



**Modification No. 1  
to the  
Lake Street Center  
Tax Increment Finance Plan**

**May 7, 2004**

Prepared by Development Finance Division  
Finance Department  
105 5<sup>th</sup> Avenue South  
Minneapolis, MN 55401

**Modification No. 1 to the Lake Street Center  
Tax Increment Finance Plan  
May 7, 2004**

---

Introduction ~ **Updated**

- I. Tax Increment District Boundary
- II. Statement of Objectives
- III. Development Program ~ **Changed**
  - A. Description of Development Program
  - B. Property That May Be Acquired
  - C. Development Activity For Which Contracts Have Been Signed
  - D. Other Development Activity
- IV. Description of Financing ~ **Changed**
  - A. Project Costs
  - B. Bonded Indebtedness To Be Incurred
  - C. Sources of Revenue
  - D. Original Net Tax Capacity
  - E. Estimated Captured Net Tax Capacity and Tax Increment
  - F. Duration of the TIF District
  - G. Fiscal Disparities Election
  - H. Original Tax Capacity Rate
  - I. Permit Activity and Prior Planned Improvements
  - J. Affordable Housing
- V. Type of Tax Increment Financing District
- VI. Estimated Impact on Other Taxing Jurisdictions
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance
- VIII. Modifications to Tax Increment Financing Plans

Exhibits

- #1 Boundary Map ~ No Change
- #2 Project Area Report and Documentation of Blight ~ No Change
- #3 Special Legislation ~ Included

#4 Acquisition Map ~ Added

**Modification No. 1 to the Lake Street Center  
Tax Increment Finance plan  
May 7, 2004**

---

Plan documents have been prepared to designate parcels for acquisition, and to amend the tax increment budget to include projections for Phase 2 (the Midtown Exchange Project). The Lake Street Center Redevelopment Plan and the Lake Street Center Tax Increment Finance (TIF) Plan (“the Plans”) were approved on September 13, 2002 by Resolution 2002R-300 by the Minneapolis City Council (the “Council”). The Lake Street Center TIF plan authorized public redevelopment activities and expenditures, established a new redevelopment TIF district and a budget for eligible expenditures.

II. Statement of Objectives ~ No Change

III. Statement of Development Program ~ Changed

A. Description of Development Program

Ryan Companies US, Inc. (Ryan) has several development partners and has secured Allina Health Systems as its anchor office tenant. Components of the Midtown Exchange Project include: Allina office space (250,000 square feet); other office space/retail (146,000 square feet); parking ramp (1,441 stalls); hotel (developer, Wischerman/Ryan, 150 rooms); for-sale and rental housing (developer, Sherman Associates, 211 rental units and 82-102 ownership); for-sale housing around perimeter of parking ramp (developer, Project for Pride in Living, 60 ownership units), Hennepin County service center (9,000 square feet), Metro Transit Center at Chicago and Lake (15,000 square feet), and the Global Market (developer, Neighborhood Development Center, 85,000 square feet). Midtown Exchange includes three housing components: ownership housing around the perimeter of the parking ramp along 29<sup>th</sup> Street and 11<sup>th</sup> Avenue, Sherman Associates developed ownership housing within the 1928 Building, and Sherman Associates developed rental housing within the 1928 Building.

B. Property That May Be Acquired ~ Added

By including in this Plan a list of property that may be acquired, the City is signifying that it is interested in acquiring the property listed, or portions thereof, subject to limitations imposed by availability of funds, developer interest, staging requirements, soil contamination and other financial and environmental considerations. Inclusion on this list does not indicate an absolute commitment on the part of the City to acquire a

property. The Lake Street Center TIF District contains the following parcels that are included in this Modification as property that may be acquired:

PID Number	Address
35-029-24-34-0040	818 Lake Street East
35-029-24-34-0042	2941 Chicago Avenue S.

State law authorizes the City to acquire property either on a negotiated basis or through the use of its power of eminent domain, if necessary, to carry out a redevelopment plan. The City will seek to acquire property from willing sellers whenever possible, but may use the power of eminent domain and its condemnation authority to acquire property identified as “property that may be acquired” when necessary.

