



**Van Cleve Redevelopment
Tax Increment Finance Plan**

March 16, 2007

Prepared by the Development Finance Division
Finance Department, City of Minneapolis
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Van Cleve Redevelopment Tax Increment Finance Plan

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Introduction

Four plan documents have been prepared that are related to a proposed multi-phased rental and homeownership housing project in the Como neighborhood in southeast Minneapolis: the Van Cleve Redevelopment Plan, and three Van Cleve Tax Increment Finance (“TIF”) Plans (the “Plans”).

The Van Cleve Redevelopment Plan establishes a new redevelopment project area encompassing the development site, establishes objectives for redevelopment, and identifies future land uses for the project area.

This plan document, the **Van Cleve Redevelopment Tax Increment Finance Plan**, creates a new redevelopment tax increment financing district within the redevelopment project area to finance the anticipated costs of public redevelopment activities, and establishes a project budget.

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary

This plan establishes a new redevelopment TIF district to be designated as the Van Cleve Redevelopment TIF District. The proposed TIF District is located in the Como Neighborhood and University Community in Ward 2 of Southeast Minneapolis. The TIF District includes portions of 4 tax parcels and 1 complete tax parcel located within the boundary of the newly created Van Cleve Redevelopment Project Area.

The portions of four tax parcels and the complete tax parcel included in the Van Cleve Redevelopment TIF District are generally described as the easterly portions of 941 13th Avenue SE, 935 13th Avenue SE, 917-919 13th Avenue SE, a portion of 932 12th Avenue SE lying south of Brook Avenue SE and all of 901 13th Avenue SE:

| Property Identification Number | Address |
|---------------------------------------|-------------------------------------|
| 24-029-24-13-0010 | 917-919 13 th Avenue SE* |
| 24-029-24-13-0011 | 935 13 th Avenue SE* |
| 24-029-24-13-0012 | 941 13 th Avenue SE* |
| 24-029-24-13-0013 | 932 12 th Avenue SE* |
| 24-029-24-13-0015 | 901 13 th Avenue SE |

* replat (reconfiguration of tax parcels) in process

A map showing the boundary of the proposed Van Cleve Redevelopment TIF District has been attached as Exhibit 1 to this Plan. The Project Area Report, which documents the eligibility of this site for the establishment of a Redevelopment TIF District, is attached as Exhibit 2 to this Plan.

II. Statement of Objectives

The objectives for this project are described in Section II. B. of the Van Cleve Redevelopment Plan. The City of Minneapolis seeks to achieve the following objectives through the Van Cleve Redevelopment Plan:

- 1) Eliminate blighting influences which impede potential development
- 2) Alleviate a shortage of decent, safe and sanitary housing for persons of low or moderate income and their families.
- 3) Increase the number of housing units and choices within the city.
- 4) Remediate site contamination in accordance with state and federal regulations.
- 5) Support strong and diverse neighborhoods where people choose to live.

Public purposes of the Van Cleve Redevelopment Plan include accommodation of growth/density along an identified corridor, facilitation of improved access to public transportation, and the City's goal of creating affordable housing.

- redevelopment of a vacant, underused, blighted area
- provision of affordable rental and homeownership opportunities
- job creation
- property tax generation
- pollution remediation
- adaptive reuse

III. Development Program

A. Description of Development Program

The purpose of this plan is to authorize the use of tax increment revenue to pay for public redevelopment activity which may include acquisition, parking, and eligible administration costs.

Project for Pride in Living, Inc. (PPL) has proposed redevelopment of the Bunge Grain Elevator site near 13th Avenue and Como Avenue SE. The entire project is a three-phase income-integrated development that may eventually include 236 housing units, consisting of rental and condo apartments and townhouses (85 rental and 151 ownership). PPL is planning the adaptive reuse of the landmark "headhouse" (a rectilinear

vertical structure used for grain distribution) for housing and will also be constructing four new residential buildings as part of this development. The project will have 85 rental units affordable at or below 50% of Metropolitan Median Income (MMI) and 5 Habitat for Humanity townhomes, which exceeds the 20% requirement under the City Affordable Housing Policy.

The **Van Cleve Redevelopment TIF** project includes the development of 151 ownership units. Of this total, approximately 139 units will be market rate units that will be developed in the preserved “headhouse” structure by a partnership consisting of PPL and a group headed by Jeffrey Laux. There will also be 12 new townhomes, 7 of which will be developed by PPL and 5 by Habitat for Humanity.

The five Habitat Townhomes will be served by five single stall, tuck-under garages. The for-sale condos will be served by a single underground parking facility. This two level parking facility will be below Building D but provide direct access to both buildings. The underground facility will have 144 stalls, serving 146 units. In addition, a surface parking lot adjacent to Building F will contain 29 stalls to serve Building F. A site plan and elevations of the project are attached as Exhibit #3.

