

City of Minneapolis

Many Rivers West Tax Increment Finance Plan

March 5, 2004

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

**Many Rivers West
Tax Increment Finance Plan
March 5, 2004**

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Many Rivers West Tax Increment Finance Plan March 5, 2004

Introduction

Three plan documents have been prepared that are related to a proposed rental housing project that has been proposed in the Phillips neighborhood in south Minneapolis, located within the boundary of the Franklin Avenue Redevelopment Project Area.

The plan documents are this Many Rivers West Tax Increment Finance Plan (the "TIF Plan"), Modification No. 7 to the Franklin Avenue Redevelopment Plan, and Modification No. 98 to the Common Development and Redevelopment Plan and Common Development and Redevelopment TIF Plan, (collectively, the "Plans").

Modification No. 7 to the Franklin Avenue Redevelopment Plan authorizes the creation of a new tax increment finance ("TIF") district as a tool for carrying out the redevelopment activities described therein, and removes parcels from the Franklin Avenue Redevelopment TIF District in order that those parcels can be included in the new Many Rivers West TIF District. The new public redevelopment costs associated with the proposed Many Rivers West project cannot be financed within the limitations imposed by the existing Franklin Avenue Redevelopment TIF District because of statutory limitations on the use of tax increment from the TIF District, the short remaining term of the existing district, and the impact of the prior pledge¹ of revenue from the district to the outstanding debt of other projects. For that reason a request will be made to Hennepin County to decertify and remove the affected parcels from the existing TIF District, which is designated as Minneapolis TIF Project No. 27 in the Hennepin County administrative system. Because the Franklin Avenue Redevelopment Project and TIF District No. 27 are in the Common Project, **Modification No. 98 to the Common Project** document is also necessary and documents the authorization to remove the parcels from the TIF District.

The new **Many Rivers West TIF District** is not being incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments, and is created as a free-standing tax increment district. The parcels included in the project area and TIF District remain within the existing Franklin Avenue Redevelopment Project Area. This TIF Plan provides for the establishment of a new Housing TIF district, authorizes public redevelopment activities and expenditures, and establishes a budget for expenditures. Tax increment will be used to pay for a portion of the public redevelopment costs associated with the project.

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

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

The TIF District is being established within and under the authority of the Franklin Avenue Redevelopment Project. The proposed TIF district consists of 7 parcels at the northeast corner of E. Franklin Avenue and 14th Avenue S. The boundary is shown on the boundary/acquisition map (Exhibit #1). The tax parcels to be included in the TIF District are:

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

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

II. Statement of Objectives

The objectives for this TIF Plan are described in the Franklin Avenue Redevelopment Plan in Section B. 3.

More recent planning objectives can be found in the **Ventura Village Master Plan**, which states the second highest priority (after crime and safety) is to add additional housing, and to increase the number of rental units. The Master Plan states “Provision of affordable homeownership and affordable rental units must be addressed in using several disparate designs. . .” (providing mixed use buildings on commercial corridors -up to three floors of housing above commercial space.)

The Master Plan also addresses Commercial Development of Franklin Avenue as a goal, stating “in order to support a viable commercial District, the neighborhood must provide a sufficient number of customers. The commercial corridor has been lost in large part, due to having portions of the customer base cut off by the freeway system. By increasing the number and mix of our residents we will be better able to support a commercial district.” Regarding the transportation issues in the neighborhood, it was noted that “we should design high-density high profile housing and commercial space around the LRT Station.” (The location of the site is one-quarter mile from the Franklin LRT station.)

The Ventura Village neighborhood group places emphasis on the redevelopment of these key underutilized parcels of land. Further, Many Rivers is an example of the possible dynamic quality of community strategic planning. Originally conceived as a

project to answer community needs during the initial community visioning for the Comprehensive Land Use Master Plan, Many Rivers enjoyed a level of community input into design and planning that is seldom met.

