

PROPOSED RESOLUTION  
of the  
CITY OF MINNEAPOLIS

**Adopting the Central Avenue Lofts Tax Increment Finance (TIF) Plan,  
Modification No 6 to the Central Avenue Redevelopment Plan, and  
Modification No 107 to the Common Development and Redevelopment and  
Common Tax Increment Financing Plans**

**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, has been granted the authority to propose and implement city development districts, housing and redevelopment projects and tax increment financing ("TIF") 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 By Resolution duly adopted August 26, 1983, the City approved the Central Avenue Redevelopment Plan which was subsequently modified by Modifications 1 through 5. Further, by Resolution No 89R-530 duly adopted December 15, 1989 and approved December 21, 1989, the City approved the Common Development and Redevelopment and Common TIF Plan (the "Common Plans"). The project area established by the Central Avenue Redevelopment Plan (the "Project Area") is geographically located within the Project Area established by the Common Plans (the "Common Project"). The parcels included in the proposed modification to the Central Avenue Redevelopment and Common Plans are intended to remain within the existing Project Area, but the new tax increment financing district is not being incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments. Rather, it is being created as a free-standing TIF district.
- 1.3 It has been proposed and the City has prepared, and this Council has investigated the facts with respect to, a proposed Central Avenue Lofts TIF Plan, Modification No 6 to the Central Avenue Redevelopment Plan, and a proposed Modification No 107 to the Common Plans ("collectively, the Plans"). The Plans create a new TIF district and modify the existing Central Avenue Redevelopment 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 TIF district, indicate land uses, 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.

- 1.4 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.
- 1.5 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**

- 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 Project 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 and TIF District by private enterprise, as the proposed development facilitates rental and homeownership opportunities for low and moderate income households, and is necessary in order to finance a portion of the public redevelopment activities essential 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; to enhance the city's tax base; to 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 rental housing at this site.
- 2.3 The Council further finds, determines and declares that the Central Avenue Lofts TIF District is a housing district pursuant to Minnesota Statutes, Section 469.174, Subdivision 11, and 469.1761, Subdivisions 1 and 2. The proposed district is located within the Central Avenue Redevelopment Project, in accordance with the provisions of Minnesota Statutes Sections 469.001 through 469.047.
- 2.4 The Council hereby finds, determines and declares that the City adopted a Unified Housing Policy which recognizes the serious shortage of affordable housing in Minneapolis and puts forth the goal to "grow the population and to have no net loss of housing across all income levels". The Unified Housing Policy also states the City will focus on linking incentives to housing opportunities in proximity to jobs and transit. Development of the project will benefit residents by providing more housing choices as the project will provide new quality housing to low and moderate income residents located directly on a major transit and central commercial corridor.

Since there will be 14 units at or below 50% of MMI<sup>1</sup>, this project complies with the City Affordable Housing Policy, which would require at least 13 affordable units (i.e. 20% of 66). In addition, there will be 39 units affordable at or below 60% of area median income for a total of 53 low income (80%) affordable units. Eight units are being targeted for Section 8 residents. The sales price for each of the seven market rate ownership townhomes is estimated to be in the low to mid-\$200,000 range. 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. It is therefore found that the establishment of the Central Avenue Lofts TIF District is fully justified to facilitate public development activities and expenditures to lessen the current shortage of decent, safe, and affordable housing for low and moderate income households in Minneapolis.

- 2.5 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 projected that the gross square footage of the Central Avenue Lofts building and townhome development will be 133,743 total square feet of which up to 15,118 square feet may be commercial space. This means that approximately 11.3% of the total square footage of the complete development may be attributable to the commercial space in the project.
- 2.6 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.
- 2.7 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 increment 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

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<sup>1</sup> Metropolitan Median Income

remain at its present level. The calculations necessary to pass this test are contained in the TIF Plan. The public redevelopment activity, expenditures, and market values associated with the development proposed in the TIF 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 proposed development in this TIF District could not occur solely through private investment within the foreseeable future. The Council further finds, determines and declares that the land in the Project Area and TIF District would not be made available for development without the financial aid to be sought.

- 2.8 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 Central Avenue Lofts TIF District. Due to the level of required subsidy for this project, using a portion of the tax increment generated from this project to pay fiscal disparities is not financially viable and would stop the proposed project from developing. The election provided in the Minnesota Statutes Section 469.177, Subdivision 3, paragraph (a) is elected.
- 2.9 The Council finds additional public benefits will include provision of affordable housing units, 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 mixed-use rental and homeownership housing project that includes ground floor commercial space, and will provide needed housing for moderate and low income persons and families.
- 2.10 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.