C. Development Activity for which Contracts Have Been Signed ~ Updated

A redevelopment contract for the construction of the parking ramp was entered into on December 23, 2002 with Allina Health Systems. As of the date of the preparation of this TIF Plan, the City of Minneapolis has not yet entered into any redevelopment contracts related to the Phase 2 activities. It is anticipated that several redevelopment contracts will be executed by mid-summer. At the time of this writing, approval of business terms for development with Ryan Companies US, Inc. was being negotiated and will be brought before the City Council for approval.

D. Other Planned Development Activity ~ No Change

IV. Description of Financing ~ Changed

A. Project Costs ~ Changed

Tax increment financing for Phase 1 development within the TIF district is being provided subject to the following tax increment financing budget.

**Tax Increment Financing Budget - Phase 1 Development**

Sources	<u>Up-Front</u>	<u>Over Time</u>
Developer Funds	\$6,716,800	---
Tax Increment	---	<u>\$17,000,000</u>
Total Sources	<u>\$6,716,800</u>	<u>\$17,000,000</u>
Uses		
Parking	\$6,716,800	---
Note Principal	---	\$6,716,800
Note Interest	---	8,583,200

Administration	---	<u>1,700,000</u>
Total Uses	<u>\$6,716,800</u>	<u>\$17,000,000</u>

Tax increment financing for Phase 2 development within the TIF district is being provided subject to the following tax increment financing budget.

**Tax Increment Financing Budget - Phase 2 Development**

Sources	<u>Up-Front</u>	<u>Over Time</u>
Developer Funds	\$23,000,000	---
Tax Increment	---	<u>\$50,000,000</u>
Total Sources	<u>\$23,000,000</u>	<u>\$50,000,000</u>

Uses		
Building Rehabilitation & Parking	\$23,000,000	---
Note/Loan Principal	---	\$23,000,000
Note/Loan Interest	---	24,500,000
Administration	---	<u>2,500,000</u>
Total Uses	<u>\$23,000,000</u>	<u>\$50,000,000</u>

**B. Bonded Indebtedness to be Incurred ~ Changed**

No tax increment bonded indebtedness was incurred for Phase 1 development. Tax increment financing assistance was provided to Allina Health Systems through the issuance of a pay-as-you-go TIF note in the principal amount of \$6,716,800. Each year a portion of the tax increment generated by selected tax parcels within the TIF district are distributed to Allina, under the terms of the TIF note, as reimbursement for public redevelopment costs incurred (construction of a parking ramp).

For Phase 2 development, it is currently anticipated that tax increment supported bonded indebtedness will be issued by the City for the for-sale housing component in the 1928 Building. The City reserves to right to issue up to \$5.0M in tax increment bonds for this component of the Midtown Exchange project. It is currently anticipated that the remaining tax increment financing assistance for this phase of the project will be provided through the issuance of several pay-as-you-go TIF notes and a \$6.5M HUD 108 loan. Each year a portion of the tax increment generated by selected tax parcels within the TIF district will be either distributed to the various TIF noteholders or retained by the City for repayment of the HUD 108 loan.

**C. Sources of Revenue ~ Changed**

Sources of revenue to pay for various public and private redevelopment costs within the TIF district include, but are not limited to the following: private debt and equity; tax increment financing; low income housing tax credits; historic tax credits; new markets tax credits; housing revenue bonds; federal, state and local grants and loans; proceeds from the sale of for-sale housing units; and funds from private foundations.

D. Original Net Tax Capacity ~ Changed

Pursuant to the special legislation which allowed for establishment of the TIF district (see Exhibit #3, Section 19, Subdivision 2), the City has certified to the county auditor that the authority (the MCDA) has entered into a redevelopment or other agreement for rehabilitation of the site or remediation of hazardous substances. The original net tax capacity of the TIF district is therefore \$0.

E. Estimated Captured Net Tax Capacity and Tax Increment ~ Changed

The estimated captured net tax capacity and annual tax increment of the TIF district upon completion of all proposed Phase 1 and Phase 2 development is as follows:

Phase 1 EMV Upon Completion	\$15,043,800
Phase 2 EMV Upon Completion	<u>77,310,000</u>
Total EMV Upon Completion	\$92,353,800
Total Net Tax Capacity	\$1,456,276
Original Net Tax Capacity	<u>0</u>
Estimated Captured NTC	\$1,456,276
Projected Tax Capacity Rate	<u>147.756%</u>
Annual Gross Tax Increment	\$2,151,735
State Auditor Fee (.36%)	<u>(7,746)</u>
Annual Tax Increment Distributed to City	\$2,143,989

F. Duration of the TIF District ~ Changed

Pursuant to the special legislation which allowed for establishment of the TIF district (see Exhibit #3, Section 19, Subdivision 3), no tax increment may be paid to the authority after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from the approval of the tax increment plan. "Final phase of

redevelopment” means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site.

