

Minneapolis Community Development Agency

## Request for City Council Action

Date: November 10, 2003

To: Council Member Lisa Goodman, Community Development Committee  
Council Member Barbara Johnson, Ways and Means/Budget Committee  
Refer to: MCDA Board of Commissioners

Prepared by Theresa Cunningham, Project Coordinator, Phone 612-673-5237

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

**Subject: Adoption of Village In Phillips Redevelopment Plan, Phase 1 Tax Increment Financing Plan, and Modification 19 to the Model City Urban Renewal Plan**

### Previous Directives:

- On November 7, 2003, the MCDA Board approved the land sale of the eastern 15 feet of 2401 Bloomington Avenue South, 2409 -16<sup>th</sup> Avenue South, and 1607- 24<sup>th</sup> Street East to Powderhorn Residents Group, Incorporated.
- April 2002 the Board of Commissioners authorized the appropriate official to:
  1. Execute a Memo of Understanding with Powderhorn Residents Group for the site assemble, demolition and property management costs for Phase 1A of the Village In Phillips project, and
  2. Accept Purchase Agreement assignments for any properties located within Phase 1A project area totaling no more than the committed amount of funds.
- On December 17, 1999 the Board of Commissioners approved the project in concept and direct staff to continue to develop the necessary components to proceed with the proposed development and to return for final approval of the project when appropriate.

**Ward:** 6<sup>th</sup>

**Neighborhood Group Notification:** On October 10, 2003, the Phillips West Neighborhood Association, the East Phillips Improvement Coalition and the Midtown Phillips Neighborhood Association were transmitted the above referenced plans for review and comments.

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**Consistency with *Building a City That Works*:** Addresses Goal 2: insuring that an array of housing choices exists to meet the needs of our current residents and attract new residents to the City; Goal 3: supporting strong and diverse neighborhoods where people chose to live; Goal 5: participating in partnerships to achieve common community development objectives; and Goal 6: managing existing financial resources effectively and identifying new sources of revenue to carry out our mission.

**Comprehensive Plan Compliance:** It complies.

**Zoning Code Compliance:** It complies.

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

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

**Living Wage / Business Subsidy:** NA

**Job Linkage:** NA

**Affirmative Action Compliance:** Will comply.

**RECOMMENDATION:**

**City Council Recommendation:** The Executive Director recommends that the City Council:

1. Approve the City Council resolution adopting the Village In Phillips Redevelopment Plan, Phase 1 Tax Increment Finance Plan, and Modification 19 to the Model City Urban Renewal Plan, and authorize the issuance of a tax increment revenue note in the principal amount not to exceed \$300,000; and
2. Forward this report to the MCDA Board of Commissioners.

**MCDA Board Recommendation:** The Executive Director recommends that the Board approve the MCDA Resolution adopting the Village In Phillips Redevelopment Plan, Phase 1 Tax Increment Finance Plan, and the Modification 19 to the Model City Urban Renewal Plan, and authorize the issuance of a tax increment revenue note in the principal amount not to exceed \$300,000.

**Background/Supporting Information**

In December 1999, the MCDA Board of Commissioners approved this project in concept and directed staff to continue to develop the necessary components to proceed with development and to return for final approval of the project when it is appropriate.

In December 2001, the Powderhorn Residents Group submitted a formal application for public financial assistance, which required a non-refundable application fee (\$5,000.00).

PRG requested 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 four phases shown on the attached map, Exhibit A. PRG is requesting \$300,000 in pay-as-you-go tax increment assistance for the entire Phase 1A component. Phase 1A is now being renamed Phase 1. In February 2002, the MCDA Board of Commissioners approved a preliminary planing fund allocation of \$6,053 to assist with the blight assessment needed to certify any future redevelopment designations if warranted. CPED rehab staff has completed and documented all inspections.

The Village In Phillips project is a four phase development that will produce between 55 and 65 affordable housing units resulting in 60% homeownership and 40% rental. An additional 15,000 square feet of new commercial space is proposed along Bloomington Avenue in a future phase.

Phase 1 includes the 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 will be targeted toward families with 50% to 115% of median income (10 units are proposed at 50% to 80%, 10 units at 80% to 115%). The MPHA rental units will be targeted towards families at 30% and less of median income. Fifteen units will be placed in the City of Lakes Community Land Trust (CLCLT), including the 5 units for families under 50% of median income, which will be constructed by Habitat for Humanity.

