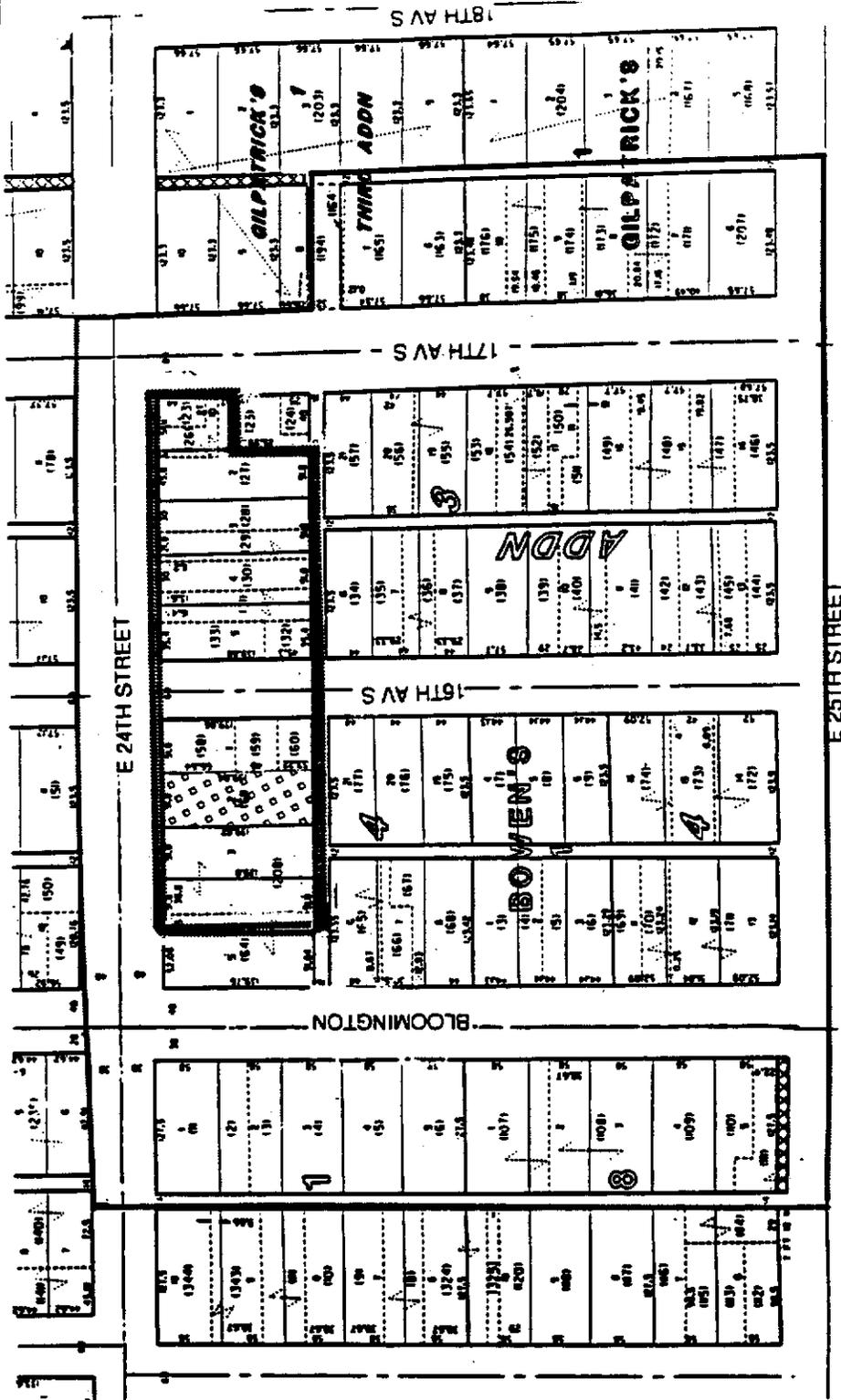
VIII. Modifications to Tax Increment Finance Plans

This TIF Plan may be modified, provided that the Agency and City Council shall adopt such modifications under the applicable provisions of the TIF Act, Minnesota Statutes, Section 469.175, Subdivision 4.

This TIF Plan reflects the establishment of the Village in Phillips, Phase 1 Tax Increment Financing District.

² State of the City Report 2002

Exhibit # 1



Village in Phillips
Tax Increment Finance Plan
Boundary/Acquisition Map
October 10, 2003

TIF Boundary **█**
Property That May Be
Acquired **□**

Prepared by the Development Finance Division
Finance Department City of Minneapolis

Village in Phillips TIF District

Valuation and Tax Increment Assumptions

	Pay 2006
Total Estimated Market Value (EMV)	\$3,976,225
Less: Original EMV	643,800
Captured EMV	\$3,332,425
Total Net Tax Capacity (NTC)	\$39,762
Less: Original NTC	6,438
Captured NTC	\$33,324
Times: Projected Total Tax Rate	153.007%
Gross Tax Increment	\$50,988
Less: State Auditor's Fee (.36%)	184
Tax Increment Distributed to MCDA	\$50,804

25 Years of TI Collection

Years of TIF Collection	Payable Year	Tax Increment Distributed To MCDA
---	2004	\$0
---	2005	0
1	2006	50,804
2	2007	50,804
3	2008	50,804
4	2009	50,804
5	2010	50,804
6	2011	50,804
7	2012	50,804
8	2013	50,804
9	2014	50,804
10	2015	50,804
11	2016	50,804
12	2017	50,804
13	2018	50,804
14	2019	50,804
15	2020	50,804
16	2021	50,804
17	2022	50,804
18	2023	50,804
19	2024	50,804
20	2025	50,804
21	2026	50,804
22	2027	50,804
23	2028	50,804
24	2029	50,804
25	2030	50,804
26	2031	50,804
		\$1,320,904

P.V. @ 5.00% \$695,540

Market Value Test

Analysis Required by M.S. Section 469.175, Subd. 3 (2)

(1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...":

(a) Projected estimated market value without the use of tax increment	\$643,800
(b) Original estimated market value	643,800
(c) Increased estimated market value without the use of tax increment = (a) - (b)	\$0

(2) "... increase in the market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the district permitted by the plan.":

(d) Increase in the estimated market value of the completed development.	\$3,332,425
(e) Present value of the projected tax increment for the maximum duration of the district	695,540
(f) Difference = (d) - (e)	\$2,636,885

(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.

PROJECT AREA REPORT
AND DOCUMENTATION OF BLIGHT

Village in Phillips Redevelopment Plan
and
Village in Phillips, Phase 1 Tax Increment Finance Plan
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A project has been proposed by Powderhorn Residents Group (PRG) that will include new construction of 28 townhouses (25 ownership and 3 MPHA rental units).

This Project Area Report and Documentation of Eligibility describes the conditions that qualify the Village in Phillips site as a redevelopment project and a housing tax increment finance district.

The Village in Phillips Redevelopment Project (the "Redevelopment Project") will be a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16). According to Subdivision 14, Paragraph 1, redevelopment projects are established "for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight." The redevelopment project area therefore must be found to be a blighted area, which is defined in Section 469.002, Subd. 11 of the Act as:

"... any area with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community."