III. Development Program

A. Description of Development Program

Background

On October 13, 2000, the City Council granted preliminary approval of housing revenue bonds for the entire Many Rivers housing project, which was divided into two phases: Many Rivers East (1st Phase) and Many Rivers West (2nd Phase). On July 6, 2001, the MCDA Board approved a total of \$987,682 in MCDA Multifamily funds for the Many Rivers project, including both phases. On July 13, 2001, the City Council approved the acceptance of a \$200,000 Local Housing Initiatives Account (LHIA) grant from the Metropolitan Council for Many Rivers West. On July 27, 2001, the City Council approved the allocation of \$200,000 in Empowerment Zone funds for Many Rivers West.

Many Rivers was originally proposed by the American Indian Housing & Community Development Corporation (AIHCDC) as a multi-phased, 76-unit housing project that would be located on East Franklin Avenue on the 1500 block (East Site, Phase 1) and the 1400 block (West Site, Phase 2). The total Many Rivers development would consist of two new four-story mixed-use buildings on these two blocks, with a total of 76 rental apartment units. The 50-unit Many Rivers East project closed in June 2002, and was completed August 2003, and is now 100% occupied. AIHCDC is now ready to proceed with the development of the Many Rivers West project, which will include 26 housing units and approximately 5,500 square feet of commercial space. A copy of the proposed Site Plan for Many Rivers West is attached as Exhibit #3.

Development Proposal

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

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

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

Unit Breakdown/Affordability

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

8 units at 50% of the MMI
3 units at 30% of the MMI
<u>8 units at 60% of the MMI</u>
19
7 units at market rate rental
<hr/>
26 total units

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

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.²

The Minneapolis housing market experienced dramatic fluctuations in recent years. Average rent levels rose 39% from 1998 to 2002 (updated information will not be ready at the time of this writing). Over the same period, vacancy rates increased from 1.1% to 6.1%. This indicates that it was less difficult in 2002 to find a vacant rental unit compared with 1998, but it cost considerably more to rent it. The cost of renting housing remains quite high compared with average rents of a few years ago. Rent increases averaged about 9% a year between 1998 and 2002.

More recent reports³ indicate average rent for the Twin Cities as \$845 per month, with average vacancy rates for the Twin Cities at 7.6%. In Minneapolis, average rents for studio units were \$550, with the vacancy rate reported at 5.6%, 1-bedroom units at \$758 per month, with a 6.2% vacancy rate, 2-bedroom units average \$1,067 per month, at 8.3% vacancy rate. 3-bedroom units averaged \$1,261 per month with a 5.3% vacancy rate. Note that average rents do not include phone or electricity. Overall, apartment rent was unchanged at an average of \$845 in the past three months, with an annual rate increase of 0.5%. The vacancy rate was 7.6%, up from 7 percent in the previous quarter.

Minneapolis Housing Policy

² State of the City Report, 2002

³ Source: Apartment Trends, a publication of GVA Marquette Advisors – Third Quarter Review through December 2003

In 2002, modifications were made to the city's comprehensive plan ("The Minneapolis Plan") that strengthened its commitment to policies of housing growth and to increasing the supply of affordable housing. The 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. Please see Exhibit #2, Project Area Report and Eligibility Documentation, for excerpts from these documents.

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

All of the parcels that make up the site are either owned by the City or the developer.

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

The City is currently negotiating a development agreement with a limited partnership with the American Indian Housing Community Development Corporation (AIHDC) as the general partner. AIHDC is incorporated in Minnesota as a nonprofit corporation and is the general partner of Many Rivers West Limited Partnership, the Minnesota limited partnership.

D. Other Development Activity

No additional development activity is anticipated at the time of this writing.

IV. Description of Financing

A. Project Costs

Total development costs for the Many Rivers West project is currently estimated at approximately \$5.6 million. Tax increment financing assistance of approximately \$400,000 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 City in the principal amount of \$400,000 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 City 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 City 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	\$400,000	---
Tax Increment	---	\$1,000,000
Other	---	---
Total Sources.	\$ 400,000	\$ 1,000,000
Uses		
Low-Mod housing construction	\$400,000	---
Pay-As-You-Go Note Principal	---	400,000
Pay-As-You-Go Note Interest	---	459,000
Affordable Housing Outside District	---	41,000
MCDA Administration (10%)	---	100,000
Total Uses.	\$ 400,000	\$1,000,000

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 City 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, and housing revenue bonds. The pay-as-you-go note is to be used in addition to rental revenue to amortize the housing revenue bonds.