There will be four buildings containing two and three bedroom units (six 2-bedroom units and twenty-three 3-bedroom units). Total sales prices will start at \$134,000. All units will provide for the option of finishing an additional bedroom on the lower level.

### **Redevelopment Plan, Tax Increment Plan, and Modification**

The new Village in Phillips Redevelopment Project and Tax Increment District are created as a freestanding 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 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.

The TIF Plan provides for the establishment of a new Housing TIF district: the “Village in Phillips, Phase 1 Tax Increment Financing 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.

**Sources of Financing**

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 will 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, Metropolitan Council Livable Communities Funds; and may include Otto Bremer Foundation, Phillips Foundation, MHFA-Super RFP funds, and other sources not yet identified. Attached is a “Proposed Housing Project Term Sheet” for the project (Exhibit C).

**Public Comment on the proposed Redevelopment Plan, Plan Modification and TIF District.**

Phillips West Neighborhood Association, the East Phillips Improvement Coalition and the Midtown Phillips Neighborhood Association have all submitted letters of support for the Village In Phillips as well as their financial support evidence in the Sources of Funds for this development. Comments from other interested parties will be presented at the public hearing, as they become available.

**Attachments**

<b>Exhibit</b>	<b>Description</b>
	City Council Resolution
	MCDA Resolution
A	Project Area Map
B	Project Term Sheet
	Project Data Worksheet
	TIF Project Comparison

## Village in Phillips

### Comparison to Recent Tax Increment Financing Projects

	Current Project	Recent Tax Increment Financing Projects		
	Village in Phillips	<b>Grain Belt Housing</b> <b>(Phases 1 Only)</b>	<b>Stone Arch Apartments</b>	<b>East River Mews</b> <b>(Fmr. Unocal Site)</b>
<b>Location</b>				
Ward	6	2	2	2
Neighborhood	Phillips	Sheridan	Marcy Holmes	Prospect Park
Address/Intersection	Bloomington/ 24th Street East	13th./ Marshall	600 Main Street	825 Thorton Ave.
<b>Type of Project</b>				
	Housing (Ownership)	Housing (Ownership)	Housing (Rental)	Housing (Ownership)
<b>Project Description</b>				
Size (sq. ft.) - Industrial	0	0	0	0
Size (sq. ft.) - Office	0	0	0	0
Size (sq. ft.) - Retail	0	15,000 (optional)	0	0
Jobs Created/Retained	0	Unknown	0	0
Total Living Wage Jobs	0	Unknown	0	0
Total Housing Units	28	145	221	53
Total Affordable Units	18	0 (a)	45	11 (5 on-site)
Percent Affordable Units	64%	0% (a)	20%	21%
Parking Stalls - Surface	28	Visitors	26	Visitors
Parking Stalls - Structured	22	145+	212	53+
EMV Upon Completion	\$4,000,000	\$38,400,000	\$20,800,000	\$17,840,000
Projected Annual Taxes	\$65,000	\$625,000	\$415,000	\$290,000
<b>Financing</b>				
Total Development Costs	\$ 6,240,970	\$30,000,000	\$33,376,765	\$18,580,000
Private Costs	\$ 3,670,500	\$27,750,000	\$29,426,765	\$16,099,729
Public Costs	\$ 2,570,470	\$1,950,000	\$3,950,000	\$2,480,271
Percent Public	40%	6.5%	11.8%	13.3%
Sources of Public Assistance	\$300k TIF  \$2,270,470 in  state/foundation grant/loan funds	Land sale proceeds (\$1.2M)  Met. Council LCDA grant (\$750K)	TIF (\$3.2M)  DTED grant (\$750K)	TIF (\$1.166M)  DTED/Met. Council pollution grants (\$1,314,271)
T/E Financing Provided	No	No (Phase 1) Potential (Phase II)	Yes	Yes
Recapture Provisions	Yes	Yes	Yes	Yes
TIF District Type	Housing	Redevelopment	Housing	Redevelopment

Projected TIF District Duration	10	26 years	26 years	26 years
TIF Financing Vehicle	TIF Pay-go	No TI for Phase I. TIF financing vehicle for Phase II not yet determined.	TIF pay-go note	TIF revenue notes & bonds
<b>Other Information</b>				
City Priorities	Affordable housing & removal of blight	Affordable housing & removal of blight	Affordable housing & pollution cleanup	Affordable housing & pollution cleanup
Neighborhood Support	Yes	Yes	No	Yes
Miscellaneous		Complete the renovation of the Grain Belt project area		Redevelopment of a very polluted site in a residential neighborhood