Area Characteristics

The Village in Phillips Redevelopment Project Area is located in south Minneapolis in the 6th ward of the Phillips neighborhood. The site is a three block area bounded from the alley west of 18th Avenue South on the east, the alley west of Bloomington Avenue on the west, E. 24th Street on the north, and E. 25th Street on the south. With the exception of a small amount of industrial land on the southeastern edge, the Phillips community is predominantly residential. The population of Phillips is among the City's most diverse, in terms of ethnicity, age and household income. Some areas of older, deteriorating housing in the neighborhood have spurred residents' interest in housing

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reinvestment and redevelopment.³ Household projections for the Phillips Community indicate an increase between 2,000 to 3,000 by the year 2030.⁴

Findings of Blight within the Proposed Redevelopment Project Area

The proposed project area includes 82 parcels including streets and alleys. MCDA Construction Management Specialists conducted interior and exterior inspections of the proposed redevelopment and TIF district. Interior inspections were not completed on all of the properties proposed for the project area, however, with reasonable certainty, the site analysis found several unimproved vacant lots, several properties whose structures did not meet the Uniform Building Code and Minnesota Energy Code, as well as fire protection devices in accordance with fire code and the ADA requirements. The majority of the buildings, commercial and residential, were found to be substandard under statutory criteria defining blight. Many residential properties are wood framed and do not comply with current Uniform Building Codes and contain outdated plumbing systems, possibility of lead paint, deteriorated and damaged roofing, siding and wood trim, obsolete type materials, broken and boarded windows, debris on site, missing hand and guard rails, and it was concluded that the buildings are structurally substandard and the area meets the requirement for blighted properties to a degree requiring substantial renovation or clearance, and exhibit deficiencies in other categories such as lacking essential utilities, heat, light, ventilation, domestic water, facilities, fire protection and unknown factor such as asbestos and lead containing materials, basic energy conservation code requirements, and cannot be altered to an appropriate reuse.

The deterioration of the vacant parcels undermines the value of adjacent property. Vacant parcels may constitute a repository for debris, fire hazard, and may attract vagrants and criminal elements of the population. The vacant space is not only an uneconomic use of inner city real estate, but is considered a blighting condition.

Tax Increment Finance District Eligibility Findings

The Village in Phillips, Phase 1 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

³ *The Minneapolis Plan*

⁴ Metropolitan Council, Blueprint 2030

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.

The proposed TIF district includes new construction of 28 townhouse units (25 ownership and 3 Minneapolis Public Housing Agency (MPHA) rental units). Five units will be targeted towards families at less than 50% of median income, 20 units targeted towards families with 50%-115% of median incomes (10 units are proposed at 50-80% and 10 units at 80-115%), and the MPHA rental units towards families at less than 30% of median incomes.

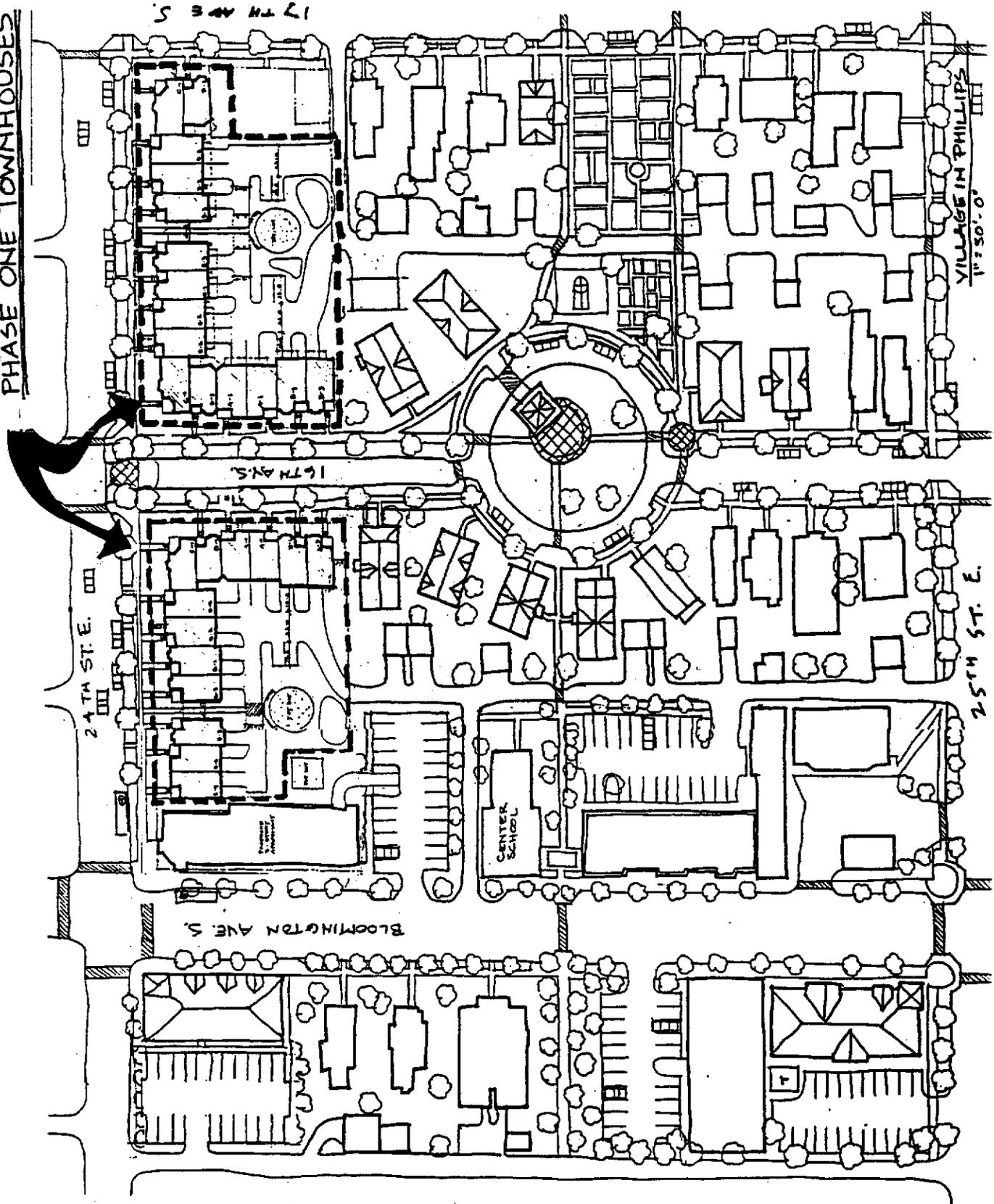
One hundred percent of the new construction in the proposed TIF district is residential.

The proposed TIF District is located within the Village in Phillips 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 Development Agency, Development Finance Division, City Finance Department, Suite 575, Crown Roller Mill, 105 5th Avenue South, Minneapolis, Minnesota.

VILLAGE IN PHILLIPS SITE PLAN

PHASE ONE TOWNHOUSES



17TH AVE S

16TH AVE S

24TH ST. E.

BLOOMINGTON AVE S

VILLAGE IN PHILLIPS
1"=50'-0"

25TH ST. E.

N ↑

**MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY**

**Village in Phillips
Redevelopment Plan**

October 10, 2003

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



Village in Phillips Redevelopment Plan

October 10, 2003

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**Village in Phillips
Redevelopment Plan
October 10, 2003**

Introduction

The Village in Phillips (VIP) project is a joint collaboration of several Minneapolis non-profit community developers and an active and incorporated block club proposing to comprehensively redevelop a three block area in the Eastern Region of the Phillips Neighborhood in Ward 6 of south Minneapolis. The proposed multiphased development area is generally bounded by the alley west of 18th Avenue South on the east, the alley west of Bloomington Avenue on the west, 24th Street on the north, and 25th Street on the south, and is within a quarter mile radius of the proposed Franklin Avenue Light Rail Transit (LRT) Station at Franklin and Hiawatha Avenues, five blocks north of Lake Street and the 29th Street Corridor, and five minutes from Minneapolis' Central Business District.