The multi-phased project, including the rental segments of the project, requires numerous funding sources including tax increment financing. PPL has successfully developed similar projects and has demonstrated an ability to work with the City. PPL’s mission is to assist lower-income individuals and families to work toward self-sufficiency by providing housing, jobs and training, utilizing a variety of several integrated programs. Environmental remediation of the site will be required, utilizing grant funds that have been secured from the Metropolitan Council and Hennepin County. PPL was awarded \$1,334,323 in Livable Communities funds (LCDA) from the Metropolitan Council for infrastructure costs.

A rezoning of the site was approved at City Council on January 22, 2007 to add the (Industrial Living Overlay District) to the existing I-1 Industrial base zoning in order to allow for the residential uses proposed by this development. The remainder of the land use approvals were approved by the City Planning Commission on December 18, 2006.

The Heritage Preservation Commission (HPC) reviewed the project on November 14, 2006 and approved issuance of a Historic Resource Demolition permit.¹ A federal environmental assessment for the project was conducted related to federal assistance that will be provided to this project and it has been submitted to HUD. Phase I and II environmental

¹ A Memorandum of Agreement has been entered into by the City, the HPC, SHPO, PPL and the Southeast Como Improvement Association regarding historical review.

site assessments to assess soil pollution and environmental noise due to the proximity of the railroad have also been conducted.

B. List of Property That May Be Acquired

No property within the Project Area has been identified for acquisition by the City of Minneapolis. The PPL-Cabrini partnership purchased the property for the Van Cleve project from the Bunge Corporation in May 2006 in anticipation of this redevelopment.

C. Development Activity for which Contracts Have Been Signed

As of the date of the preparation of this plan, the City of Minneapolis has not yet entered into any redevelopment contracts related to these activities. It is anticipated that a development agreement will be executed with PPL as Master Developer for the entire Van Cleve Redevelopment Plan area.

D. Other Development Activity

Other future redevelopment activity will take place in stages within the Van Cleve Redevelopment Project Area, and are described in the accompanying plans related to the separate developments. Any activities or expenditures not identified in these plans, or consistent with the plan objectives and budget included herein, would require a modification of this plan, pursuant to Minnesota Statutes Section 469.175, Subdivision 4.

IV. Description of Financing

The purpose of this plan is to authorize the use of tax increment revenue to pay for public redevelopment activity which may include acquisition, parking, and eligible administration costs.

It is anticipated that tax exempt tax-increment revenue bonds will be issued by the City to finance public redevelopment costs incurred by PPL with respect to the ownership units and up to 15% of the proceeds would be pooled to pay for excess public redevelopment costs incurred by PPL with respect to the affordable rental housing units. If the issuance of tax-exempt tax-increment revenue bonds becomes inefficient or infeasible, the City may finance such public redevelopment costs with pay as you go tax increment financing.

The figures, sources and methods of financing identified in this finance 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 project costs or bonded indebtedness of this

project beyond the amounts listed herein, a modification to this plan might be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan.

A. Project Costs

Total up-front project costs for the Van Cleve Redevelopment TIF District are estimated at \$3,600,000. These costs include: land acquisition, parking (both inside the district and outside the district), capitalized interest, debt service reserve, bond discount, and bond cost of issuance. Total estimated expenditures over time are estimated at \$7,604,000 which includes bond principal, bond interest and eligible administration.

Van Cleve Redevelopment TIF District Budget

| Sources | Up Front | Over Time |
|---------------------------------|---------------------|---------------------|
| Par Amount of Bonds | \$ 3,600,000 | --- |
| Tax Increment | --- | \$ 7,500,000 |
| Capitalized Interest | --- | 104,000 |
| Total Sources | \$ 3,600,000 | \$7,604,000 |
| Uses | | |
| Acquisition inside the district | \$ 1,456,000 | |
| Parking inside the district | 1,069,500 | |
| Parking outside the district | 445,500 | |
| Capitalized Interest | 104,000 | |
| Debt Service Reserve | 325,000 | |
| Bond Discount | 125,000 | |
| Bond Costs of Issuance | 75,000 | |
| Bond Principal | | \$ 3,600,000 |
| Bond Interest | | 3,254,000 |
| Administration | | 750,000 |
| Total Uses | \$ 3,600,000 | \$ 7,604,000 |

B. Bonded Indebtedness

It is anticipated that tax exempt tax-increment revenue bonds will be issued by the City, in an amount not to exceed \$3,600,000. Bond proceeds will be used to finance public redevelopment costs incurred by PPL with respect to the ownership units and up to 15% of the proceeds would be spent outside the TIF district but within the project area (pooled) to pay for excess public redevelopment costs incurred by PPL with respect to the affordable rental housing units.

