



**Modification No. 6
to the
Central Avenue Redevelopment Plan
(Central Avenue Lofts)**

March 17, 2006

Prepared by:

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

**Modification No. 6
to the
Central Avenue Redevelopment Plan
(Central Avenue Lofts)
March 17, 2006**

Modification No. 1	June 30, 1987
Modification No. 2	November 10, 1988; Rev. January 21, 1988 (Spring and Central TIF #43)
Modification No. 3	December 23, 1991 (Central Avenue Supermarket TIF #47)
Modification No. 4	October 25, 2002
Modification No. 5	July 8, 2005

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II.	Land Use Plan	
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	B. Land Use Provisions and Requirements	No Change
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III.	Project Proposals	
	A. Property Acquisition	No Change
	B. Conditions Under Which Property May Be Acquired	No Change
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	D. Redevelopers' Obligations	No Change
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	Exhibit 1 – Land Use Map	Changed
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Introduction

Three plan documents have been prepared that are related to a proposed mixed use, mixed income rental and townhome project: This Modification No. 6 to the Central Avenue Redevelopment Plan, Modification No. 107 to the Common Development and Redevelopment Plans (Common Plans), and the Central Avenue Lofts Tax Increment Finance (“TIF”) Plan (the “Plans”). Because the Central Avenue Redevelopment Project Area is geographically located within the boundary of the Common Project, Modification No. 107 to the Common Plan has been prepared to reflect the authorization to pursue these redevelopment activities within a project that has been incorporated within the Common Project Area. However, the new 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 being created as a free-standing tax increment district.

This Modification No. 6 to the Central Avenue Redevelopment Plan authorizes the creation of a new TIF district as a tool for carrying out the redevelopment activities described therein, and changes the land use designation of the property. Because the subject property is also located within the Minneapolis Common Project, Modification No. 107 to the Common Development and Redevelopment Plan and Common Tax Increment Financing Plan has also been prepared to change the land use designation within the Common Project.

Sherman Associates, Inc. proposes to redevelop the site on the southwest corner of Central Avenue and 24th Avenue N.E. which includes an existing two-story building that serves as a US Bank branch office, a drive-through facility for the bank and a surface parking lot. The current building is mostly vacant and the bank desires to physically downsize. The project will consist of the new construction of a 66-unit rental apartment units in three buildings, ground floor commercial/retail, underground parking and seven (7) for-sale townhouses.

Redevelopment Plan

- I. Description of Project
 - A. Boundary of Redevelopment Project – No Change
 - B. Project Boundary Map – No Change

C. Objectives of the Redevelopment Plan – No Change

D. Types of Redevelopment Activities – **Updated**

The project will consist of the new construction of a 66-unit rental apartment building, ground floor commercial, underground parking and seven (7) for-sale townhouses on Block 7 of the Central Avenue Redevelopment Project. The building will be four floors over underground parking. The apartments will be a combination of one, two and three bedroom units and will be affordable to households at 30%, 50%, and 60% median income as well as market rate income. The ground floor commercial will be approximately 15,118 square feet in size. The existing property owner, US Bank, desires to physically downsize and the redevelopment proposal will accommodate the bank's smaller size in the same location. The bank will lease approximately 4,223 square feet of the ground floor space for its operations, including a drive-through window. The lease term will be 40 years. The underground parking will have a total of 68 parking spaces and there will be a 42-space surface parking lot. The project will create an attractive new building that will fit in well with other buildings along Central Avenue. The estimated total development cost of the rental project is \$13,557,500.

In addition, seven (7) owner-occupied townhomes will be constructed and all of them will face Jackson Street N.E. Each unit will have three bedrooms and approximately 1,700 square feet in size. The expected sales price of each unit will be in the \$225,000 to \$250,000 range. The estimated total development cost of the ownership project is \$2 million.