The VIP Redevelopment Project and Tax Increment District are being created as a free-standing project area and tax increment district. Because the VIP Redevelopment Project Area is located within the Model City Urban Renewal Project Area, Modification No. 19 to the Model City Urban Renewal Plan has been prepared to accommodate the activities related to the proposed project.

This **Village in Phillips Redevelopment Plan** creates a new redevelopment project area, establishes objectives for the redevelopment of the project area, identifies land uses for the redevelopment of the project area, and authorizes the creation of new redevelopment and housing tax increment finance districts as tools for carrying out portions of the redevelopment activities described therein.

The **VIP, Phase 1 TIF Plan** provides for the establishment of a new housing tax increment financing district: the "Village in Phillips, Phase 1 Tax Increment Financing District (the "TIF District"). The TIF Plan authorizes public redevelopment activities and expenditures, establishes a new Housing TIF district and a budget for expenditures within the boundaries of Village in Phillips and Model City Project Areas (the "Project Area"). Tax increment will be used to pay for a portion of the public redevelopment costs associated with the project.

Background

On December 17, 1999, the MCDA Board of Commissioners approved this project in concept and directed staff to continue to develop the necessary components to proceed with the development and to return for final approval of the project when the financing mechanisms are in place.

In December, 2001, the lead developer, Powderhorn Residents Group, Incorporated (PRG) submitted a formal Application for Public Financial Assistance requesting that a redevelopment project area be created to include the entire three block area and the creation of one or more tax increment districts following the footprint of the three phases shown on the attached phasing map (Exhibit #1). The project proposes new housing units including townhouses, flats (housing above commercial) and apartments. The project increases density while preserving quality open space (central commons/pedestrian paths) and the positive features of the existing three-block area. PRG is requesting pay-as-you-go tax increment assistance for the first component of the project. At this time, one distinct TIF district will be established for the Phase 1 portion of the site: the Village in Phillips, Phase 1 TIF District.

This redevelopment plan authorizes the creation of tax increment financing districts in order to finance a portion of the public redevelopment costs of the project. Public redevelopment activities may include site assembly and preparation, demolition, relocation, environmental remediation, public improvements, new housing construction, rehabilitation, property management, and project administration.

REDEVELOPMENT PLAN

I. Description of Project

The multi-phased development proposed would produce new townhome units, substantially rehabilitated units, and new mixed-use residential and commercial space.

The first phase, Phase 1, includes new construction of 28 townhouse units (25 ownership and 3 Minneapolis Public Housing Agency (MPHA) rental units). Five units will be targeted towards families at less than 50% of median income, 20 units targeted towards families with 50% - 115% of median incomes (10 units are proposed at 50 – 80% and 10 units at 80 – 115%), and the MPHA rental units towards families at less than 30% of median incomes. Fifteen units will be in a land trust, and 5 units will be constructed by Habitat for Humanity. There will be 4 buildings containing two and three bedroom units (6 two-bedroom and 22 three-bedroom units). Also, all of the units will provide for the option of finishing an additional bedroom on the lower level. Future phases include new construction of mixed use rental and a small commercial component.

A. Boundary of Redevelopment Project

Under the authority of the Housing and Redevelopment Authorities Act, approval of this Plan establishes a new Redevelopment Project as defined in Minnesota Statutes Section 469.002, Subdivision 14. The Project Area

Report and Documentation of Eligibility is attached as Exhibit # 7 to this Plan.

The new Village in Phillips Redevelopment Project and Tax Increment District are created as a free-standing project area and tax increment district. The parcels included in the Village in Phillips Redevelopment Project and Tax Increment Finance District remain within the existing Model City Urban Renewal Project Area. Because the VIP Redevelopment Project Area is located within the Model City Urban Renewal Project, Modification No. 19 to the Model City Urban Renewal Plan has been prepared to accommodate the activities related to the proposed project.

The Village in Phillips Redevelopment Project Area can be described as follows:

The proposed project area covers a site generally bounded by the alley west of 18th Avenue South on the east, the alley west of Bloomington Avenue on the west, 24th Street on the north, and 25th Street on the south, including streets and alleys.

B. Project Boundary Map

The Project Boundary Map is included in this Redevelopment Plan as Exhibit #2.

C. Objectives of the Redevelopment Plan

The City of Minneapolis, together with the Minneapolis Community Development Agency, seeks to achieve the following objectives through the Village in Phillips Redevelopment Plan.

- 1) Eliminate blighting influences which impede potential development;
- 2) Ensure that an array of housing choices exist to meet the needs of current residents and attract new residents;
- 3) Eliminate or correct physical deterrents to the development of the land; and
- 4) Achieve a high level of design and landscaping quality to enhance the physical environment.
- 5) Provide affordable housing opportunities for homeownership and rental units.

- 6) Support strong and diverse neighborhoods where people choose to live.
- 7) Participate in partnerships to achieve common community development objectives.

Specific goals¹ include:

- Mixed income/mixed use housing that accommodates renters, homeowners and entrepreneurs.
- Expandable/contractible size and variety of housing types that address a multi-ethnic and diverse community.
- A central village commons and pedestrian paths embraced by porches to provide "eyes on the street" for safety and protection.
- Clustered housing that increases community and private green places for play
- Structural and landscaped boundaries that foster a village identity and sense of place
- Establishing priorities for current residents while making room for and welcoming newcomers.
- Commercial space that provide local entrepreneurs opportunity for economic empowerment
- Increased density that offers more residents proximity to transit
- Energy efficient design that results in a sustainable community
- Replicable community planning process and design that creates a blueprint for other distressed urban neighborhoods.

D. Types of Redevelopment Activities

The objectives of the redevelopment plan will be accomplished through the following actions: site assembly and preparation, demolition, relocation, environmental remediation, property management, rehabilitation, project administration, construction of new affordable and market rate housing units, public improvements and other related activities. Public purposes include the provision of affordable homeownership and rental housing units, removal, prevention, or reduction of blight, blighting factors, or the causes of blight, including vacant, underused land, and the provision of decent, safe, and sanitary dwellings for persons of low and moderate income and their families.

II. Land Use Plan

A. Land Use Map

The Land Use Map is included in this Redevelopment Plan as Exhibit # 4.

¹ Village in Phillips *Comprehensive Village Development Plan, A Blueprint for Change*

The recommended land use is high density residential, either rental, ownership or a combination, with a building at the corner of 24th Street and Bloomington to be used for residential and commercial uses.

The majority of the site is zoned R2B and required a rezoning to a higher density district. The first phase of the development required a rezoning from R2B two-family residential to R4 multi-family residential, a cluster development, site plan review, alley vacations and setback variances to allow 28 townhome units². Approvals were received in July 2003.

The development of this area is consistent with the Comprehensive Plan as shown on the Land Use Map and in conformance with the Model City Urban Renewal Plan relating to this community, as well as this Redevelopment Plan. A vacation of part of 16th Avenue South is proposed.

A Planned Unit Development (PUD) will be created to implement the proposed creative land use approach identified in the comprehensive plan for the area.

B. Land Use Provisions and Requirements

Future land use designation will be high density residential. Other uses may be designated as future planning progresses. Uses shall conform to the Minneapolis Zoning Ordinance.

C. Period During Which Land Use Provisions and Requirements Will Be In Effect

The requirements and provisions of Section II. B. of this Redevelopment Plan shall apply to all of the properties located in the Project Area except where strict compliance thereto would in the judgment of the Agency either not be in the best interest of the project or the City, or would not contribute to the achievement of the objectives of this Redevelopment Plan. These requirements shall remain in effect for twenty years from the date of conveyance of the disposition parcel.