C. 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 Van Cleve Redevelopment Project.

D. Original Net Tax Capacity

The current estimated market value of the tax parcels included in the TIF district is \$1,006,140. This will result in an original net tax capacity of approximately \$10,061, upon property reclassification.

E. Estimated Captured Net Tax Capacity at Completion

Upon completion of the development, it is anticipated that the estimated market value of taxable property in the District will increase from \$1,006,140 to approximately \$ 31,697,733. This represents an increase of \$30,691,593 and will result in a total net tax capacity of approximately \$316, 977 and an estimated captured net tax capacity of \$306,916.

Based upon a total local tax rate of approximately 119.000%, this will generate an estimated annual gross tax increment payment of \$363,915, excluding the deduction for the State Auditor fee.

F. Duration of District

The Van Cleve Redevelopment TIF District is a Redevelopment 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 district be taken from outside the Van Cleve Redevelopment TIF District. The election provided in Minnesota Statutes Section 469.177, Subdivision 3, Paragraph (a) of the Minnesota Tax Increment Financing Act is elected. Due to the level of required subsidy for this project, choosing election (b) i.e. 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.

H. Original Tax Capacity Rate

The Original Tax Capacity Rate for this district will be the local tax capacity rate for taxes payable (TP) 2007, which was not known at the time this TIF Plan was prepared. For tax increment projection purposes, a total tax rate of 119.00% has been used in the TIF Plan. For project and impact

purposes (see Section VI), the tax rate for taxes payable in 2006 has been used.

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.

Prior to approval of this plan by the City of Minneapolis, the developer applied for and received a permit to demolish a portion of the site containing the hazardous grain elevators. These remediation and demolition permits alone will not add any value to the base value of the parcel.

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.

V. Type of Tax Increment Financing District

The proposed Van Cleve Redevelopment TIF District is a “Redevelopment District” as defined in Minnesota Statutes Section 469.174 Subdivision Minnesota Statutes Section 469.174, Subdivision 10.

"Redevelopment district" means a type of tax increment financing district consisting of a project, or portions of a project, within which the authority finds by resolution that one or more of the following conditions, reasonably distributed throughout the district, exists:

- (1) Parcels consisting of 70 percent of the area of the district are occupied by buildings, streets, utilities, paved or gravel parking lots, or other similar structures and more than 50 percent of the buildings, not including outbuildings, are structurally substandard to a degree requiring substantial renovation or clearance.

“Structurally substandard” shall mean containing defects in structural elements or a combination of deficiencies in essential utilities and facilities, light and ventilation, fire protection including adequate egress, layout and condition of interior partitions, or similar factors, which defects or deficiencies are of sufficient total significance to justify substantial renovation or clearance.

A building is not structurally substandard if it is in compliance with the building code applicable to new buildings or could be modified to satisfy

the building code at a cost of less than 15% of the cost of constructing a new structure of the same square footage and type on the site.

Additional information about the eligibility of the project for inclusion in a redevelopment TIF district can be found in the Project Area Report and Documentation of Eligibility, attached as Exhibit 2 to this Plan.

VI. Estimated Impact on Other Taxing Jurisdictions

It is the position of the City of Minneapolis that the redevelopment of the property included in this TIF District would not occur as proposed without the tax increment financing assistance to be provided.

Nevertheless, if it is assumed for the purpose of analysis that the proposed development described herein would occur without 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 2006 | Property Tax Revenues Resulting from \$306,916 Captured Tax Capacity |
|----------------------------|--------------------------------|--|
| City of Minneapolis | 58.433% | \$179,340 |
| Hennepin County | 36.394% | 111,699 |
| Special School District #1 | 25.574% | 78,491 |
| Other Taxing Jurisdiction | 7.579% | 23,261 |
| Total | 127.980% | \$ 392,791 |

Fiscal calculations contained in this Plan are based upon the current property tax formulas and property values, and an estimate of the likely assessed market value of the proposed new development. This was the best information available at the time that this plan was prepared.

Fiscal and Economic Implications of Proposed TIF District

The estimated amount of total tax increment that would be generated over the life of the district is \$7,604,000.

A description of the probable impact of the district on city-provided services such as police and fire protection, public infrastructure, and borrowing costs attributable to the district is projected to be minor.

The estimated amount of tax increment generated over the life of the district that would be attributable to school district levies, assuming the school district's

share (19.98%) of the total local tax rate for all taxing jurisdictions remained the same is \$1,897,297.

The estimated amount of tax increment generated over the life of the district that would be attributable to county levies, assuming the county's share (28.44%) of the total local tax rate for all taxing jurisdictions remained the same is \$2,700,657.