(a) This project is not subject to the City's Affordable Housing Policy. The Developer will attempt to provide some

affordable units at the following levels:

5% of the units in Phases I & II @ 60% of MMI (Metropolitan Median Income)

10% of the units in Phases I & II 60%-80% of MMI (Metropolitan Median Income)

**PROPOSED  
HOUSING PROJECT TERM SHEET  
FOR THE  
VILLAGE IN PHILLIPS PROJECT, PHASE 1**

On November 10, 2003, a Public Hearing of the Community Development Committee of the Minneapolis City Council will consider this matter.

**1. PROPOSED PROJECT**

The Village In Phillips (VIP) Project is a joint collaboration of several Minneapolis non-profit community developers and an active, incorporated block club proposing to comprehensively rehab a three block area in the eastern district of the Phillips neighborhood in Ward 6 of south Minneapolis. Currently CPED staff is working on three plan documents relating to a proposed homeownership and rental housing project that has been proposed within the proposed Village In Phillips project area.

This development will require approval of the Village In Phillips, Phase 1 Redevelopment Plan, a Housing Tax Increment Finance (TIF) Plan, and Modification 19 to the Model City Urban Renewal Plan. The new Village In Phillips Redevelopment Project and Tax Increment District are being created as a free standing project area and tax increment district. The multi-phased development proposed will produce new residential and mixed-use residential and commercial space.

Phase 1 includes the 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, and 20 units will be targeted towards families with 50% to 115% of median income (10 units are proposed at 50 to 80% and 10 units at 80 to 115%). The MPHA rental units will be targeted towards families at 30% or less of median income. Fifteen units will be in the City of Lakes Community Land Trust (CLCLT), including the 5 units for families under 50% of median income, which will be constructed by Habitat for Humanity.

There will be four buildings containing 2 and 3 bedroom units (six - 2 bedroom and twenty-two - 3 bedroom units). All units will provide for the option of finishing an additional bedroom on the lower level. Future phases include new construction of mixed-use rental with a small commercial component.

The total sources and uses of funds (exclusive of the Habitat total development cost minus the cost of the land) are as follows:

## VIP Phase 1 - Sources and Uses of Funds

### SALE PROCEEDS

Habitat for Humanity Land	100,000
Sale of Units	3,570,500
<b>TOTAL SALE PROCEEDS</b>	<b>\$ 3,670,500</b>

### LOANS / GRANTS

Empowerment Zone	200,000
EPIC NRP Grant	241,000
Family Housing Fund	240,000
Hennepin Co. AHIF	180,000
Hennepin Co. ERF	25,000
Jay & Rose Phillips Foundation	50,000
Livable Communities	437,600
MCDA Land Acquisition	31,870
MCDA Nonprofit Administration	30,000
MHFA-Super RFP	400,000
NRP Affordable Housing	360,000
Otto Bremer Foundation	75,000
Tax Increment Financing	300,000
<b>TOTAL LOANS / GRANTS</b>	<b>\$ 2,570,470</b>

### TOTAL INCOME

**\$  
6,240,970**

### EXPENSE

Acquisition	1,276,323
Architect and Engineering Fees	183,200
Developer's Overhead	460,941
Financing Costs and Fees	202,782
Interim / Carrying Costs	30,300
New Construction	3,873,435
Soft Costs	213,989
<b>TOTAL DEVELOPMENT COST</b>	<b>\$ 6,240,970</b>

## 2. Project Applicant

Powderhorn Residents Group, Incorporated (PRG) is a Minnesota non-profit corporation organized in 1976.

## 3. Neighborhood Revitalization Program – Action Plan Assistance

December 2002 Neighborhood Revitalization Program funds totaling \$241,000 were awarded to the project under a Grant Award Agreement facilitated by a Site Assembly Agreement. Funds were made available for site assembly activities; unspent grant funds will be provided for construction activities.

## 4. Empowerment Zone Assistance

In December 2001, Empowerment Zone funds totaling \$200,000 were provided to the project as a deferred loan to be forgiven when 15 units are placed in service in the CLCLT or sold to Empowerment Zone Residents. The funds were used for site assemble activities.