III. Project Proposals

A. Redevelopers' Obligations

The general requirements to be imposed upon the redevelopers, their successors or assigns, will be established in the development agreements. It is anticipated that developer agreements will be executed with Powderhorn Residents Group, Incorporated.

² May 8, 2003 City Planning Commission Committee of the Whole

IV. Official Action to Carry Out the Redevelopment Plan

Minnesota law requires that the Minneapolis City Planning Commission review this Redevelopment Plan and that its written opinion, if any, accompany the Redevelopment Plan when it is officially submitted to the City Council for approval (Minnesota Statutes, Section 469.027).

V. Procedure for Changes in Approved Redevelopment Plan

This Redevelopment Plan may be modified as provided in Minnesota Statutes, Section 469.029, Subdivision 6, as follows:

"A redevelopment plan may be modified at any time. The modification must be adopted by the authority and the governing body of the political subdivision in which the project is located, upon the notice and after the public hearing required for the original adoption of the redevelopment plan. If the authority determines the necessity of changes in an approved redevelopment plan or approved modification thereof, which changes do not alter or affect the exterior boundaries, and do not substantially alter or affect the general land uses established in the plan, the changes shall not constitute a modification of the redevelopment plan nor require approval by the governing body of the political subdivision in which the project is located."

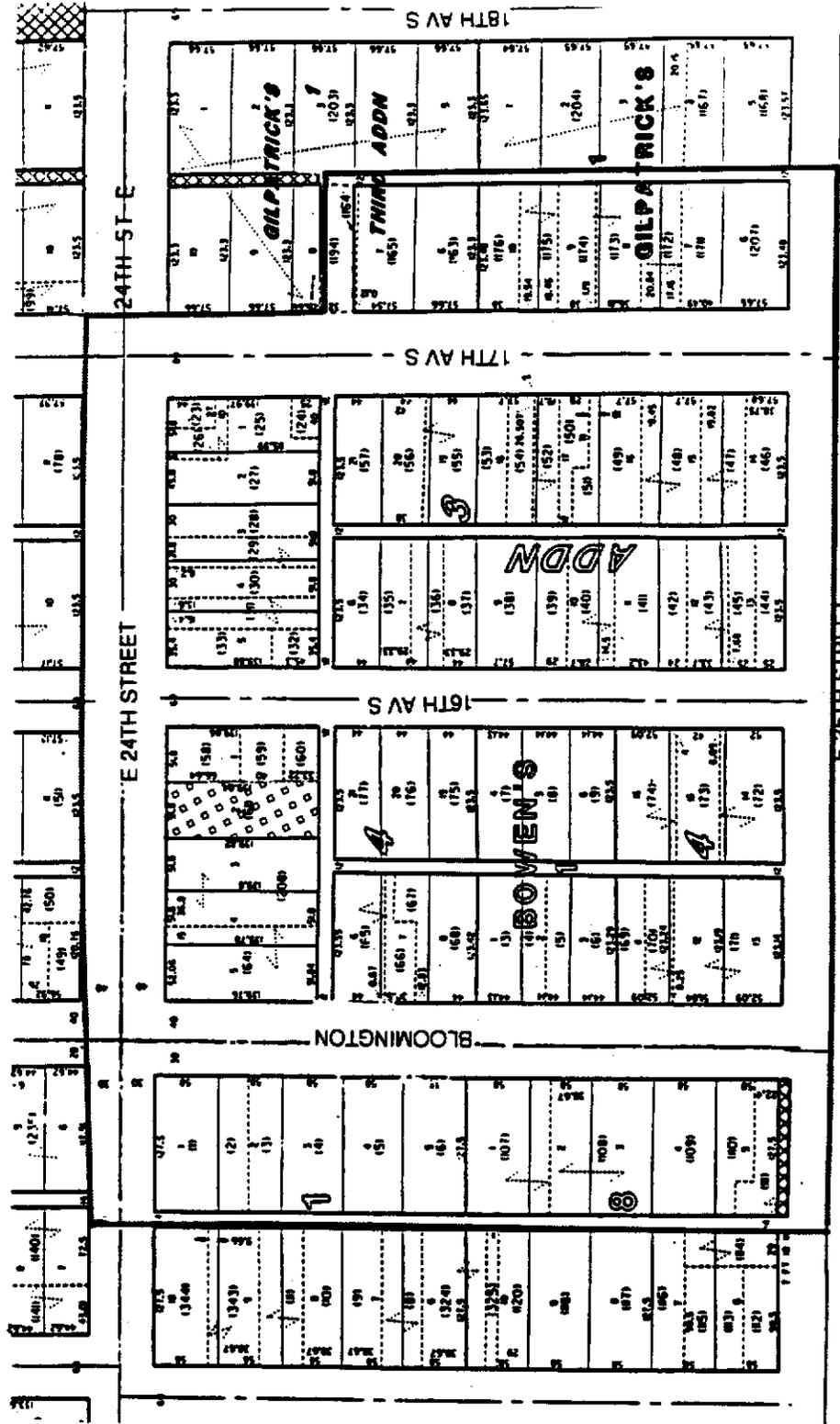
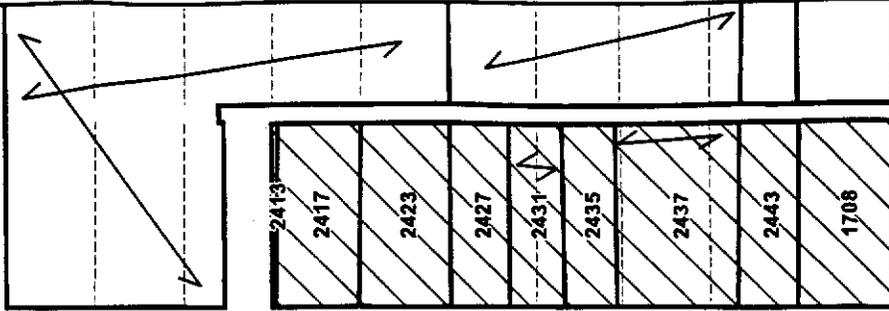


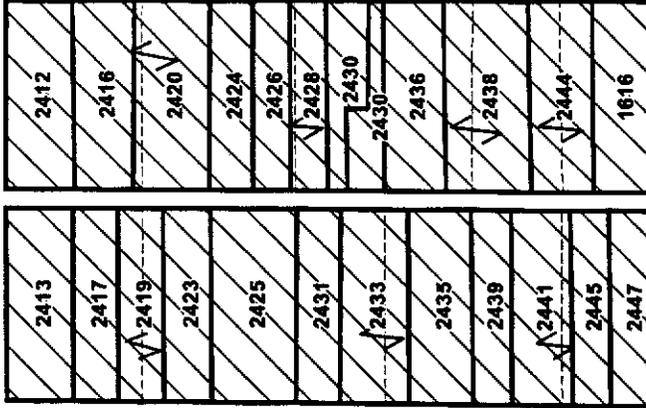
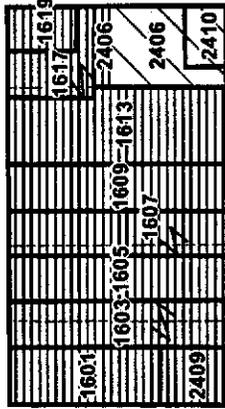
EXHIBIT #1

