

**Adopting the St. Anne's Senior Housing Tax Increment Finance (TIF) Plan, and the St. Anne's Senior Housing Redevelopment Plan**

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

**Section 1. Recitals**

- 1.1 Pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Sections 31-34, and Minneapolis Code of Ordinances, Chapter 415, the City of Minneapolis (the "City"), acting by and through its department of Community Planning and Economic Development ("CPED"), has been granted 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 other laws enumerated therein (collectively, the "Project Laws").
- 1.2 It has been proposed and the City has prepared, and this Council has investigated the facts with respect to, a proposed new St. Anne's Senior Housing TIF Plan, and a proposed new St. Anne's Senior Housing Redevelopment Plan ("together, the Plans"). The Plans establish a new redevelopment project area, establish objectives for redevelopment, identify land uses for the redevelopment of the project area, authorize the creation of a new housing tax increment finance district, designate property to be included within the boundaries of the proposed TIF district, authorize public redevelopment activities, and establish a budget for expenditures, all pursuant to and in accordance with the Project Laws.
- 1.3 The City has 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.
- 1.4 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.

**Section 2. Findings for the Adoption of the Plans; Creation of TIF District**

- 2.1 The Council finds, determines and declares that the St. Anne's Senior Housing TIF District is a housing district pursuant to Minnesota Statutes, Section 469.174, Subdivision 11. The proposed district is located within the St. Anne's Senior Housing Redevelopment Project, in accordance with the provisions of Minnesota Statutes Sections 469.001 through 469.047.

- 2.2 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 MMI 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 MMI 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”.
- 2.3 The Council 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 City’s Affordable Housing Policy states that projects that receive City financial assistance must either make at least 20% of the total project units affordable to households earning 50% of MMI or below, pay \$80,000 per affordable unit (20% of total project units) into the Affordable Housing Trust Fund, or provide the affordable units at a different, but comparable location.
- 2.4 The Council finds, determines and declares that the St. Anne’s Senior Housing Project will contain 15 affordable rental units at 30% of Metropolitan Median Income (MMI) 33 affordable rental units at 50% of MMI, and 25 affordable rental units at or below 60% of MMI, for a total of 73 affordable rental units; therefore, the project complies with the City’s Affordable Housing Policy, which requires that at least 15.4 units be affordable to low or moderate income households (i.e. 20% of 77 units). It is further found that the proposed project meets all of the income requirements for a Housing TIF District, and the establishment of the St. Anne’s Senior Housing 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.
- 2.5 The Council further finds, determines and declares that the fair market value of the low and moderate income housing project constitutes 90.2 % of the total valuation of the improvements constructed in the St. Anne’s Senior Housing TIF District, pursuant to Minnesota Statutes, Section 469.174, Subdivision 11.
- 2.6 The Council further finds, determines and declares that the property to be included in the Redevelopment Project Area consists of 11 parcels including streets and alleys. Construction Management Specialist staff conducted inspections of the proposed redevelopment project area and TIF district. The proposed Redevelopment Project Area consists of six single family homes, three vacant lots and two commercial structures. All structures with the exception of one single family home and one commercial property are vacant. All of the structures are poorly maintained. One of the commercial properties is operating as a vehicle repair/tire service center. The three vacant lots are located on West Broadway.

The deterioration of the vacant parcels undermines the value of adjacent property, constitutes a repository for debris, is a fire hazard, and may attract vagrants and criminal elements of the population. The vacant space is not only an uneconomic use of inner city real estate, but is considered a blighting condition. The majority of the buildings were built in the early 1900's; one commercial property was built in 1955. Based on the age of all of the structures and the absence of testing, all may be assumed to contain lead-based paint. All but one of the single family homes appears to be vacant. Several are open to the elements, lacking storm windows, screen inserts and/or prime doors. All have the original prime window units and doors and show no evidence of sidewall insulation. The homes do not meet the current State of Minnesota Energy Code Requirements. The commercial property is not barrier free and lacks adequate fire safety components. The two commercial buildings appear to be connected; mixed use occupancy of this type of business requires a separation of space for fires which includes self closing doors between areas. Based on the exterior condition and past permits, this property does not appear to meet this requirement. It is therefore found that the existing residential and commercial buildings were found to be detrimental to the "safety, health, morals, or welfare of the community" by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or lack of ventilation.

- 2.7 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, and provides affordable rental housing opportunities for low and moderate income senior households. Adoption of the Plans is essential in order to finance a portion of the public redevelopment activities necessary to subsidize the extraordinary cost of providing affordable housing at this site. Rents are not sufficient to amortize the entire cost of this development. The proposed project meets the need for affordable housing, creates a strong statement of progress along West Broadway, and eliminates the blighting influences of vacant and irregularly-shaped parcels of land. Rental revenue from the project is not sufficient to amortize the entire cost of site assembly, site work and new construction. 100% of the tax increment goes to amortize additional debt and reduces the need for other housing subsidy resources. St. Anne's Senior Housing project addresses three critical city, county and regional priorities: (1) the increasing need for senior housing as the population ages, (2) recycling and renovating senior homes for sale to new homeowners, (3) revitalization of the important West Broadway/Highway 81 corridor with transit-oriented development, and the proposed development is a more appropriate and substantially higher value of this currently underused site.

Redevelopment of commercial corridors and already developed sites cost more than the rents can support. If the total project cost were to be supported totally by rental income from the housing and commercial space, the rents would be completely unaffordable to most seniors, and most Minneapolis renters. Further, West Broadway would lose a chance for a high impact development that serves current and future seniors, as well as the new homeowners who will be able to purchase their homes. Without the housing recycling component, many of the

homes would be purchased for use as rental units and the strongest affordable homeownership opportunities in our city would be lost.

The value of the tax increment financing will enable the St. Anne's Senior Housing development to offer a range of housing opportunities, including affordable rental units for senior citizens. This financing source is critical to ensuring the project is a financially viable long-term asset for the community. As the financial tools to support mixed-income, mixed-use development projects become more limited, the ability to recapture the value of the tax increment to capitalize the development is necessary to make this important project a reality. Without the tax increment financing, the project would be abandoned, as it is not possible to replace the revenue from the tax increment with any other available and attainable resource.

- 2.8 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.
- 2.9 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.
- 2.10 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 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 on page 15. 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 that the development in this TIF District could not occur solely through private investment within the foreseeable future.
- 2.11 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 St. Anne's Senior Housing TIF District. The election provided in the Minnesota Statutes Section 469.177, Subdivision 3, paragraph (a) is elected.
- 2.12 The Council finds additional public benefits will include blight remediation, tax base enhancement, 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 senior housing project which will provide needed rental housing for low and moderate income senior households.

2.13 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.

2.14 The Council hereby finds, determines and declares that the objectives and actions authorized by the Plans are consistent with the undertaking of a redevelopment project area and housing TIF district, all pursuant to and in accordance with the Laws.

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

3.1 Based upon the findings set forth in Section 2, the St. Anne's Senior Housing TIF Plan, and the St. Anne's Senior Housing Redevelopment 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 City'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.