As of the date of this TIF Plan, neither the County or School District have requested any additional information which could assist them in determining additional costs that may accrue due to the development in the TIF district.

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 TIF 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.

If tax increment financing is not provided, the project both in the short term and the long term would face detrimental delays and would likely not move forward. The project budget demonstrates the critical need for TIF financing. Specifically, the budget shows costs in excess of project revenues. In order to complete the project, funding from a variety of public sources must be committed.

There are several project features, unrelated to the building decisions, which are resulting in higher development costs. The first of these is the "redevelopment nature" of the project. It is without question more costly to redevelop an existing industrial parcel than to work with undeveloped land. The acquisition of existing buildings, the assembly of a parcel of sufficient size, the increased environmental testing and remediation, and the demolition of the existing buildings all add to the cost of the project. By enlarging the size of the project and including for-sale units in the mix, those substantial costs were spread out over a larger number of units and have significantly mitigated the site cost to the housing units. Nonetheless, these costs have driven the costs higher than traditional developments.

This project will also involve changes to the existing infrastructure, in particular building roads, sidewalks, alleys, lighting, and adding sewer and water connections.

Finally, the constrained nature and high cost of the site and its location in a neighborhood with little opportunity for street parking have made underground parking the only viable option for the project. Underground parking has the advantages of allowing the non-built parts of the site to be developed as landscaping rather than asphalt and of permitting easy access to the apartments by handicapped or mobility-impaired residents or visitors.

As stated, these costs exceed the project revenue. Furthermore, the costs outlined above would be faced by any redevelopment project at this site. Therefore, in order to stimulate development at this distressed site, public subsidy must be provided.

Given the necessity for public investment, if TIF financing were not provided, the proposed redevelopment of the site would not move forward as planned. PPL and Cabrini Partnership have obtained funding from a multitude of sources. Yet, there is still a large amount of TIF financing needed in order to make the project viable. If TIF financing is not approved, it is not possible for PPL and Cabrini Partnership to raise the needed revenue from other sources. Therefore, the project would have to be abandoned. Since PPL and Cabrini Partnership own the project site, they would optimize a resale, and proceed with plans to tear down the elevators. They have been advised that removing the elevators will increase the site value, and they would be attempting to recover acquisition and demolition costs. They confront a timing constraint in the use of low income housing tax credit syndication proceeds for Van Cleve Apartments East², and must commit to construction of this building early in 2007. If it is necessary to begin this building and TIF is not approved, PPL and Cabrini Partnership will need to find alternate funds for the bridge funding they are providing. If TIF financing was denied after the construction of the first rental building began, PPL would have to sell the remaining parcels, recouping as much of their initial investment as possible.

The project is consistent with development objectives set forth in the Minneapolis Tax Increment Policy in that it will expand the City's tax base, provide for new and unique affordable housing that is consistent with the desire of the neighborhood leadership, will be developed on an otherwise vacant and currently contaminated site, and will create jobs. The proposed development will address an underutilized site located close to a major transit bus line.

The developer believes the amount of tax increment financing requested is reasonable when compared to the expenses for the project, and believes that

² *Affordable rents are not sufficient to amortize the entire cost of this development.*

they have explored all other options to secure financing for these costs prior to making the request for tax increment financing from the City.

Without tax increment financing, the project cannot proceed as a result of a gap due to the affordability of the rental units, environmental costs, and the cost of underground parking. The overall Van Cleve project more than meets the required number of affordable units (20% of 236 units would require 48 affordable units).

The Unified Housing Policy adopted by the City 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 affordable housing component will provide new quality housing to low to moderate income residents at a location with access to employment opportunities, public facilities, and transportation. The site is ideally located near jobs, public transportation, the University of Minnesota, existing services, and is within walking distance of schools, a large neighborhood park, and businesses. The site is well suited for the proposed use. The surrounding uses are primarily residential, both rental and ownership, and a modest degree of commercial activity³. It is believed that this project marks a creative reuse of an abandoned industrial site and adaptive reuse of some landmark structures. If not redeveloped, it will continue to be a blighting influence on the neighborhood.

Public funds will stimulate investment in a blighted market. The investment of public funds which will allow development of this area, will create a strong tax base, bring the stability of additional homeowners to the area, add value to the surrounding property, and add consumer dollars to the commercial corridor. In addition, this project will add density along a transportation corridor near the city’s center, stimulating use of metro transit.