G. Fiscal Disparities Election ~ No Change

H. Original Tax Capacity Rate ~ Changed

The original (frozen) tax capacity rate for the TIF district is 153.007%. For purposes of projecting tax increment and estimating the fiscal impact of this TIF district on other local taxing jurisdictions, the pay 2004 tax capacity rate of 147.756% has been utilized.

I. Permit Activity and Prior Planned Improvements ~ No Change

J. Affordable Housing and Expenditures Outside TIF District ~ No Change

V. Type of Tax Increment Financing District ~ No Change

VI. Estimated Impact on Other Taxing Jurisdictions ~ Changed

It is the position of the Minneapolis Community Development Agency and the City of Minneapolis that the redevelopment occurring in this TIF district would not occur without the tax increment financing assistance being provided.

Nevertheless, it is assumed for analysis purposes that if the proposed development occurred without tax increment financing assistance, and the estimated captured tax capacity generated by the development was available to the applicable local taxing jurisdictions, then the estimated annual impact on the taxing jurisdictions would be as follows:

<u>Taxing Jurisdiction</u>	<u>Total Tax Capacity Rate (Payable 2004)</u>	<u>Property Taxes From \$1,456,276 Captured NTC</u>
City of Minneapolis	64.538%	\$939,851
Hennepin County	41.932	610,646
Special School District #1	32.373	471,440
Other Taxing Jurisdictions	<u>8.913</u>	<u>129,798</u>
Total	147.756%	\$2,151,735

VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance ~ No Change

VIII. Modifications to Tax Increment Finance Plans ~ No Change



Pertinent excerpts from

## Minnesota Session Laws -- 1998

### Chapter 389 – H.F. No. 3840

Sec. 19. [REDEVELOPMENT DISTRICT FOR LAKE STREET PROJECT.] Subdivision 1. [AUTHORIZATION.] Upon approval of the governing body of the city of Minneapolis by resolution, the Minneapolis community development agency may establish for the Lake Street project a redevelopment tax increment financing district with phased redevelopment. The district is subject to Minnesota Statutes, sections 469.174 to 469.179, as amended, except as provided in this section.

Subd. 2. [ORIGINAL NET TAX CAPACITY.] Notwithstanding Minnesota Statutes, section 469.174, subdivision 7, the original net tax capacity of the district, as of the date the authority certifies to the county auditor that the authority has entered into a redevelopment or other agreement for rehabilitation of the site or remediation of hazardous substances, is zero.

Subd. 3. [DURATION OF DISTRICT.] Notwithstanding the provisions of Minnesota Statutes, section 469.176, subdivision 1b, no tax increment may be paid to the authority after 18 years from the date of receipt by the authority of the first increment generated from the final phase of redevelopment. In no case may increments be paid to the authority after 30 years from approval of the tax increment plan. "Final phase of redevelopment" means that phase of redevelopment activity which completes the rehabilitation of the Lake Street site.