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

- 3.1 Based upon the findings set forth in Section 2 hereof, the Central Avenue Lofts TIF Plan, Modification No 6 to the Central Avenue Redevelopment Plan, and Modification No 107 to the Common Plans 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.

# RESOLUTION

of the

## CITY OF MINNEAPOLIS

By \_\_\_\_\_

**Authorizing the issuance of a tax increment limited revenue note in a principal amount not exceeding \$1,100,000 in connection with the Central Avenue Lofts Mixed-Use Project within the Central Avenue Redevelopment Project Area.**

Whereas, the City of Minneapolis (the "City"), a Minnesota municipal corporation, acting pursuant to Laws of Minnesota 2003, Chapter 127, Article 12, Section 31 and Minneapolis Code of Ordinances, Title 16, Chapter 415, as amended, has certain powers, including without limitation the powers contained in Minnesota Statutes, Sections 469.001 to 469.047 (the "HRA Act"), and Minnesota Statutes, Sections 469.174 to 469.179 (the "Tax Increment Act"); and

Whereas, in furtherance of the objectives of the HRA Act, the City has undertaken programs for the clearance and reconstruction or rehabilitation of blighted areas of the City and the development of development of housing for persons of low and moderate incomes, and in this connection the City is engaged in carrying out a redevelopment project known as the Central Avenue Lofts Redevelopment project (the "Project"); and

Whereas, pursuant to the HRA Act and Tax Increment Act, the City has approved Modification No. 6 (Central Avenue Lofts) to the Central Avenue Redevelopment Plan dated \_\_\_\_\_, 2006, and adopted on \_\_\_\_\_, 2006, and the Central Avenue Lofts Tax Increment Finance Plan dated \_\_\_\_\_, 2006, and adopted \_\_\_\_\_, 2006.

Whereas, pursuant to the Tax Increment Act, and specifically Section 469.178, subd 4, the City is authorized to issue its tax increment limited revenue notes to finance the public redevelopment costs of the Project; and

Whereas, the City has entered or will enter into a redevelopment contract (the "Redevelopment Contract") with Central Avenue Lofts Limited Partnership, a Minnesota limited partnership, or its affiliated entity (the "Developer"), pursuant to which the City will provide tax increment financing assistance and the Developer will develop an affordable housing project with approximately 66 rental units and 15,118 square feet of commercial/retail space;

Now, Therefore, Be It Resolved by the City Council of the City of Minneapolis:

1. That it is desirable that the City issue a tax increment limited revenue note (the "TIF Note") in substantially the following form:

UNITED STATES OF AMERICA

STATE OF MINNESOTA  
COUNTY OF HENNEPIN  
CITY OF MINNEAPOLIS

TAX INCREMENT LIMITED REVENUE NOTE  
(Central Avenue Lofts Project)

The CITY OF MINNEAPOLIS (the "City"), hereby acknowledges itself to be obligated and, for value received, promises to pay to the order of Central Avenue Lofts Limited Partnership, a Minnesota limited partnership (the "Developer"), solely from the source, to the extent and in the manner hereinafter provided, the principal amount of this TIF Note, being One Million One Hundred Thousand and No/100 Dollars (\$1,100,000), or such lesser amount as may equal the Public Development Costs, with interest at the TIF Note Rate, in the installments specified in this TIF Note, on the Payment Dates.

Capitalized terms not elsewhere defined in this TIF Note shall have the following meanings, and if not defined herein, shall have the meanings assigned them in the Contract:

**"Available Tax Increment"** means the Tax Increment received by the City during the period preceding each Payment Date, less (i) the amount of Tax Increment, if any, which the City must pay to the school district, the county and the state pursuant to *Minnesota Statutes*, Sections 469.177, Subds. 9, 10, and 11; 469.176, Subd. 4h; and 469.175, Subd. 1a, as the same may be amended from time to time; and (ii) administrative costs of the City in an amount not to exceed 10% of the Tax Increment.

**"Contract"** means that certain Contract for Private Redevelopment by and between the City and the Developer dated \_\_\_\_\_.

**"District"** means the Central Avenue Lofts Tax Increment Finance District as defined in the Central Avenue Lofts Tax Increment Finance Plan adopted by the City on \_\_\_\_\_, 2006 (the "TIF Plan").