A potential tax increment financing district site must also pass a "market value" test in order to make a finding that development could not occur without tax increment assistance. The calculations necessary to pass this test are contained on the following page of this plan. As shown there, the public redevelopment activity, expenditures, and market values associated with the development that is

³ The University of Minnesota/SEMI area is a designated Growth Center and 16th Avenue SE and Como Avenue SE is a designated Neighborhood Commercial Node in the City’s comprehensive plan. As a Growth Center, the comprehensive plan supports increased housing types and densities in the neighborhoods in and around the University of Minnesota. Increased housing density and a mix of housing types with both owner-occupied and rental units at this location will help to bring a greater range of housing options to the neighborhood and will help to support the small-scale commercial node at 16th and Como. The proposed project is also located within a block of a high-frequency bus line and will help to encourage transit ridership.

proposed in this plan results in a series of calculations and figures that clearly pass the market value test.

It is the position of the City of Minneapolis that the private redevelopment of the property included in the Van Cleve Redevelopment TIF District could not occur without public participation and financial assistance within the foreseeable future.

Van Cleve Redevelopment TIF District

Valuation and Tax Increment Assumptions

| | Pay 2008 | Pay 2009 | Pay 2010 | Pay 2011 |
|------------------------------------|-------------|-----------|-------------|--------------|
| Total Estimated Market Value (EMV) | \$1,016,201 | \$394,810 | \$4,395,213 | \$31,697,733 |
| Less: Original EMV | 1,006,140 | 1,006,140 | 1,006,140 | 1,006,140 |
| Captured EMV | \$10,061 | \$0 | \$3,389,073 | \$30,691,593 |
| | | | | |
| Total Net Tax Capacity (NTC) | \$10,162 | \$3,948 | \$43,952 | \$316,977 |
| Less: Original NTC | 10,061 | 10,061 | 10,061 | 10,061 |
| Captured NTC | \$101 | \$0 | \$33,891 | \$306,916 |
| Times: Projected Total Tax Rate | 122.000% | 119.000% | 119.000% | 119.000% |
| Gross Tax Increment | \$123 | \$0 | \$40,330 | \$365,230 |
| Less: State Auditor's Fee (.36%) | 0 | 0 | 145 | 1,315 |
| Tax Increment Distributed to City | \$123 | \$0 | \$40,185 | \$363,915 |

26 Years of TI Collection

| Years of TIF Collection | Payable Year | Tax Increment Distributed To City |
|-------------------------------|-----------------|--|
| --- | 2006 | \$0 |
| --- | 2007 | 0 |
| 1 | 2008 | 123 |
| 2 | 2009 | 0 |
| 3 | 2010 | 40,185 |
| 4 | 2011 | 363,915 |
| 5 | 2012 | 363,915 |
| 6 | 2013 | 363,915 |
| 7 | 2014 | 363,915 |
| 8 | 2015 | 363,915 |
| 9 | 2016 | 363,915 |
| 10 | 2017 | 363,915 |
| 11 | 2018 | 363,915 |
| 12 | 2019 | 363,915 |
| 13 | 2020 | 363,915 |
| 14 | 2021 | 363,915 |
| 15 | 2022 | 363,915 |
| 16 | 2023 | 363,915 |
| 17 | 2024 | 363,915 |
| 18 | 2025 | 363,915 |
| 19 | 2026 | 363,915 |
| 20 | 2027 | 363,915 |
| 21 | 2028 | 363,915 |
| 22 | 2029 | 363,915 |
| 23 | 2030 | 363,915 |
| 24 | 2031 | 363,915 |
| 25 | 2032 | 363,915 |
| 26 | 2033 | 363,915 |
| | | \$8,410,353 |
| P.V. @ | 5.00% | \$4,071,567 |

Market Value Test

Analysis Required by M.S. Section 469.175, Subd. 3 (2)