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 Many Rivers West Project. Other sources of funds to pay public redevelopment costs may include housing revenue bonds, LIHTC syndication-investor equity, Hennepin County AHIF, Metropolitan Council LHIA funds, Empowerment Zone funds, MHFA MARIF funds, and City Multifamily funds.

D. Original Net Tax Capacity

The 2004 estimated market value of the tax parcels included in the TIF district is \$249,400. This will result in an original net tax capacity of approximately \$3,211.

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 \$249,400 to approximately \$2,327,000. This represents an increase of \$2,077,600 and will generate a total net tax capacity of approximately \$31,038, and an estimated captured net tax capacity of \$27,827.

Based upon a total local tax rate of approximately 147.000%, this will generate an estimated annual gross tax increment payment of \$40,905 stabilized, excluding deduction for State Auditor Fee.

F. Duration of District

The Many Rivers West TIF District is a Housing TIF District. Tax increment can be paid to the City 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 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 147.000% has been used in the TIF Plan.

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

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 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 2004	Property Tax Revenues Resulting from \$31,083 Captured Tax Capacity
City of Minneapolis	63.883%	\$19,857
Hennepin County	44.832	13,935
Special School District #1	33.555	10,430
Other Taxing Jurisdictions	<u>10.737</u>	<u>3,337</u>
Total	153.007%	\$47,559

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 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:

Rents are not sufficient to amortize the entire cost of this redevelopment. The proposed building meets the need for affordable family housing, creates higher density housing adjacent to the Hiawatha LRT, creates a strong statement of progress along East Franklin Avenue, offers commercial space for educational services and for small businesses, and eliminates vacant land and blighted structures. During the past decade, the Phillips community grew by 14.83%, representing the largest total population increase of the city’s 11 communities.⁴

Without the tax increment financing, Many Rivers West would be abandoned, as it is not possible to replace the revenue from the tax increment with any other available and attainable resource. Other financial assistance is necessary because this public assistance pays for the costs of redevelopment – site assembly and demolition, and allows rents, which are affordable to families at 50% of the median income. Without this assistance, the rents would be unaffordable and unrealistic in the market. East

⁴ State of the City Report 2002

Franklin Avenue is a priority commercial corridor for the city. Many Rivers is the closest housing, at this point, to the Franklin station of the Hiawatha LRT. 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.

The project will eliminate inconsistent uses and blighted and vacant parcels, result in the provision of needed affordable housing units, provided needed parking, assist in the revitalization of the Franklin Avenue Commercial Corridor, and provide and encourage development that includes improvements to the existing transit options. Rental revenue from the project, generally set near the top of local market prices, is not sufficient to fully amortize the cost of acquisition, demolition and construction. Virtually all of the local, regional and state agencies are already making a financial contribution to this project. There is no alternative source for the tax increment revenue or for replacement capital.

Many Rivers is designed in accordance with a Master Plan for the surrounding neighborhood, which calls for medium density mixed-use development along the East Franklin commercial corridor. From a design perspective, the buildings need to create a solid street presence, a strong signal that there is ownership of the street by legitimate tenants and businesses. Use of a four story building maximizes economies of scale during construction and for long-term property management. The project is oriented to families, with 77% of the units having two or three bedrooms.

Many Rivers is consistent with the Minneapolis Plan in every respect. It is the first project to be developed under the neighborhood Master Plan. Rezoning, minor required variances and the conditional use permit were approved in June 2001. The project creates much needed mixed income family housing, designed to accommodate children and to take advantage of existing community resources. It also provides the added service, surveillance and expanded market benefits of the first floor commercial spaces, which includes a full service child care center in the Many Rivers East phase of the project. It is also 1/4 mile from the Franklin LRT station and is on track to be the first housing project to adjoin the Hiawatha LRT line.

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 City Council shall adopt such modifications under the applicable provisions of the TIF Act, Minnesota Statutes, Section 469.175, Subdivision 4.