## 5. Tax Increment Financing Assistance

Tax increment financing assistance will be provided to the Village in Phillips, Phase 1 development through the establishment of a tax increment financing (TIF) district and the issuance of a \$300,000 pay-as-you-go TIF note issued by the Agency/City to Powderhorn Residents Group. As tax increment is collected from the TIF district in future years, the Agency/City will distribute a portion of this increment to the holder of this TIF note as repayment of principal and interest.

In order to provide this \$300,000 of assistance, upfront, PRG will obtain a \$300,000 loan from Wells Fargo, will sign a corresponding bank note, and will assign the pay-as-you-go TIF note to Wells Fargo as collateral for the loan. As subsequent holder of the pay-as-you-go TIF note, Wells Fargo will semi-annually receive tax increment payments

from the Agency/City under the TIF note, and will apply these payments towards the repayment of the PRG loan.

The terms of the pay-as-you-go TIF note will be as follows:

- Principal amount: \$300,000
- TIF eligible costs: Construction costs for low and moderate income housing.
- Interest rate: Fixed at 6.0% for the first three years, and then is reset every three years to the 3-year Treasury rate plus 3.75% (same as the bank note).
- Interest start date: Interest will begin accruing on the same date(s) and in the same amounts as the bank note (assuming that PRG has submitted documentation to the Agency/City that they have incurred \$300,000 in construction costs for low and moderate income housing).
- Interest basis: 30 day month/360 day year
- Payment dates: July 30th and December 30th of each year, beginning July 30, 2006.
- Payment amount: 90% of the tax increment distributed by Hennepin County to the Agency/City. The remaining 10% will be retained by the Agency/City for administrative purposes.
- Maximum term: Payments will be made on the TIF note until 1) all note principal and interest has been paid in full, or 2) the maximum duration of the TIF district has been reached, whichever occurs sooner. The maximum duration of the TIF district is 26 years of tax increment collection.
- Anticipated term: Based on current projections, it is anticipated that the TIF note will be fully repaid in 2015 (10 years of increment collection).

## **6. Family Housing Funds**

The Family Housing Fund is providing \$240,000 to the project as a grant to the project. No repayment is required.

## **7. Hennepin County Affordable Housing Incentive Funds**

Hennepin County is providing \$180,000 under their Affordable Housing Incentive Fund, to the project as a deferred loan for 8 units sold to families with incomes under 50% of the area median income (5 units will be Habitat for Humanity plus 3 MPHA units) these

funds will be forgiven after 20 years should the home remain available to families at 50% of area median income. Should the property not be sold to a homebuyer at less than 50% of area median income, funds will be return to Hennepin County to fund additional projects.

#### **8. Neighborhood Revitalization Program– Affordable Housing Incentive Fund Program**

The NRP will provide Affordable Housing Incentive Funds totaling \$360,000 as a grant to the project for 8 units under 50% of area median income.

#### **9. MCDA Land Acquisition Matching Funds**

MCDA land acquisition matching funds of \$31,870 were provided. It represents funds that the MCDA expended in acquiring properties under the CDBG Vacant Housing Recycling Program. Land sale requests were considered and approved by the MCDA Board on October 28, 2003. The offer amount for all 3 parcels is \$1.00 each. MCDA staff recommended the reduced sales price because the development will provide housing to families at less then 50% median income.

#### **10. Metropolitan Council Livable Communities Demonstration Funds**

Metropolitan Council Livable Communities Demonstration Account (LCDA) funds totaling \$437,600 have been provided to the project as a grant for site assembly costs. The grant agreement between the Metropolitan Council and the City of Minneapolis was executed on May 27, 2003.

#### **11. Otto Bremer Foundation**

Otto Bremer Foundation funds totaling \$75,000 have been provided to the project as a grant. PRG has already received this funding, which were targeted towards site assemble cost.

#### **13. Phillips Foundation**

The Jay and Rose Phillips Family Foundation will provide funding totaling \$50,000 for the project, as a grant contingent on the project receiving the other funding needed to proceed.

#### **14. Minnesota Housing Finance Agency**

MHFA 2003 Super RFP provided \$400,000 to the project as a grant. A grant agreement for these funds was executed between the MHFA and PRG on October 16, 2001.

#### **15. Construction financing**

Construction financing is being provided by Wells Fargo bank totaling \$3,100,000 at prime plus 1/2 percent, currently at 4.5%. PRG is also being required to pay a \$30,000 origination fee.

#### **16. Twin Cities Habitat for Humanity, Inc.**

Habitat for Humanity will pay \$100,000 for the purchase of land from PRG to construct five (5) Habitat units. Habitat for Humanity will sell the units to buyers earning less than 50% of the area median income. These units will also be placed in the CLCLT.