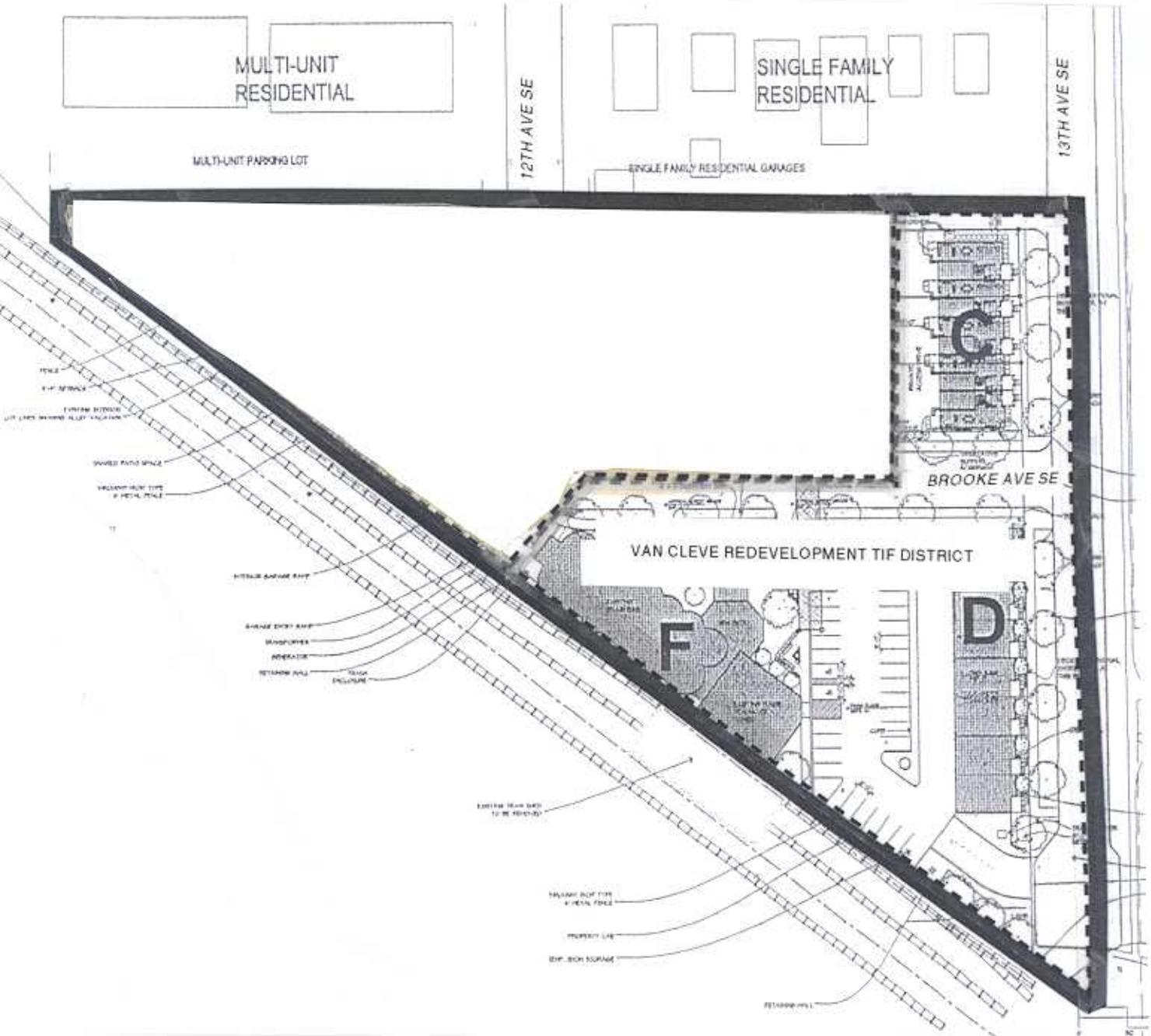
(1) "... the increased market value of the site that could reasonably be expected to occur without the use of tax increment ...":

| | |
|---|-------------|
| (a) Projected estimated market value without the use of tax increment | \$1,006,140 |
| (b) Original estimated market value | 1,006,140 |
| (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. | 31,697,733 |
| (e) Present value of the projected tax increment for the maximum duration of the district | 4,071,567 |
| (f) Difference = (d) - (e) | \$27,626,166 |

(3) Since (c) is less than (f), the proposed development or redevelopment passes the test.



Van Cleve Redevelopment
Tax Increment Finance District
Boundary Map

March 16, 2007

TIF Boundary

—
Project Area Boundary

**PROJECT AREA REPORT
AND DOCUMENTATION OF ELIGIBILITY**

**Van Cleve Redevelopment Plan and Van Cleve Redevelopment Tax
Increment Finance Plan**

The conditions that qualify the Van Cleve site for inclusion in a redevelopment project area are described herein.

The Van Cleve Redevelopment Project was found to be a blighted area, as defined in Minnesota Statutes §469.002, Subd. 11 and Subd. 14:

“any area with buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light, and sanitary facilities, excessive land coverage, deleterious land use, or obsolete layout, or any combination of these or other factors, are detrimental to the safety, health, morals, or welfare of the community.”

"Redevelopment project" means any work or undertaking:

- (1) to acquire blighted areas and other real property for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight;
- (2) to clear any areas acquired and install, construct or reconstruct streets, utilities, and site improvements essential to the preparation of sites for uses in accordance with the redevelopment plan . . .

Description of the Site

The site of the proposed development is located on the west side of 13th Avenue SE in east central Minneapolis. The property is bordered by a semi-active railroad corridor to the south, Van Cleve Park to the east, Interstate 35-W to the west and apartment buildings to the north. Although the site is zoned for light industrial uses, the majority of the surrounding neighborhood is residential. The industrial uses follow along the corridor but are not significant. The south side of the railway corridor is zoned R5 for multiple family development. To the immediate north, land is zoned R4. The University of Minnesota East Bank is located to the south. The Bunge Elevator Company property has been operated as a grain elevator since 1935. The buildings no longer contribute any value to the property and are obsolete. The property has been purchased by Project for

Pride in Living, Inc. (PPL). PPL intends to demolish the existing improvements and construct for sale and for rent residential housing.