Village In Phillips Project Area

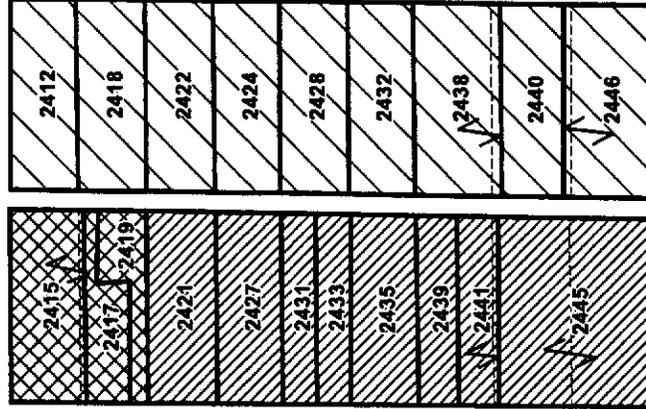
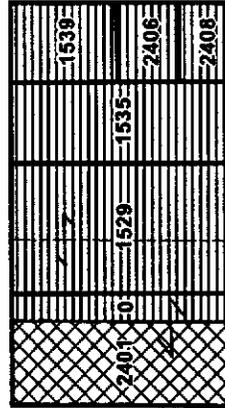
24TH ST E



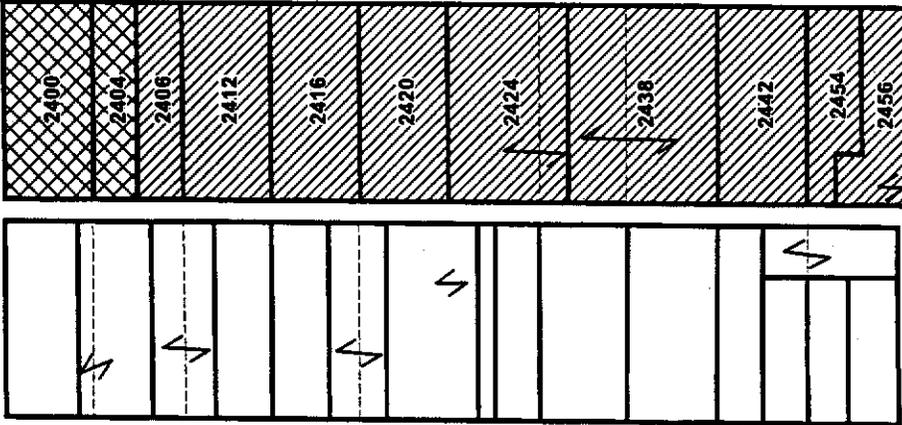
17TH AVE S



16TH AVE S



BLOOMINGTON AVE



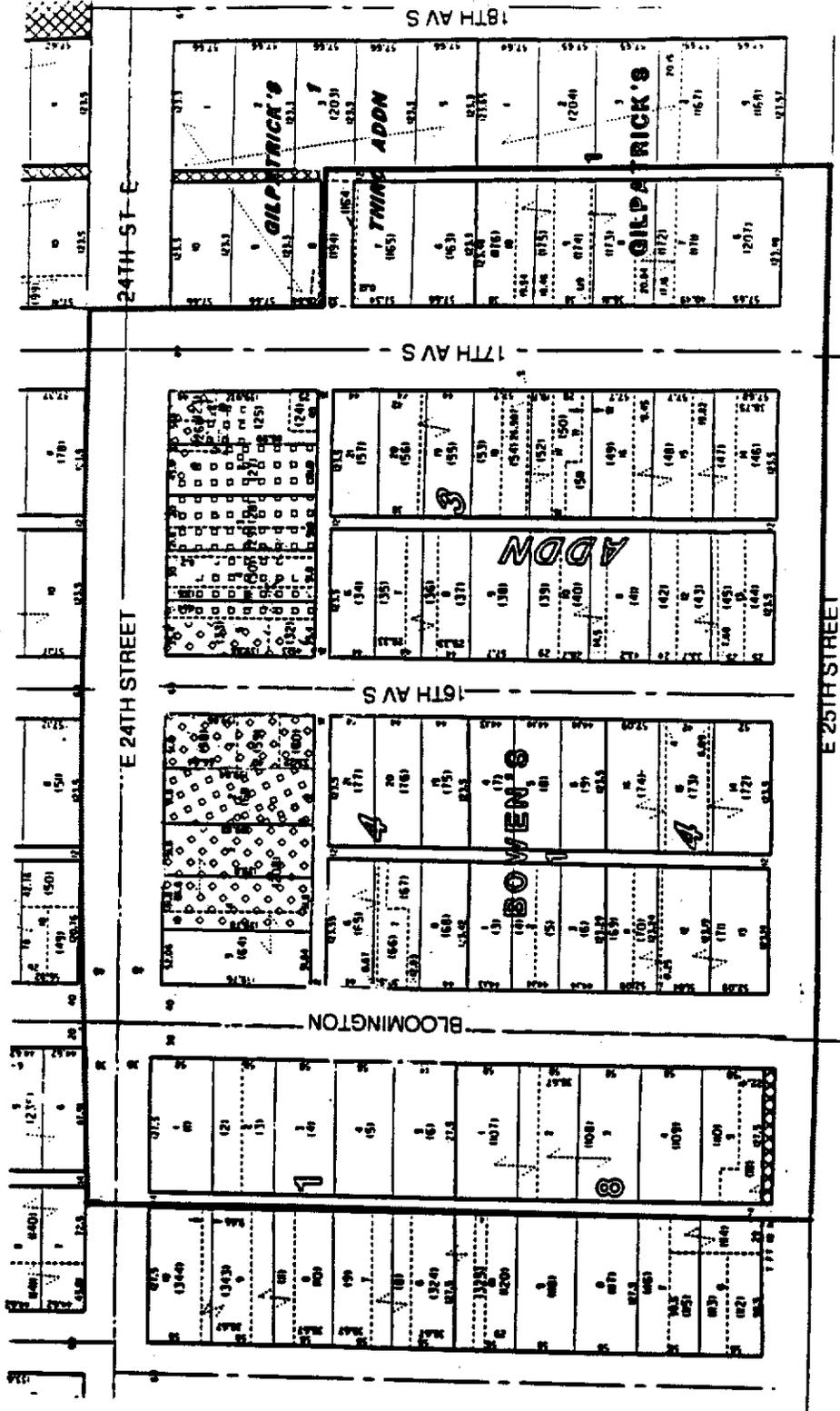
25TH ST E



- VIP_Phase1A
- VIP_Phase2
- VIP_Phase1B
- VIP_Phase3



Exhibit # 3



Village in Phillips
 Redevelopment Plan
 Land Use Map
 October 10, 2003



High Density Residential

Prepared by Development Finance Division, Minneapolis Finance Department

CITIZEN PARTICIPATION REPORT

Village in Phillips Redevelopment Plan

October 10, 2003

The proposed Village in Phillips Redevelopment Plan has been sent to the East Phillips Neighborhood Association, the East Phillips Improvement Coalition, the Powderhorn Residents Group, Midtown Phillips Neighborhood Association, the Phillips West Neighborhood Organization, and Village In Phillips-One, Inc. for their review and comment.

The groups will be given the opportunity to review and comment on the Village in Phillips Redevelopment Plan prior to consideration of the Plan by the City Council and the Minneapolis Community Development Agency Board of Commissioners.

The Minneapolis Community Development Agency will continue to work with these groups throughout the implementation of the Redevelopment Plan.

**MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY
AFFIRMATIVE ACTION POLICY
Village in Phillips Redevelopment Plan**

October 10, 2003

It is the policy of the Minneapolis Community Development Agency to provide equal employment opportunities without regard to race, color, national origin, relation, sex, age, disability, affectional preference, or status with regard to public assistance to all applicants for employment and all employees. This pledge applies to all areas of employment including recruitment, employment, job assignment, training, promotion, transfers, rate of pay, and all other forms of compensation and benefits.