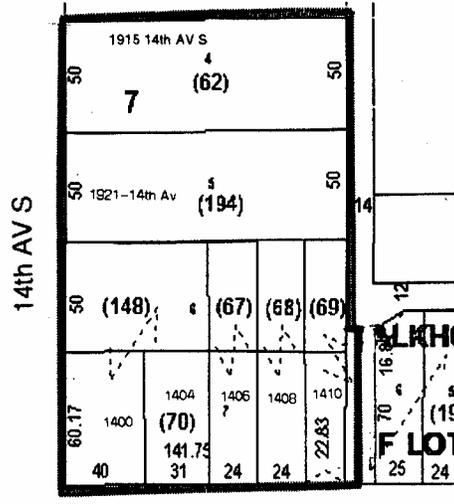
Many Rivers West TIF District

Valuation and Tax Increment Assumptions			
	Pay 2005	Pay 2006	Pay 2007
Total Estimated Market Value (EMV)	\$1,163,500	\$2,327,000	\$2,327,000
Less: Original EMV	249,400	249,400	249,400
Captured EMV	\$914,100	\$2,077,600	\$2,077,600
Total Net Tax Capacity (NTC)	\$12,294	\$31,038	\$31,038
Less: Original NTC	3,211	3,211	3,211
Captured NTC	\$9,083	\$27,827	\$27,827
Times: Projected Total Tax Rate	147.000%	147.000%	147.000%
Gross Tax Increment	\$13,352	\$40,906	\$40,906
Less: State Auditor's Fee (.5%)	67	205	205
Tax Increment Distributed to the City	\$13,285	\$40,701	\$40,701

26 Years of TI Collection		
Years of TIF Collection	Payable Year	Tax Increment Distributed To City
---	2003	\$0
---	2004	0
1	2005	13,285
2	2006	40,701
3	2007	40,701
4	2008	40,701
5	2009	40,701
6	2010	40,701
7	2011	40,701
8	2012	40,701
9	2013	40,701
10	2014	40,701
11	2015	40,701
12	2016	40,701
13	2017	40,701
14	2018	40,701
15	2019	40,701
16	2020	40,701
17	2021	40,701
18	2022	40,701
19	2023	40,701
20	2024	40,701
21	2025	40,701
22	2026	40,701
23	2027	40,701
24	2028	40,701
25	2029	40,701
26	2030	40,701
		\$1,030,810
P.V. @	5.00%	\$532,356

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	\$249,400
(b) Original estimated market value	249,400
(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.	\$2,327,000
(e) Present value of the projected tax increment for the maximum duration of the district	532,356
(f) Difference = (d) - (e)	\$1,794,644
(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.	

Exhibit # 1



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

Boundary

PROJECT AREA REPORT AND ELIGIBILITY DOCUMENTATION

Many Rivers West Tax Increment Finance Plan
March 5, 2004

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

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

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

Area Characteristics

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

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

Findings of Eligibility for a Housing Tax Increment Finance District

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

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

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

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

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

Income Restrictions^{5, 6}

For this project, moderate income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the Metropolitan median family income. Low income housing is defined as housing affordable to families with incomes below 80 percent of the Metropolitan median family income⁷. Although 7 units are at market rate, market rate for this neighborhood is allowable to households with median incomes below 120% of median income.

⁵ The FY2003 Median Family Income Metro Area, State of Minnesota is \$72,200 as estimated by HUD

⁶ The MMI for Tax Credit Income Limits for 2004 is \$76,400

⁷ The Ventura Village neighborhood Median Income is \$25,949 source: 2000 Census

Consequently, 100% percent of the units in the project will be affordable to low or moderate income households in this income range.

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

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

Unit Breakdown/Affordability

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

8 units at 50% of the MMI
3 units at 30% of the MMI
<u>8</u> units at 60% of the MMI
19 units
7 units at market rate rental
<hr/>
26 total units

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

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

Valuation Test

In addition to the rental apartment units, the project will include about 5,495 square feet of commercial space on the ground floor. AIHCDC has an

agreement in principle with a Tribal College for a portion of the space and is in discussion with other prospects.