II. Land Use Plan

A. Land Use Map – **Changed**

The modified proposed Land Use Map (Map 2 in the Central Avenue Redevelopment Plan) is attached as Exhibit #1. The designated land use for the Central Avenue Lofts project is changed from commercial to mixed use and must be rezoned to accommodate the new multi-family residential proposal. Conditional use permit, variance, site plan review, preliminary plat, and alley vacation applications have been conveyed to the City Planning Commission for approval.

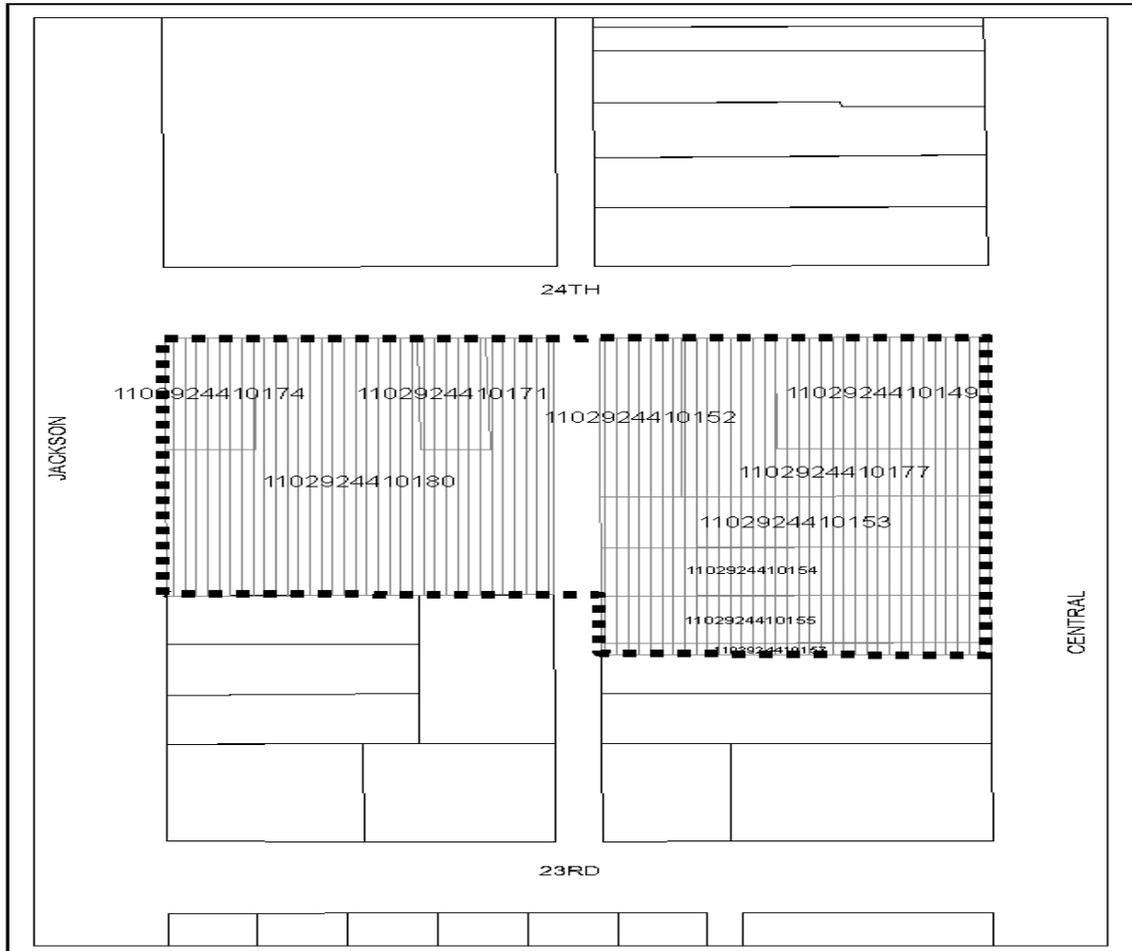
B. Land Use Provisions and Requirements – No Change