The employment policies and practices of the Minneapolis Community Development Agency will ensure that all employees and applicants for employment are treated equally and that no distinction is made in its employment practices, except on the basis of merit, because of race, color, national origin, religion, sex, age, disability, affectional preference, or status with regard to public assistance.

Developers and construction contractors who participate in redevelopment activities will be required to practice affirmative action and fulfill the Minneapolis Community Development Agency Affirmative Action checklist goals, and to develop and implement women and minority interest in business enterprise plans.

EXHIBIT # 6

ENVIRONMENTAL REVIEW
Village in Phillips Redevelopment Plan
October 10, 2003

The City of Minneapolis will comply with all applicable local, state and federal regulations and procedures regarding the assessment of potential environmental impacts resulting from project activities.

PROJECT AREA REPORT
AND DOCUMENTATION OF BLIGHT

Village in Phillips Redevelopment Plan
and
Village in Phillips, Phase 1 Tax Increment Finance Plan
October 10, 2003

A project has been proposed by Powderhorn Residents Group (PRG) that will include new construction of 28 townhouses (25 ownership and 3 MPHA rental units).

This Project Area Report and Documentation of Eligibility describes the conditions that qualify the Village in Phillips site as a redevelopment project and a housing tax increment finance district.

The Village in Phillips Redevelopment Project (the "Redevelopment Project") will be a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16). According to Subdivision 14, Paragraph 1, redevelopment projects are established "for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight." The redevelopment project area therefore must be found to be a blighted area, which is defined in Section 469.002, Subd. 11 of the Act as:

"... any area with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community."

Area Characteristics

The Village in Phillips Redevelopment Project Area is located in south Minneapolis in the 6th ward of the Phillips neighborhood. The site is a three block area bounded from the alley west of 18th Avenue South on the east, the alley west of Bloomington Avenue on the west, E. 24th Street on the north, and E. 25th Street on the south. With the exception of a small amount of industrial land on the southeastern edge, the Phillips community is predominantly residential. The population of Phillips is among the City's most diverse, in terms of ethnicity, age and household income. Some areas of older, deteriorating housing in the

neighborhood have spurred residents' interest in housing reinvestment and redevelopment.³ Household projections for the Phillips Community indicate an increase between 2,000 to 3,000 by the year 2030.⁴

Findings of Blight within the Proposed Redevelopment Project Area

The proposed project area includes 82 parcels including streets and alleys. MCDA Construction Management Specialists conducted interior and exterior inspections of the proposed redevelopment and TIF district. Interior inspections were not completed on all of the properties proposed for the project area, however, with reasonable certainty, the site analysis found several unimproved vacant lots, several properties whose structures did not meet the Uniform Building Code and Minnesota Energy Code, as well as fire protection devices in accordance with fire code and the ADA requirements. The majority of the buildings, commercial and residential, were found to be substandard under statutory criteria defining blight. Many residential properties are wood framed and do not comply with current Uniform Building Codes and contain outdated plumbing systems, possibility of lead paint, deteriorated and damaged roofing, siding and wood trim, obsolete type materials, broken and boarded windows, debris on site, missing hand and guard rails, and it was concluded that the buildings are structurally substandard and the area meets the requirement for blighted properties to a degree requiring substantial renovation or clearance, and exhibit deficiencies in other categories such as lacking essential utilities, heat, light, ventilation, domestic water, facilities, fire protection and unknown factor such as asbestos and lead containing materials, basic energy conservation code requirements, and cannot be altered to an appropriate reuse.

The deterioration of the vacant parcels undermines the value of adjacent property. Vacant parcels may constitute a repository for debris, fire hazard, and may attract vagrants and criminal elements of the population. The vacant space is not only an uneconomic use of inner city real estate, but is considered a blighting condition.

Tax Increment Finance District Eligibility Findings

The Village in Phillips, Phase 1 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.

³ *The Minneapolis Plan*

⁴ Metropolitan Council, Blueprint 2030

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.

The proposed TIF district includes new construction of 28 townhouse units (25 ownership and 3 Minneapolis Public Housing Agency (MPHA) rental units). Five units will be targeted towards families at less than 50% of median income, 20 units targeted towards families with 50% – 115% of median incomes (10 units are proposed at 50 – 80% and 10 units at 80 – 115%). The MPHA rental units are targeted towards families at or less than 30% of median incomes.

One hundred percent of the new construction in the proposed TIF district is residential.

The proposed TIF District is located within the Village in Phillips 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 Development Agency, Development Finance Division, City Finance Department, Suite 575, Crown Roller Mill, 105 5th Avenue South, Minneapolis, Minnesota.

**Preliminary Budget and Method of Financing
Village in Phillips Redevelopment Plan
October 10, 2003**

Description of Development

The Village in Phillips (VIP) project is a joint collaboration of several Minneapolis non-profit community developers and an active and incorporated block club proposing to comprehensively redevelop a three block area in the Eastern Region of the Phillips Neighborhood. The proposed multiphased development area is bounded by the alley west of 18th Avenue South on the east, the alley west of Bloomington Avenue on the west, 24th Street on the north, and 25th Street on the south.

A three-phased development is proposed that would produce new townhome units, substantially rehabilitated units, and new mixed-use residential and commercial space.

The first phase, Phase 1, includes new construction of 28 townhouse units (25 ownership and 3 Minneapolis Public Housing Agency (MPHA) rental units). Five units will be targeted towards families at less than 50% of median income, 20 units targeted towards families with 50% - 115% of median incomes (10 units are proposed at 50-80%, and 10 units at 80-115%). The MPHA rental units are for families at or less than 30% of median incomes. Fifteen units will be in a land trust, and 5 units will be constructed by Habitat for Humanity. There will be 4 buildings containing 2 and 3 bedroom units (6 two-bedroom, and 22 three-bedroom units). Also, all of the units will provide for the option of finishing an additional bedroom on the lower level. Future phases include new construction of mixed use rental and a small commercial component.

TIF Project Costs

Total development costs for the Village in Phillips, Phase 1 TIF project is currently estimated at approximately \$6.2 million. Tax increment financing assistance of \$300,000 is needed for new housing construction. This TIF assistance will be provided to the developer through the issuance of a pay-as-you-go tax increment

revenue note (the "TIF Note"). The TIF Note will be issued to the developer by the Agency in the principal amount of \$300,000 and will have a stated interest rate.

As tax increment is generated by the project in future years, a portion of the tax increment collected by the Agency will be paid to the noteholder (twice a year) as payment of principal and interest on the TIF Note. A portion of the tax increment collected by the Agency may also be used for administrative purposes or other affordable housing purposes as allowed by Minnesota State Statutes and stated in the tax increment budget. The tax increment budget for the TIF district is shown below.

TIF District Budget

Sources	Up-Front	Over Time
Developer Funds	\$300,000	---
Tax Increment	---	\$750,000
Other	---	---
Total Sources.	\$ 300,000	\$ 750,000
Uses		
New housing construction	\$300,000	---
Pay-As-You-Go Note Principal	---	300,000
Pay-As-You-Go Note Interest	---	150,000
MCDA Administration (10%)	---	75,000
Pooling for Affordable Housing (30%)		225,000
Total Uses.	\$ 300,000	\$ 750,000

The figures, sources and methods of financing identified in this TIF Plan are based on the best estimates available at the time of writing. Slight changes in these figures can be expected. However, in the event that significant changes affect the structure or feasibility of this TIF Plan, or result in an increase in the public redevelopment costs or indebtedness beyond the amounts listed herein, a modification to the TIF Plan will be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan. The actual public commitment to pay public redevelopment costs to be incurred within this Project Area is established in each redevelopment agreement entered into by the Agency and each developer, not by the TIF Plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

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 Village in Phillips, Phase 1 Project. Other sources of funds to pay public redevelopment costs may include East Phillips Improvement Coalition's (EPIC) NRP Grant funds, Empowerment Zone funds, Family Housing Fund, Hennepin County Affordable Housing Incentive (AHIF) Funds, NRP Affordable Housing Funds, CDBG, MCDA Nonprofit

Administration funds, Livable Communities Funds, Otto Bremer Foundation, Phillips Foundation, MHFA-Super RFP funds, and other sources not yet identified.