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

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

Minneapolis Housing Policy

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

"The Minneapolis Plan" includes the following policy statements:

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

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

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

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

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

Another way to describe the city's policy objectives in influencing the housing market is to target the variety of residents' housing choices. The new households that establish themselves in Minneapolis will make their decision about housing in distinct economic and family circumstances. Some households will be constrained in their choice. The ability to provide residents from all walks of life with increased housing choices, in a variety of housing types, ages, (newly constructed and renovated older buildings) and affordability levels will hugely influence the pattern of future prosperity and vitality in the city. Tools have been developed to assist the city and its partners in implementing expanded choice in housing. These tools define terms such as affordability, medium and high density housing. They also relate the city's efforts at expanding housing choice to metropolitan initiatives, and include the Livable Communities Act guidelines, the Consolidated Plan for Housing and Community Development, tax credit programs for affordable housing developments and MCDA/CPED sponsored programs for housing redevelopment and new construction. Implementation steps include:

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

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

The "Zoning Code"

A modification to the Code provides an incentive to the development of affordable housing units, providing a 20% bonus in the number of units that can

be built if at least 20% of the development's units are affordable to low-income households.

Eligibility Findings

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

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



Rent sampler

Here are the average rents and vacancy rates for rental housing floor plans in the Twin Cities and surrounding areas. The information is provided by GVA Marquette Advisors' third quarter review of 1,228 rental properties containing 124,920 apartment units. Information is through December.

> Minneapolis

Type	No. of units	Avg. rent	Vac. rate
Studio	2,874	\$550	5.6%
1-bedroom	9,951	\$758	6.2%
1-bdr. + den	183	\$1,223	7.1%
2-bedroom	3,981	\$1,067	8.3%
2-bdr. + den	48	\$1,752	6.3%
3-bedroom	340	\$1,261	5.3%
3+den/4-bdr.	74	\$1,502	2.7%

> North suburbs

Type	No. of units	Avg. rent	Vac. rate
Studio	108	\$613	3.7%
1-bedroom	3,714	\$700	8.8%
1-bdr. + den	76	\$751	18.4%
2-bedroom	5,296	\$816	8.2%
2-bdr. + den	28	\$923	0.0%
3-bedroom	727	\$989	5.0%
3+den/4-bdr.	79	\$962	5.1%

Includes: Anoka, Blaine, Champlin, Columbia Heights, Coon Rapids, Fridley, Mounds View, New Brighton, St. Anthony and Spring Lake Park.

> Northwest-West-Southwest suburbs

Type	No. of units	Avg. rent	Vac. rate
Studio	1,219	\$640	9.0%
1-bedroom	22,616	\$745	7.3%
1-bdr. + den	956	\$1,038	8.7%
2-bedroom	22,644	\$969	8.9%
2-bdr. + den	872	\$1,317	9.6%
3-bedroom	2,296	\$1,297	7.5%
3+den/4-bdr.	49	\$2,194	2.0%

Includes: Bloomington, Brooklyn Center, Brooklyn Park, Chanhassen, Chaska, Crystal, Eden Prairie, Edina, Excelsior, Golden Valley, Hopkins, Maple Grove, Minnetonka, Mound, New Hope, Osseo, Plymouth, Richfield, Robbinsdale, Spring Park, St. Louis Park and Wayzata.

> St. Paul

Type	No. of units	Avg. rent	Vac. rate
Studio	968	\$581	8.2%
1-bedroom	6,459	\$693	8.2%
1-bdr. + den	141	\$925	7.1%
2-bedroom	5,187	\$858	6.9%
2-bdr. + den	23	\$1,188	4.3%
3-bedroom	470	\$1,245	6.2%
3+den/4-bdr.	2	\$2,500	0.0%

> East suburbs

Type	No. of units	Avg. rent	Vac. rate
Studio	379	\$582	6.9%
1-bedroom	5,815	\$714	7.1%
1-bdr. + den	112	\$1,085	8.9%
2-bedroom	7,166	\$874	7.6%
2-bdr. + den	72	\$1,474	5.6%
3-bedroom	935	\$1,207	7.5%
3+den/4-bdr.	23	\$1,732	4.3%

Includes: Arden Hills, Cottage Grove, Falcon Heights, Lauderdale, Little Canada, Maplewood, Newport, North St. Paul, Oakdale, Roseville, Shoreview, Stillwater, Vadnais Heights, White Bear Lake and Woodbury.