**"Improvements"** shall have the meaning given to Minimum Improvements in the Contract.

**"Interest Start Date"** means the date when interest begins to accrue on the TIF Note, which date will be the date when the City has issued the Public Redevelopment Costs Certification.

**"Maturity Date"** means the earlier of (i) the final year of Tax Increment collection from the District as provided in the TIF Plan, or (ii) the date when the principal and interest amount of this TIF Note has been paid in full.

**"Payment Date"** means August 1 of the year of first increment collection from the District and each August 1 and February 1 thereafter until the Maturity Date.

**"Property"** shall have the meaning given to it in the Contract.

**"Public Redevelopment Costs"** shall have the meaning given to it in the Contract.

**"Public Redevelopment Costs Certification"** means the certification of Public Development Costs to be issued by the City pursuant to Section 4.01(b) of the Contract.

**"Tax Increment"** means that portion of the real property taxes generated by the Property and the Minimum Improvements that is actually remitted to the City as tax increment under the Tax Increment Act.

**"Tax Increment Act"** means Minnesota Statutes, Sections 469.174 - 469.179, as amended, or any successor statutes applicable to the District.

**"TIF Note Rate"** means a 7% per annum interest rate, based upon a 360-day year, compounded semiannually.

On any Payment Date the Available Tax Increment will be expended in the following order:

- (1) Payment of interest which has accrued on the outstanding principal balance of this TIF Note since the last Payment Date (or the Interest Start Date if this is the first Payment Date). Any amount of accrued interest which is not paid on that date will be added to the outstanding principal balance of this TIF Note (capitalized).
- (2) Any remaining Available Tax Increment will then be used to pay principal on the TIF Note.

If the Developer is in default under the Contract, and such default has not been cured within the time period provided in the Contract, then the City may suspend payments on this TIF Note until the default is cured or the Contract and the City's obligations under this TIF Note are terminated. The City shall have no obligation to pay principal of and interest on this TIF Note from any source other than Available Tax Increment. Failure of the City to pay the interest on and the principal of this TIF Note shall not constitute a default hereunder so long as the City pays principal and interest hereon to the extent of the Available Tax Increment.

Interest shall accrue on this TIF Note from the Interest Start Date. Each payment under this TIF Note, whether a scheduled payment or any other payment, must be applied first to accrued unpaid interest and then to the unpaid principal amount of this TIF Note.

On the Maturity Date, this TIF Note shall be deemed paid in full and the City shall have no further obligation under this TIF Note even if the aggregate of the Available Tax Increment that has actually been paid to the Developer on the Payment Dates is less

than the full principal and interest amount of this TIF Note. The obligation of the City to make any scheduled payment shall terminate if and to the extent that the full principal and interest amount of this TIF Note has been paid in full. This TIF Note may be prepaid in full or in part at any time without penalty.

Each payment on this TIF Note is payable in any coin or currency of the United States of America which on the date of such payment is legal tender for public and private debts and must be made by check or draft made payable to the Developer and mailed to the Developer at 1525 South 4<sup>th</sup> Street, Suite 201, Minneapolis, Minnesota 55404, or such other address as the Developer provides in writing to the City's notice address as set forth in the Contract or by wire transfer according to written wire transfer instructions from the Developer.

This TIF Note is a special and limited obligation and not a general obligation of the City, which has been issued by the City pursuant to and in full conformity with the Constitution and laws of the State of Minnesota, including Minnesota Statutes, Section 469.178, subdivision 4, to aid in financing a "project," as therein defined, of the City consisting generally of defraying certain public redevelopment costs incurred by the Developer within and for the benefit of the Project.

**THIS TIF NOTE IS NOT A DEBT OF THE STATE OF MINNESOTA (THE "STATE"), OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF MINNEAPOLIS, MINNESOTA (THE "CITY"), EXCEPT THAT THE CITY SHALL BE OBLIGATED TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT, AND NEITHER THE STATE NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, SHALL BE LIABLE ON THIS TIF NOTE, EXCEPT FOR THE CITY'S OBLIGATION TO MAKE PAYMENTS FROM AVAILABLE TAX INCREMENT, NOR SHALL THIS TIF NOTE BE PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN AVAILABLE TAX INCREMENT.**

This TIF Note shall not be transferred to any person, unless the City has been provided with an opinion of counsel acceptable to the City that such transfer is exempt from registration and official statement delivery requirements of federal and applicable state securities law and an investment letter executed by the proposed transferee in a form reasonably acceptable to the City.