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

RELOCATION POLICY*

Village in Phillips Redevelopment Project
October 10, 2003

*includes information for both residential and business relocation, where applicable

I. Description of Administrative Organization

A. Relocation Agency - Minneapolis Community Development Agency

The Minneapolis Community Development Agency in and for the City of Minneapolis will administer relocation services for families, individuals and businesses to be displaced from property acquired by the Agency.

B. Ability-to-Pay Standards

1) Tenants

No family shall be required to accept referral to a dwelling unit if the gross rental charge for such unit exceeds 30 percent of their monthly income.

2) Home Buyers

It shall be the policy of the relocation staff to consider the following in the purchase of a home: The cost of the house should be consistent with the current ability to pay standards set forth by local lending institutions.

C. Environmental Standards

Referrals to dwelling accommodations shall be reasonably accessible to the place of employment of the primary wage earner and in an area which is generally not less desirable with regard to public facilities and commercial facilities than those existing in the area from which the family is being displaced. A comparable dwelling unit must be in a location not subjected to unreasonable adverse environmental conditions, natural or man-made.

II. Relocation Policy

It is the Agency's relocation policy that:

- A. Families and individuals to be displaced under this program have full opportunity to occupy standard housing that is within their financial means and adequate to their needs; is reasonably accessible to their places of employment or potential employment, transportation, and other commercial and public facilities; and is available on a non-discriminatory basis.
- B. Business concerns and non-profit organizations to be displaced be provided maximum assistance to aid in their satisfactory re-establishment with a minimum of delay and loss of earnings.
- C. Full relocation benefits will be provided to displaced businesses. Assistance will be provided in the preparation of claims for relocation benefits.
- D. Project or program activities to be planned and carried out in a manner that minimizes hardship to site occupants and that involves the smallest magnitude of displacement consonant with the needs of the project or program and the persons to be displaced.
- E. Relocation be carried out in a manner that will promote maximum choice within the community's total housing supply; lessen racial, ethnic, and economic concentrations; and facilitate desegregation of racially inclusive patterns of occupancy and use of public and private facilities.
- F. Service be provided to assure that the relocation process will not result in different or separate treatment because of race, color, religion, national origin, sex, or source of income.
- G. Persons to be displaced be provided full information relating to program or project activities which may have an impact on the residents of the project or program area.
- H. Arrangements to be made to provide relocation assistance in accordance with the needs of those to be displaced, including social services counseling, guidance, assistance, and referrals, as well as rehousing.

Inspection will be made of all relocation resources to determine that the dwelling units are at a minimum in accordance with the Housing Maintenance Code of the City of Minneapolis.

III. Assistance in Obtaining Housing

A. Listings

The following arrangements will be made with sources of existing private and public housing to the extent required to meet relocation needs.

1) Private Housing

Notification of vacancies will be obtained through utilization of the following sources as needed:

- Advertisements in newspapers;
 - Soliciting the cooperation of inspectors who are familiar with standard housing accommodations;
 - Windshield surveys of neighborhoods for vacancies; and
 - Soliciting cooperation of landlords at the time inspections are made to notify the Agency of future vacancies.
- 2) Apparently eligible applicants for public housing will be assisted in making application for low-rent public housing.

Families and individuals displaced will be accorded a priority in public housing.

- 3) Housing units which are scheduled for clearance under other governmental activity shall not be considered for referral.
- 4) Displacees will be encouraged to seek assistance with regard to inspection from the relocation counselor before moving. If the site occupant makes a self-move to substandard housing, the relocation counselor shall offer further assistance and encouragement to secure standard accommodations.
- 5) The Agency shall provide counseling and assistance to prospective homeowners.

B. Relocation Office

The Relocation Office, located in Suite 600, Crown Roller Mill, 105 - 5th Avenue South, Minneapolis, Minnesota, 55401-2538, will be staffed by supervisory and technical personnel. Office hours are from 8:00 a.m. to 4:30 p.m. Monday through Friday, but additional hours will be scheduled to accommodate persons unable to visit the relocation office during normal business hours.

C. Informational Program

Copies of the Informational Statement for families and individuals and an informational brochure for businesses are available for examination from Agency staff. The appropriate information is provided to relocatees.

IV. Eviction Policy

No person lawfully occupying property will be required to move without at least 90 days' written notice. Eviction is a rare occurrence, and results from one or more of the following situations:

- A. The failure to pay rent, except in those cases where the failure to pay is based upon the Agency's failure to keep the premises in habitable condition.
- B. Harboring a nuisance or use of the premises for illegal purposes.
- C. A material breach of the rental agreement.
- D. Refusal to accept one of a reasonable number of offers of accommodations meeting approved relocation standards.
- E. The eviction is required by state or local law and cannot be prevented by the Agency.

V. Affirmative Action and Equal Opportunity

In carrying out relocation activities, the Agency shall take affirmative actions to provide displaced families and individuals with maximum opportunities of selecting replacement housing within the community's total housing supply.

VI. Grievance Procedure

Persons and businesses aggrieved by the relocation process may initiate a grievance procedure as provided in Public Law 100-17 for the following reasons:

- A disagreement regarding the determination of eligibility for a relocation payment or the amount of the payment; or
- A disagreement regarding the adequacy of replacement housing referred by Agency staff to displaced persons or businesses.

A brief description of the grievance procedure follows:

- The aggrieved person may request a grievance review by the Agency's Executive Director or his designated representative (other than the staff person who was working with the aggrieved).
- An oral presentation by the aggrieved may be made in the company of an advisor or attorney to the Agency representative.
- The Agency representative will prepare a written finding.
- If the finding of the hearing officer is not satisfactory, judicial review may be sought.

All displaced persons and businesses receive information regarding this grievance procedure.