C. Period During Which Land Use Provisions and Requirements Will Be In Effect – No Change

III. Project Proposals

A. Property Acquisition – No Change

- B. Conditions Under Which Property May Be Acquired – No Change
- C. Rehabilitation/Demolition – No Change
- D. Redevelopers' Obligations – No Change
- IV. Relocation – No Change
- V. Official Action to Carry Out Redevelopment Plan – No Change
- VI. Procedure for Changes in Approved Redevelopment Plan – No Change



**Modification No. 6 to the Central Avenue Redevelopment Plan
(Central Avenue Lofts)
Boundary/Land Use Map
March 17, 2006**

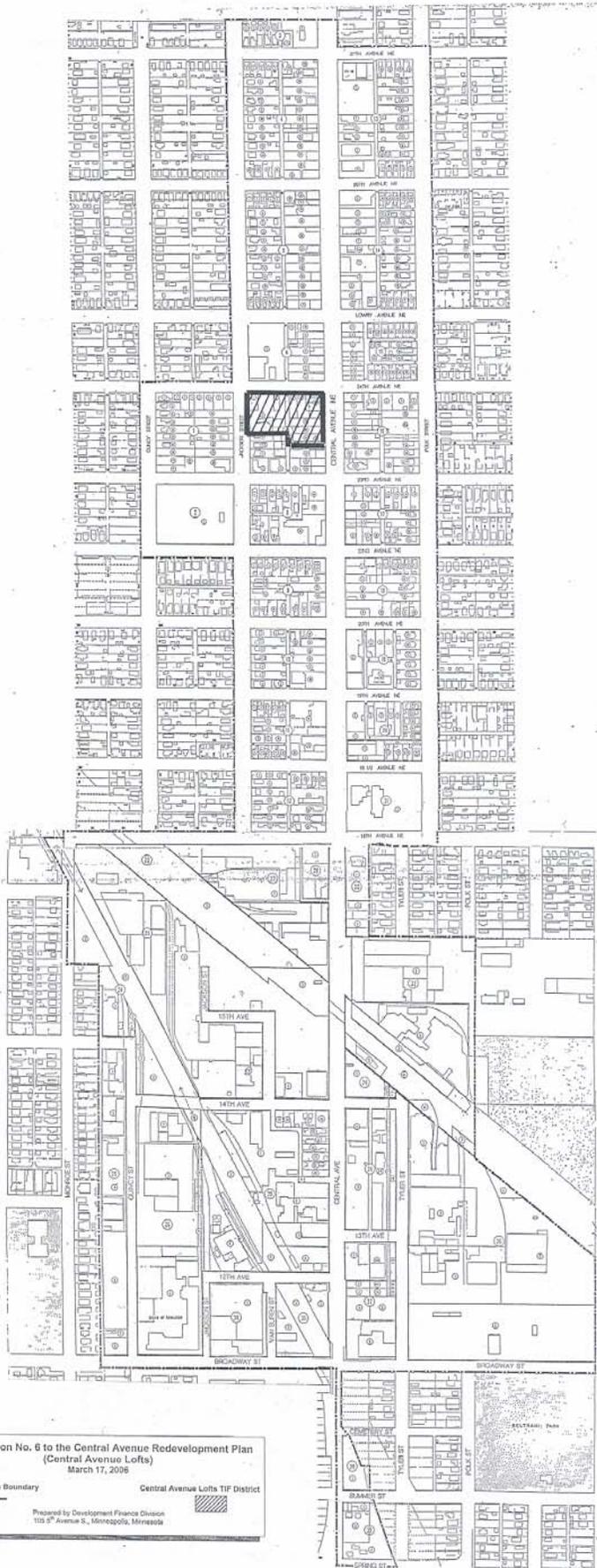
Boundary



Mixed Use



Prepared by Development Finance Division
105 5th Avenue S., Minneapolis, Minnesota