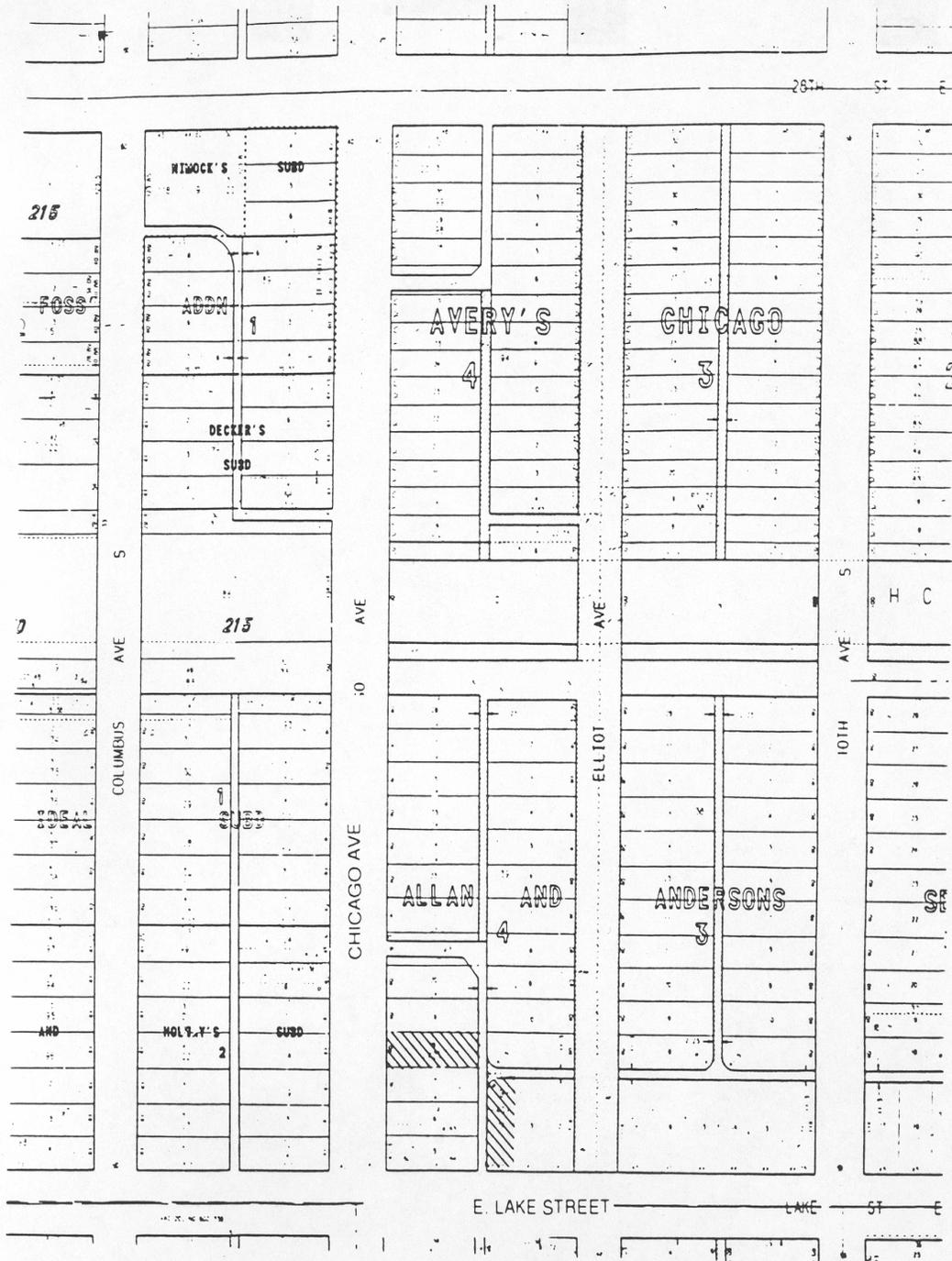
Subd. 4. [REMOVAL OF HAZARDOUS SUBSTANCES.] For purposes of the three-year activity rule under Minnesota Statutes, section 469.176, subdivision 1a, and the four-year action requirement under Minnesota Statutes, section 469.176, subdivision 6, the removal of hazardous substances from the site shall constitute a qualifying activity.

Subd. 5. [FIVE-YEAR RULE.] The five-year period under Minnesota Statutes, section 469.1763, subdivision 3, is extended to ten years.

Subd. 6. [NO POOLING AUTHORITY.] Notwithstanding the provisions of Minnesota Statutes, section 469.1763, increments from the district established under this section may only be expended on improvements and activities within or directly in aid of the district and on administrative expenses related to the district.

Subd. 7. [EFFECTIVE DATE.] This section is effective upon compliance with Minnesota Statutes, sections 469.1782, subdivision 2, and 645.021, subdivision 2.

Exhibit # 4



**Modification No. 1 to the Lake Street Center  
Redevelopment and TIF Plans  
Acquisition Map  
April 15, 2004**

Property  
That May Be  
Acquired