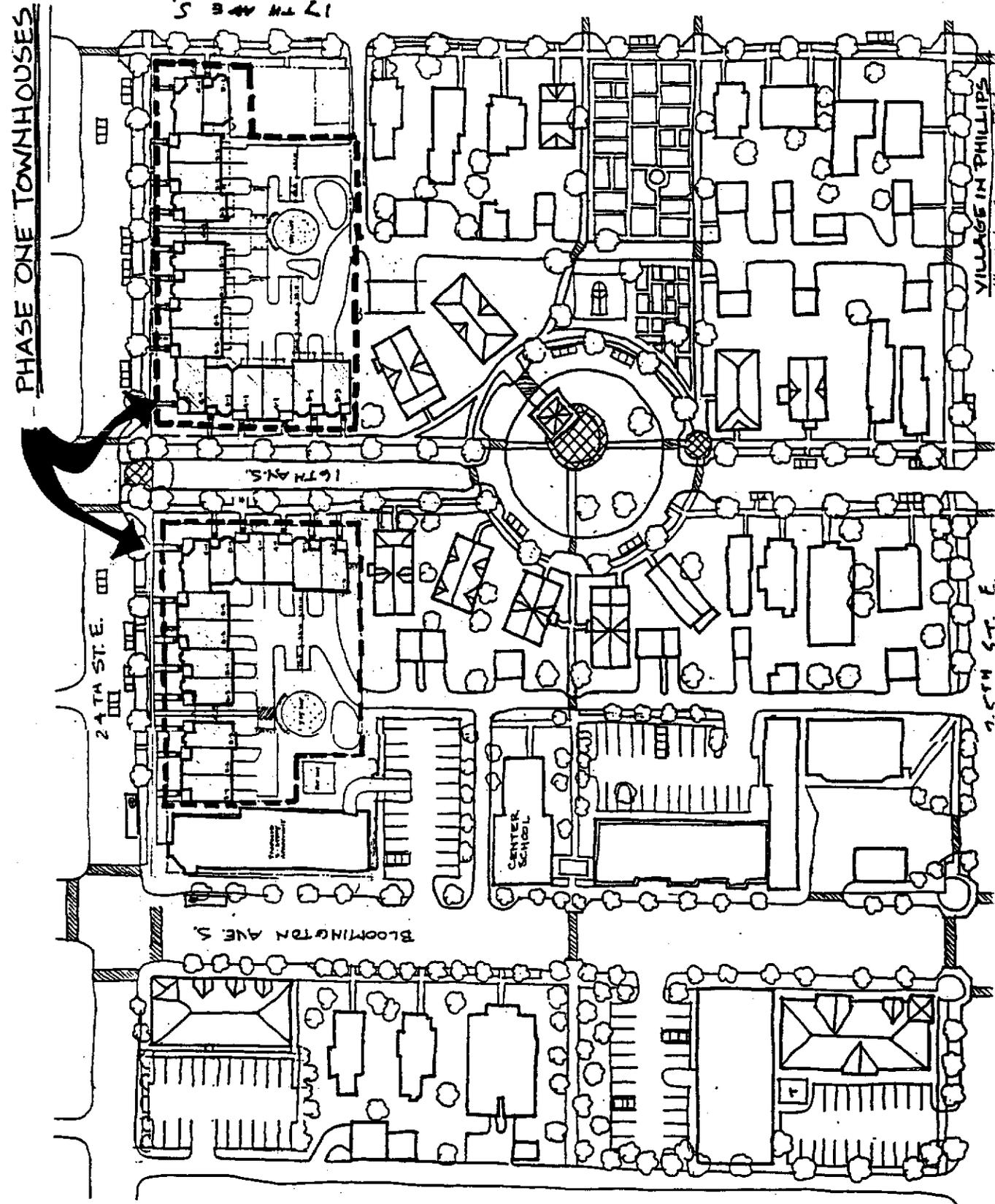
VII. Project Relocation Plan

There is property within the project area designated as property that may be acquired by the Agency at this time. While there will not be relocation action for this property, future phases may include relocation activities. It is not known how many displacees will result from the execution of this plan, however, all will receive relocation services and benefits for which they qualify, as discussed within the above sections of this relocation plan.

A. Residential Relocation - see paragraph under Section VII

B. Business Relocation - see paragraph under Section VII

VILLAGE IN PHILLIPS SITE PLAN



**MINNEAPOLIS COMMUNITY
DEVELOPMENT AGENCY**

**Model City Urban Renewal Plan
Modification No. 19**

October 10, 2003

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

Model City Urban Renewal Plan

Original Plan	September 11, 1969; Revised November 26, 1969 and March 5, 1970
Modification No. 1	March 18, 1971
Modification No. 2	May 1, 1972
Modification No. 3	May 17, 1984; Revised September 14, 1984
Modification No. 4	February 1, 1985
Modification No. 5	October 30, 1986
Modification No. 6	March 19, 1987
Modification No. 7	June 17, 1988
Modification No. 8	October 5, 1989
Modification No. 9	May 3, 1990
Modification No. 10	February 22, 1991
Modification No. 11	February 7, 1992
Modification No. 12	April 20, 1992
Modification No. 13	July 2, 1992
Modification No. 14	November 4, 1992
Modification No. 15	January 14, 1994
Modification No. 16	March 18, 1994
Modification No. 17	July 30, 1997
Modification No. 18	March 27, 1998

Modification No. 19, dated October 10, 2003

**Modification No. 19
to the
Model City Urban Renewal Plan
October 10, 2003**

Introduction

The Village in Phillips Redevelopment Project and Tax Increment District ("TIF") are being created as a free-standing project area and tax increment district. The parcels included in the Village in Phillips Redevelopment Project and Tax Increment Finance District are located within and will remain within the existing Model City Urban Renewal Project Area, dated September 11, 1969, revised November 26, 1969, and March 5, 1970. Because the Village in Phillips Redevelopment Project Area is located within the Model City Urban Renewal Project, Modification No. 19 to the Model City Urban Renewal Plan has been prepared to accommodate the activities related to the proposed project.

The first phase, Phase 1, includes new construction of 28 townhouse units (25 ownership and 3 Minneapolis Public Housing Agency (MPHA) rental units). Five units will be targeted towards families at less than 50% of median income, 20 units targeted towards families with 50% - 115% of median incomes (10 units are proposed at 50-80% and 10 units at 80-115%), and the MPHA rental units towards families at less than 30% of median incomes. Fifteen units will be in a land trust, and 5 units will be constructed by Habitat for Humanity. There will be 4 buildings containing 2 and 3 bedroom units (6 two-bedroom, and 22 three-bedroom units). All of the units will provide the option of finishing an additional bedroom on the lower level. Future phases include new construction of mixed use rental and a small commercial component.

The Village in Phillips, Phase 1 TIF Plan provides for the establishment of a new Housing TIF district, and authorizes public redevelopment activities and expenditures, and establishes a new housing TIF district and a budget for expenditures within the boundaries of Village in Phillips and Model City Project Areas. Tax increment will be used to pay for a portion of the public redevelopment costs associated with the project.

The Village in Phillips Redevelopment Project Area can be described as follows:

The proposed project area covers a site generally bounded by the alley west of 18th Avenue South on the east, the alley west of Bloomington Avenue on the west, 24th Street on the north, and 25th Street on the south, including streets and alleys.

The Model City Urban Renewal Plan is hereby amended as follows:

D. General Land Use

The Land Use Map is included in the Village in Phillips Redevelopment Plan as Exhibit # 4. The recommended land use is high density residential, either rental, ownership or a combination, with a building at the corner of 24th Street and Bloomington to be used for residential and commercial uses.

The majority of the site is zoned R2B and required a rezoning to a higher density district. The first phase of the development required a rezoning from R2B two-family residential to R4 multi-family residential, a cluster development, site plan review, alley vacations and setback variances to allow 28 townhome units¹. Approvals were obtained in July 2003.

The development of this area is consistent with the Comprehensive Plan as and in conformance with the Model City Urban Renewal Plan relating to this community. A vacation of part of 16th Avenue South is proposed.

E. Urban Renewal Techniques to be Used to Achieve Plan Objectives

Acquisition and Clearance

The following property is being designated as property that may be acquired:

<u>Address</u>	<u>Property ID Number</u>
1535 E. 24 th Street	35-029-24-14-0061

The Model City Urban Renewal Plan contains language permitting the Minneapolis Community Development Agency to acquire properties not formally designated for acquisition, provided there is a willing seller. In 1992, Modification No. 14 to the Urban Renewal Plan expanded this provision to include properties to be acquired through eminent domain proceedings. While it is not necessary to modify the Model City Urban Renewal Plan to specifically identify this property for acquisition, this modification is being prepared to document the activities taking place within the new Village in Phillips Project Area, which is also located within the existing Model City Urban Renewal Project Area.

a. Property Acquisition Map

The parcel to be acquired is shown on the Boundary/Acquisition Map of the Village in Phillips Redevelopment Plan as Exhibit #2.

¹ May 8, 2003 City Planning Commission Committee of the Whole