Description of Blighting Conditions

The Bunge Midway grain elevator complex¹ is comprised of a headhouse and track shed (1936), a block of storage bins extending west from the headhouse (1935), and a block of bins extending north from the headhouse (1936). Other buildings associated with the complex include a one-story, concrete block office building (1936), a two-story concrete block office building (ca. 1965), a metal Quonset storage building (1947) and a metal warehouse (1973).

The project contains five parcels, two contain commercial structures, two are vacant lots and one parcel contains a small vacant residential structure. The parcels exhibit signs of blighting influences such as inability to meet existing MN State Energy Code regulations, IBC or accessibility codes.

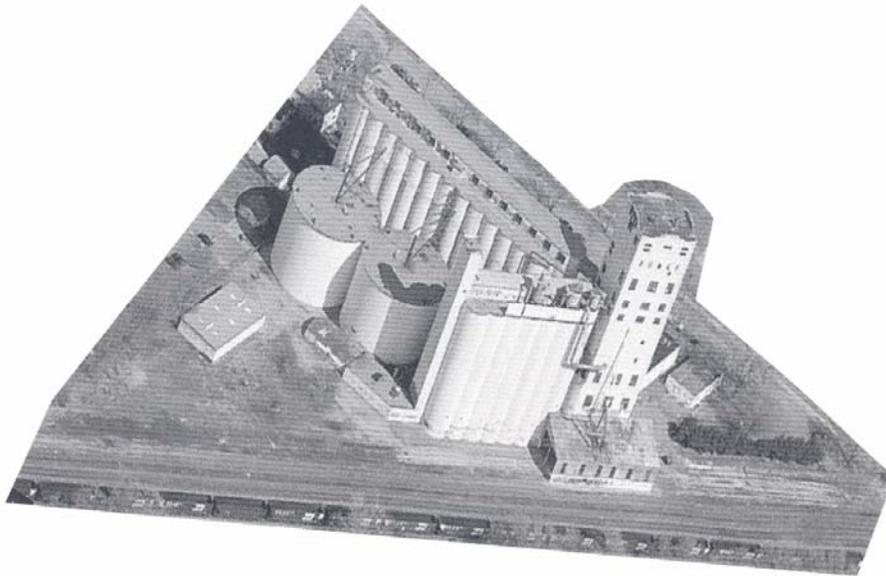
Properties have original prime windows and doors, some are boarded, and need general overall updating and renovation, and minimal settlement cracks are visible. Some areas are exposed/open to the elements. Properties are currently vacant and constitute an attractive nuisance to graffiti artists and vandals. The residential structure has no front storm door and no hand rail on front steps. The property has horizontal cracks along foundation and the roof shows signs of age. The building is without electric or gas utility and evidence of weatherization to protect the plumbing system was not apparent. Walls, floors and ceilings throughout the dwelling are in need of treatment. The basement contains a finished room which has the potential use of an illegal sleeping room, and the room lacks minimum life safety standards and must not be occupied as a sleeping area.

The vacant lots are poorly maintained; one is currently used as illegal storage for a motor vehicle and light utility trailer. There is a depression in the mid-point of the lot that is conducive to improper drainage and water ponding.

In summary, the overall condition of the parcels and structures are in fair to poor condition. Public records indicate minimal permits in the last five years, and minimal police and fire reports. All grain elevators on these parcels are abandoned, as are several of the smaller buildings. The vacant industrial site has been vacant for over two years and is a blighting influence on the neighborhood. All of the sites are poorly maintained with scattered debris, volunteer growth and lack of general maintenance. The structures are substandard and contain broken window glass, lack utilities, have inadequate ground cover and debris. The existing buildings are obsolete for their present or continued use and are functionally obsolete, lacking certain life safety factors,

¹ Phase II Architectural History Investigation, The 106 Group Ltd., March 2006

mechanical and electrical systems essential for continued occupancy. In addition these buildings lack energy conservation standards essential for continued occupancy in order to be in compliance with the International Building Code. Staff was allowed entry to the buildings by a representative of the current owner and made on site observations. It is the determination by staff that all subject properties are substandard and meet the criteria for blighted condition due to the substantial cost to remedy the existing code violations noted at each property. All properties 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. More than 70% of the area of the district is occupied by buildings, streets, utilities, paved or gravel parking lots and other similar structures and more than 50% of the structures (100%) are structurally substandard to a degree requiring substantial renovation or clearance.