Modification No. 6 to the Central Avenue Redevelopment Plan
(Central Avenue Lofts)
 March 17, 2008

Project Area Boundary
 Central Avenue Lofts TIP District

Prepared by Development Finance Division
 105 5th Avenue S., Minneapolis, Minnesota



**PROJECT AREA REPORT
AND DOCUMENTATION OF ELIGIBILITY**

**Central Avenue Lofts Tax Increment Finance Plan, Modification No. 6 to the
Central Avenue Redevelopment Plan and Modification No. 107 to the Common
Plans**

March 17, 2006

The purpose of this Project Area Report and Documentation of Eligibility is to describe the conditions that qualify the project for inclusion in a housing tax increment finance (TIF) district, and to reaffirm the eligibility of the site for inclusion in a redevelopment project area as defined in 469.002, Subd. 11.

The proposed TIF District is located within the Central Avenue Redevelopment Project, approved by the Minneapolis City Council on August 26, 1983, under provisions of Minnesota Statutes Sections 469.001 through 469.047.

Description of the Site The site of the proposed development is located in the Holland Neighborhood and Northeast Community in Ward 1 of Northeast Minneapolis and is approximately 2 ½ acres in size. The site consists of an existing two-story building that serves as a US Bank branch office, including a drive-through facility for the bank, and a surface parking lot. The current building is mostly vacant and US Bank desires to physically downsize.

The TIF District includes ten (10) tax parcels located at 24th Avenue and Central Avenue NE, within the boundary of the Central Avenue Redevelopment Project Area, which is a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16). Surrounding uses are a mix of commercial, retail and residential primarily two-and three-story buildings along Central Avenue.

Tax Increment Finance District Eligibility The Central Avenue Lofts TIF District is to be a housing TIF district as defined in the Minnesota Statutes, Section 469.174, Subdivision 11, and 469.1761 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 and that satisfies the requirements of section 469.1761.

In order for a tax increment financing district to qualify as a housing district: (1) the income limitations provided in this section must be satisfied; and (2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses¹.

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 Central Avenue Lofts 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 square footage of the buildings that receive assistance from tax increments consist of no more than 20% of commercial, retail, or other nonresidential uses in the district?

Income Restrictions^{2, 3} 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 (MMI) family income.

The proposed rental 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 (13) of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income (14 of 66 units are available at or below 50%); or
2. At least 40 percent (26) of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income (53 units are available at or below 60%).

The proposed project meets both of the 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. The proposed TIF district includes new construction of 66 rental units, 53 of

¹ Minnesota Statutes, 84th Legislative Session (2005-2006)

² The FY2006 Median Family Income Metro Area, State of Minnesota is \$78,500 as estimated by HUD

³ The MMI for Tax Credit Income Limits for 2005 is \$77,000 effective date 2/11/05

which will be affordable to individuals and families earning at or below 60% MMI. Eight of the 66 rental units will have project-based Section 8 assistance affordable at or below 30% of MII, 6 units will be affordable to families at or below 50% of MMI, 39 units will be affordable to families at or below 60% of MMI, and 13 units will be market rate units. Since there will be 53 units at or below 60% of MMI, the project complies with the City Unified Housing Policy, which would require at least 13 units (20% of the total) of 66 units.

Square Footage Test In addition to the rental apartments, the project will include about 15,118 sq. ft. of commercial space on the main level. According to Minnesota Statutes, Section 469.174, Subdivision 11, and Section 469.1761, in order to establish a housing TIF district, no more than 20% of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses.

It has been estimated that the gross square footage of the Central Avenue Lofts buildings and the townhome development will be 133,743 total square feet, of which 15,118 square feet will be commercial space. This means that approximately 11.3% of the total square footage of both the rental and townhome development is attributable to the commercial space in the project.

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 2). Subdivision 2 states that for owner-occupied housing, 95% of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirement for qualified mortgage bond projects under Section 143 (f) of the Internal Revenue Code. Section 143 (f) states that the income requirement for 1-2 person households is 100% of the area median income, and for 3+ person households, is 115% of area median income.