### **17. Deferred Funding**

Remaining funds needed to complete the project total approximately \$470,000 and represents unpaid developer fees, sales commissions, and closing costs. Sales commissions and closing costs are paid at the time of closing for each townhouse out of sale proceeds. The unpaid portion of the developer's fee will be paid upon final sale of the last townhouse unit or total completion of the project.

### **18. Land Purchase**

Powderhorn Residents Group will purchase three parcels from the MCDA, which will be assembled with the project area for Phase 1. All other parcels within the project area have been assembled by PRG. PRG is offering \$1.00 for each of the parcels. The Board of Commissioners considered and approved these land sales at their October 28, 2003 Operating Committee.

### **19. Profit Sharing**

All net sales proceeds in excess of a developer fee of \$460,941 or 8% of the total development cost will be split 50:50 between the MCDA and PRG.

### **20. MCDA and NRP Redevelopment Agreements**

- A.** The MCDA has provided the NRP assistance and delivered the necessary NRP Loan Documents to PRG.
- B.** The MCDA will provide the redevelopment contract.
- C.** Powderhorn Residents Group will provide all of documents required for closing prior to closing as described in the NRP document, the redevelopment document, and the master closing checklist dated December 23, 2002. The closing documents include, but are not limited to:
  - Final development site plan
  - Preliminary and final construction plans and specs
  - An after-completion appraisal
  - Evidence of proper zoning
  - Evidence that building permit has been issued
  - Letters confirming utility availability
  - Insurance policies as defined in NRP and redevelopment agreements
  - Payment and performance bonds in the amount of the construction contract with MCDA and NRP listed as co-obligees
  - Written report about the construction bidding and selection of general contractors and subs. Copy of ad, list of bidders, and award process
  - List of subcontractors
  - Executed construction contract AIA form
  - Assignment of construction contract
  - Assignment of architect's contract

- Pre-construction meeting with Dept. of Civil Rights, Affirmative Action, and SUMB City staff
- Final development proforma sources and uses
- List of eligible TIF costs
- Copies of all Financing documents, approvals, and so forth for all non-MCDA funding stating the terms of the financing.
- Signed Financing documents for the construction loan stating the terms of the financing.
- Original copies of Powderhorn Resident Group, Incorporated Board resolutions relative to this project
- Project completion within 18 months of project closing.

Adopting the Village in Phillips, Phase 1 Tax Increment Finance (TIF) Plan and Redevelopment Plan, and Modification No 19 to the Model City Urban Renewal Plan

**RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:**

**Section 1. Recitals**

- 1.1 Pursuant to Laws of Minnesota 1980, Chapter 595, as amended, and the Minneapolis Code of Ordinances, Chapter 422, as amended (the “Agency Laws”) the Housing and Redevelopment Authority in and for the City of Minneapolis (the “City”) has been reorganized, granted additional powers, and designated the Minneapolis Community Development Agency (the “Agency”) with the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.134, and 469.174 through 469.179 as amended; and Laws of Minnesota 1971, Chapter 677 (collectively, the “Project Laws”).
- 1.2 It has been proposed and the Agency has prepared, and this Council has investigated the facts with respect to, a proposed new Village in Phillips Redevelopment Plan, a proposed Village in Phillips, Phase 1 TIF Plan, and a proposed Modification No 19 to the Model City Urban Renewal Plan (“collectively, the Plans”). The Plans create a new redevelopment project area, a new TIF district, and modify the existing Model City Urban Renewal Plan to accommodate the activities and financing related to the proposed project, all pursuant to and in accordance with the Project Laws. The Plans designate property to be included within the boundaries of the project area, designate property that may be acquired, establish objectives, identify land uses, designate property to be included within the boundaries of the TIF District, identify a budget for expenditures, reflect project activities and costs, and establish a housing TIF District; all pursuant to and in accordance with the Project Laws.
- 1.3 The Council hereby determines that it is necessary and in the best interests of the City at this time to approve the Plans to reflect project activities and costs in the Project Area and TIF District.
- 1.4 The Agency and the City have performed all actions required by law to be performed prior to the adoption of the Plans, including, but not limited to, a review of the proposed Plans by the affected neighborhood groups and the City Planning Commission, transmittal of the proposed Plans to the Hennepin County Board of Commissioners and the School Board of Special School

District No 1 for their review and comment, and the holding of a public hearing after published and mailed notice as required by law.