Environmental Studies

Barr Engineering Company completed a Phase I Environmental Assessment of the property in August 2004. No recognized environmental conditions were identified in the Phase I assessment; however, the parties involved in the sale of the property agreed that a Phase II investigation would be conducted to permit rezoning of the property for future residential use. A Phase II Investigation Report was completed and describes the results of the Phase II Investigation completed from November 2005 through February 2006 at the Bunge North America Midway Elevator property. Barr Engineering Company was retained by Bunge North America to investigate for the presence of hazardous substances and petroleum products in soil and groundwater at the property. The property was entered into the Minnesota Pollution Control Agency (MPCA) Voluntary Investigation and Cleanup (VIC) Program in November 2005. Samples and analysis of soil and groundwater were completed at various locations on the property in the Phase II investigation.

References:

Barr Engineering Company, 2004. Phase I Environmental Property Assessment: 901, 917, and 941 13th Avenue SE, and 932 12th Avenue SE, prepared August 2004 for Bunge North America.

Eneco Tech Midwest, Inc. (Eneco Tech), 1998. Excavation Report Worksheet for Petroleum Release Sites. Prepared by Eneco Tech for Bunge North America, October 1998.

Phase II Release Investigation Work Plan, Bunge Midway Elevator Property, October 2005

Phase II Investigation Report, Bunge Midway Elevator Property, March 2006

Minneapolis Tax Increment Finance Policy

The Minneapolis City Council approved the Minneapolis Tax Increment Policy to guide staff in forming recommendations regarding the use of tax increment financing and negotiating contract terms with developers; to provide a framework within which the City Council and Mayor can evaluate and compare proposed uses of tax increment financing; and to inform the public of the City's position on the use of tax increment financing and the process through which decisions regarding the use of the tool are made. Objectives that will be accomplished through the Van Cleve Apartments West tax increment financing district are:

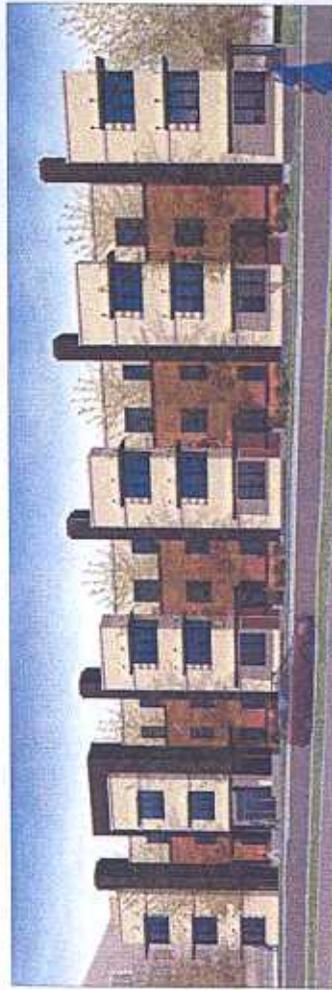
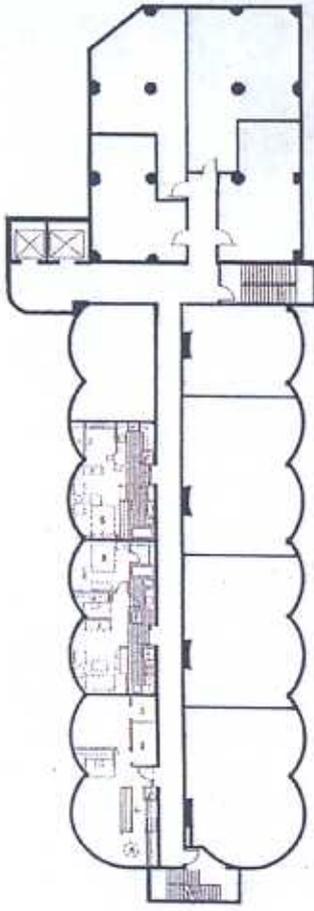
- Provide an array of housing choices that meet the needs of current residents and attract new residents to the city, with an emphasis on providing affordable housing.
- Eliminate blighting influences throughout the city.

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



LEGEND

- For Sale Condos - Reuse of Existing Building
- Rental Apartments
- For Sale Townhomes - Habitat for Humanity
- For Sale Townhomes



Van Cleve Redevelopment

Minneapolis, MN 10.05.2006

Site Plan 1

**Brantingham
Architects, Ltd.**



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Van Cleve Apartments
Minneapolis, MN 10.12.2006

View Down Brook Avenue



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Van Cleve Apartments
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View Along Brook Avenue
2



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View Down 12th Avenue SE
3



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