This TIF Note shall not be payable from or constitute a charge upon any funds of the City, and the City shall not be subject to any liability hereon or be deemed to have obligated itself to pay hereon from any funds except the Available Tax Increment, and then only to the extent and in the manner herein specified.

The Developer shall never have or be deemed to have the right to compel any exercise of any taxing power of the City or of any other public body, and neither the City nor any person executing or registering this TIF Note shall be liable personally hereon by reason of the issuance of registration thereof or otherwise.

**IT IS HEREBY CERTIFIED AND RECITED** that all acts, conditions and things required by the Constitution and the laws of the State of Minnesota to be done, to have

happened, and to be performed precedent to and in the issuance of this TIF Note have been done, have happened, and have been performed in regular and due form, time, and manner as required by law; that this TIF Note is issued pursuant to the Tax Increment Act; and that this TIF Note together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the Agency to exceed any constitutional or statutory limitation thereon.

**IN WITNESS WHEREOF**, the City of Minneapolis, by action of its Mayor and City Council, has caused this TIF Note to be executed by the manual signature of the Finance Officer of the City; and has caused this TIF Note to be dated \_\_\_\_\_, 20\_\_\_\_.

**CITY OF MINNEAPOLIS**

By \_\_\_\_\_  
Patrick Born, City Finance Officer

Department Head Responsible  
For Monitoring Contract:

\_\_\_\_\_  
CPED Director of Housing Policy  
and Development

Approved as to form:

\_\_\_\_\_  
Assistant City Attorney

2. Be It Further Resolved that the form of the TIF Note is hereby approved and shall be executed by the City Finance Officer in substantially the form on file, with such changes therein not inconsistent with law as the officers may approve, which approval shall be conclusively evidenced by the execution thereof.
3. Be It Further Resolved that all actions of the members, employees and staff of the City heretofore taken in furtherance of the issuance of the TIF Note are hereby approved, ratified and confirmed.
4. Be It Further Resolved that the sale of said TIF Note to the Developer is hereby approved; and the TIF Note is hereby directed to be sold to the Developer, at the price and rate set forth in the TIF Note, and upon the terms and conditions set forth in the Redevelopment Contract.
5. Be It Further Resolved that the City Finance Officer, is hereby authorized and directed to execute such other documents, agreements and certificates as may be required in connection with the TIF Note.
6. Be It Further Resolved that no provision, covenant or agreement contained in the TIF Note or in any other document related to the TIF Note, and no obligation therein or herein imposed upon the City or the breach thereof, shall constitute or give rise to any pecuniary liability of the City or any charge upon its general credit or taxing powers. In making the agreements, provisions, covenants and representations set forth in such documents, the City has not obligated itself to pay or remit any funds or revenues, other than funds and revenues derived from the tax increment revenues that are to be applied to the payment of the TIF Note, as provided therein and in the Redevelopment Contract. The TIF Note shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property or funds of the City, except the revenue pledged to the payment thereof, nor shall the City be subject to any liability thereon. The holders of the TIF Note shall never have the right to compel any exercise of the taxing power of the City to pay the outstanding principal on the TIF Note or the interest thereon, or to enforce payment thereon against any property of the City. The TIF Note shall not constitute a payment thereon against any property of the City. The TIF Note shall not constitute a debt of the City within the meaning of any constitutional or statutory limitation.
7. Be It Further Resolved that the TIF Note, when executed and delivered, shall contain a recital that it is issued pursuant to the Tax Increment Act, and such recital shall be conclusive evidence of the validity of the TIF Note and the regularity of the issuance thereof, and that all acts, conditions and things required by the laws of the State of Minnesota relating to the adoption of the resolution, to the issuance of the TIF Note and to the execution of the aforementioned documents to happen, exist and be performed precedent to and in the enactment of this resolution, and precedent to issuance of the TIF Note and precedent to the execution of the aforementioned documents have happened, exist and have been performed as so required by law.

8. Be It Further Resolved that except as herein otherwise expressly provided, nothing in this resolution, the TIF Note or the Redevelopment Contract, expressed or implied, is intended or shall be construed to confer upon any person or firm or corporation other than the City and the Developer any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof or of the TIF Note and Redevelopment Contract; this resolution, the TIF Note, the Redevelopment Contract and all of their provisions being intended to be and being for the sole and exclusive benefit of the City and the Developer.
9. Be It Further Resolved that in case any one or more of the provisions of this resolution, the TIF Note or the Redevelopment Contract shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this resolution, the TIF Note or the Redevelopment Contract.
10. Be It Further Resolved that this resolution shall be in full force and effect from and after its passage.