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. Previously city housing policy was contained in a number of documents which were approved at various times for specific reasons. Council action on June 18, 2004 adopted a Unified City of Minneapolis Housing Policy. This Policy shall be consistent with The Minneapolis Plan, goals 4.9.1 through 4.19.

The Central Avenue Lofts project is consistent with 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.

The Northeast Community is a primarily stable, residential part of the city with significant areas of industry at its edges. It is enhanced by Central Avenue, its proximity to downtown, the Mississippi River and its parks, and is a community that is becoming increasingly desirable as a place to live. Central Avenue is undergoing major renovation, with elements that include pedestrian lighting, landscaped medians, and safety through improved design of buildings and parking areas. Central Avenue is a “Commercial Corridor” because it has largely commercial zoned property, carries high volumes of automobile traffic, and retains a traditional urban form in the buildings and street orientation of businesses. The Minneapolis Plan supports strengthening its Commercial Corridors by encouraging new development along its corridors, promoting alternative uses such as mixed residential, office, and institutional uses, and by addressing issues of parking, traffic, transit, and circulation.

Eligibility Findings The proposed project qualifies as a Housing Tax Increment Financing District under Minnesota Statutes.

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

Method Proposed for Financing and Preliminary Budget
Modification No. 6 to the Central Avenue Redevelopment Plan
(Central Avenue Lofts)

Description of Project

Sherman Associates, Inc. proposes to redevelop the site on the southwest corner of Central Avenue and 24th Avenue N.E. which consists of an existing two-story building that serves as a US Bank branch office, including a drive-through facility for the bank, and a surface parking lot. The project will consist of the new construction of a 66-unit rental apartment building, ground floor commercial, underground parking and seven (7) for-sale townhouses. The apartments will be a combination of one, two and three bedroom units and will be affordable to households at 30%, 50%, and 60% median income as well as market rate units. Underground parking will have a total of 68 parking spaces and there will be a 42-space surface parking lot. The estimated total development cost of the rental project is \$13,557,500.

Total up-front project costs for the Central Avenue Lofts TIF District are estimated at \$13,557,500. These costs include new construction, acquisition, demolition, administration and other related project costs. Total estimated tax increment expenditures over time are estimated at \$3,100,000 which include Pay-As-You-Go Note Principal, Pay-As-You-Go Interest and Administration.

Central Avenue Lofts TIF District Budget

Sources	Up Front	Over Time
Developer Funds	\$ 1,250,000	
Tax Increment		\$ 3,100,000
Other		
Total Sources	\$ 1,250,000	\$ 3,100,000
Uses		
New Construction	\$ 1,250,000	
Pay-As-You-Go Note Principal		\$ 1,250,000
Pay-As-You-Go Note Interest		1,540,000
Administration		310,000
Total Uses	\$ 1,250,000	\$ 3,100,000

With pay-as-you-go tax increment financing, the developer finances eligible public redevelopment costs under contract with the City, in exchange for a note that pledges repayment of these costs, with interest, out of the tax increment revenue generated by the project. This approach reduces the financing risks for the City, since the developer

is only fully reimbursed if sufficient tax increment revenue is actually generated by the new development.

Sources of Revenue

Tax increment generated within the TIF District will be one source of public funds used to pay a portion of the public redevelopment costs associated with the Central Avenue Lofts Project. The estimated total development cost of the rental project is \$13,557,500. The estimated sources for the rental portion of the development is \$6.5 million first mortgage from US Bank, \$5.5 million of syndication equity from the sale of the low income housing tax credits, \$400,000 Affordable Housing Trust Fund, funds from MHFA in the amount of \$357,500 and \$140,000 developer's equity from the sale of the townhomes. A portion of the First Mortgage will be financed with a pay-as-you-go TIF note in an amount not to exceed \$1,250,000.