## **Section 2. Findings for the Adoption of the Plans**

- 2.1 The Council hereby finds, determines and declares that the objectives and actions authorized by the Plans are all pursuant to and in accordance with the Laws.
- 2.2 The Council hereby finds, determines and declares that the Plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the redevelopment of the Project Area by private enterprise, as the proposed redevelopment removes blight and blighting influences, facilitates homeownership opportunities for low and moderate income households, and are necessary in order to finance a portion of the public redevelopment activities necessary to implement the project, in order to relieve the current shortage of decent, safe, and sanitary housing for persons of moderate or low income and their families in Minneapolis; enhances the city's tax base; will serve as an impetus for the provision of needed community redevelopment; and further, that tax increment assistance is being utilized to subsidize the extraordinary cost of providing affordable housing at this site.
- 2.3 The Council hereby finds, determines and declares that on July 31, 1998, the Council adopted by Resolution 98R-281 an Affordable Housing Policy for the City of Minneapolis documenting the growing shortage of decent, safe and affordable housing for low and moderate income families and individuals in the City. The first phase of the Village in Phillips project includes new construction of 28 townhouse units (25 ownership and 3 Minneapolis Public Housing Agency 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 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. It is therefore found that the establishment of the Village in Phillips Redevelopment Project and TIF district is fully justified to facilitate public development activities and expenditures to alleviate the current shortage of decent, safe, and affordable housing for low and moderate income households in Minneapolis.
- 2.4 The Council further finds, determines and declares that low income housing is defined as housing affordable to families with incomes below 80 percent of the Metropolitan Median family income, and further, that moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan area median family income; and further, moderate income is defined for this purpose in terms of the income levels for which the market does not provide housing without public assistance. In addition, 469.002, Subdivision 18, defines moderate income

persons as “persons and their families whose income is not adequate to cause private enterprise to provide without governmental assistance a substantial supply of decent, safe, and sanitary housing at rents or prices within their financial means”.

- 2.5 The Council further finds, determines and declares that the land in the Project Area would not be made available for redevelopment without the financial aid to be sought.
- 2.6 The Council further finds, determines and declares that the Village in Phillips, Phase 1 TIF District is a housing district pursuant to Minnesota Statutes, Section 469.174, Subdivision 11. The proposed district is located within the Village in Phillips Redevelopment Project, in accordance with the provisions of Minnesota Statutes Sections 469.001 through 469.047.
- 2.7 The Council further finds, determines and declares that the property to be included in the Project Area consists of 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.
- 2.8 The Council further finds, determines and declares that the Plans conform to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Plans were issued, are incorporated herein by reference, and are on file in the office of the City Clerk.
- 2.9 The Council further finds, determines and declares that the use of tax increment financing is deemed necessary as the proposed development would not reasonably be expected to occur solely through private investment within the

reasonably foreseeable future and 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 the 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 in the 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. It is therefore the opinion of the City of Minneapolis that the development in this TIF District could not occur solely through private investment within the foreseeable future.

- 2.10 The Council further finds, determines and declares that the entire fiscal disparity contribution required of the City for development occurring within this district be taken from outside the Village in Phillips, Phase 1 TIF District. The election provided in the Minnesota Statutes Section 469.177, Subdivision 3, paragraph (a) is elected.
- 2.11 The Council finds additional public benefits will include blight remediation, tax base enhancement, economic integration, and increased neighborhood livability. The creation of this TIF district is in the public interest because it will facilitate the development of a mixed-income housing project which will provide needed housing for moderate and low income persons and families.
- 2.12 The Council further finds, determines and declares that it is necessary and in the best interests of the City at this time to approve the Plans.
- 2.13 The Council further finds, determines and declares that pursuant to Minnesota Statutes, Section 469.174, Subdivision 11, the fair market value of the low and moderate income housing project must constitute at least 80 percent of the total valuation of the improvements constructed in the housing TIF District. 100 percent of the new construction in the proposed Village in Phillips, Phase 1 TIF district is residential.

### **Section 3. Approval of the Plans; Creation of TIF District**

- 3.1 Based upon the findings set forth in Section 2 hereof, the Village in Phillips, Phase 1 TIF Plan, the Village in Phillips Redevelopment Plan, and Modification No 19 to the Model City Urban Renewal Plan presented to the Council on this date are hereby approved and shall be placed on file in the office of the City Clerk.

## **Section 4. Implementation of the Plans**

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