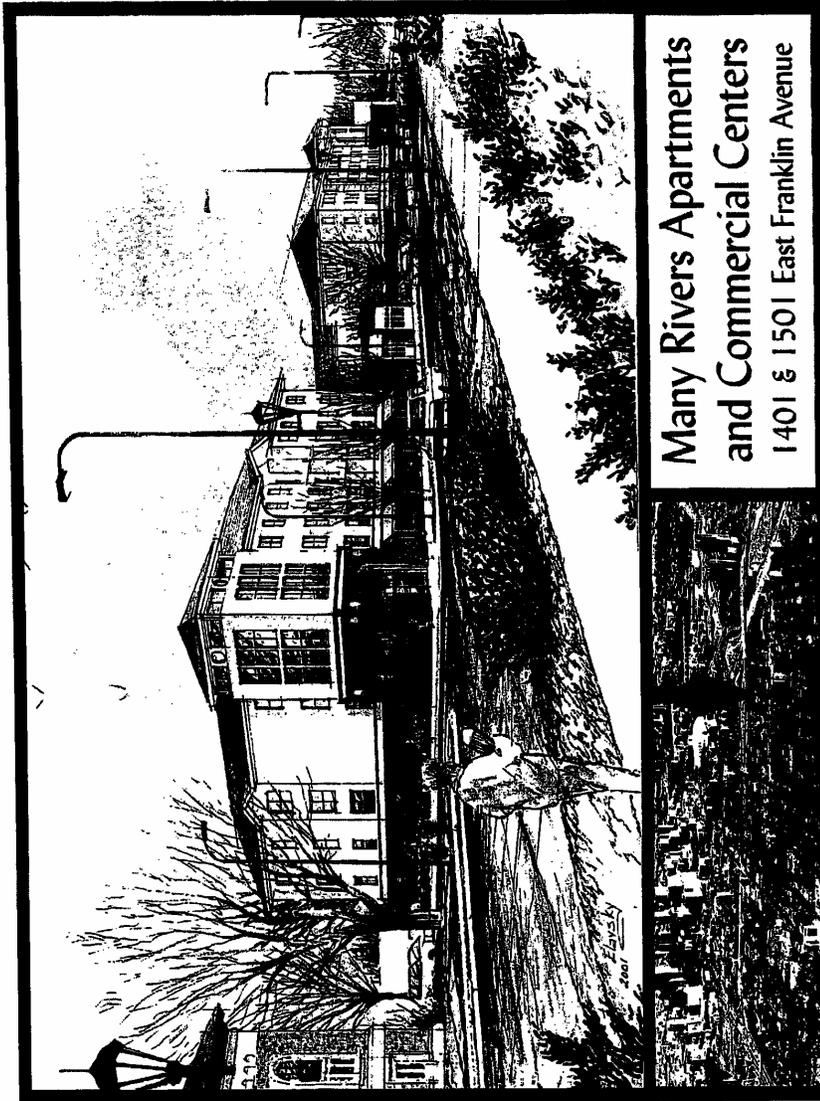
> South of Minnesota River suburbs

Type	No. of units	Avg. rent	Vac. rate
Studio	472	\$609	5.1%
1-bedroom	6,783	\$756	8.4%
1-bdr. + den	387	\$922	7.5%
2-bedroom	9,094	\$902	8.1%
2-bdr. + den	314	\$1,133	10.2%
3-bedroom	1,476	\$1,163	6.2%
3+den/4-bdr.	217	\$1,569	11.1%

Includes: Apple Valley, Burnsville, Eagan, Farmington, Inver Grove Heights, Lakeville, Lilydale, Mendota Heights, Prior Lake, Rosemount, Savage, Shakopee, South St. Paul and West St. Paul.

NOTES: Average rents do not include phone or electricity. Overall apartment rent was unchanged at an average of \$845 in the past three months (October-December), with an annual rate increase of 0.5 percent. The vacancy rate was 7.6 percent, up from 7 percent in the previous quarter.

Source: Apartment Trends, a publication of GVA Marquette Advisors. Phone: 612-335-8888





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PROJECT: MANY RIVERS

MINNEAPOLIS, MN

SITE PLAN

SHEET NO: C1 DATE: 2/23/01

