



**Clare Apartments/Old Third Avenue
Townhomes
Redevelopment Plan**

May 21, 2004

Prepared by the Development Finance Division
Finance Department
105 5th Avenue South, Minneapolis, Minnesota 55401

**Clare Apartments/Old Third Avenue Townhomes
Redevelopment Plan
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**Clare Apartments/Old Third Avenue Townhomes
Redevelopment Plan
May 21, 2004**

Introduction

A joint development by Clare Housing and Central Community Housing Trust (CCHT) has been proposed to construct a 32-unit apartment building and an 8-unit townhome development including shared open green space and off-street parking. Clare Housing proposes to create 30 units of affordable housing for persons living with HIV/AIDS, a resident support unit, and office space for Clare Housing's administration and Board. CCHT proposes to create 8 units of for-sale townhomes. Surface parking and green space for the surrounding community will also be constructed.

Plan Documents

Four plan documents have been prepared that are related to the proposed homeownership and rental projects to be located in the St. Anthony East neighborhood in Ward 1 of Northeast Minneapolis. The plan documents include the Clare Apartments/Old Third Avenue Townhomes Tax Increment Finance ("TIF") Plan, this Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan, Modification No. 15 to the St. Anthony West/East Bank I-335 Urban Renewal and TIF Plan (County Designation No. 18), and Modification No. 99 to the Common Development and Redevelopment and Common TIF Plans (collectively, the "Plans").

This Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan establishes a new redevelopment project area, establishes objectives for redevelopment, identifies land uses for the redevelopment of the project area, and authorizes the creation of a new tax increment finance district as a tool for carrying out the redevelopment activities described therein.

Modification No. 15 to the St. Anthony West/East Bank I-335 Urban Renewal and TIF Plan removes parcels from the Project Area and TIF District in order that those parcels can be included in the new Clare Apartments/Old Third Avenue Townhomes TIF District. The new public redevelopment costs associated with the proposed homeownership and rental projects cannot be financed within the limitations imposed by the existing St. Anthony West/East Bank I-335 TIF District #18 because of statutory limitations on the use of tax increment from the TIF District, the short remaining term of the existing district, and the impact of the prior pledge of revenue from the district to the outstanding debt of other projects. For that reason, a request has been made to release the parcels from the prior pledge of the Tax Increment Revenue Bonds of 1990 (the Common Project) by the MBIA Insurance Corporation. A request will also be made to Hennepin County to decertify and remove the three affected parcels from the existing TIF District.

Because the St. Anthony West/East Bank I-335 Urban Renewal and TIF Plan are in the Common Project, **Modification No. 99 to the Common Plans** has also been prepared. The new **Clare Apartments/Old Third Avenue Townhomes TIF District** and project area are not being incorporated into the Common Project and will not be subject to the existing Common Project obligations and commitments, and are being created as a free-standing tax increment district and project area.

The Clare Apartments/Old Third Avenue Townhomes TIF Plan provides for the establishment of a new housing TIF district, authorizes public redevelopment activities, and establishes a budget for expenditures. Tax increment will be used to pay for a portion of the public redevelopment costs associated with the project.

REDEVELOPMENT PLAN

I. Description of Project

Background

On March 5, 2001, the Minneapolis Community Development Agency (MCDA) released a Request For Proposals (RFP) to develop the site including 929 3rd Avenue NE. The Clare Housing, Inc. (Clare Housing) proposal to develop the Clare Apartments was the only responder to the RFP. The St. Anthony East Neighborhood Association (SAENA) was notified of the Clare Apartments proposal in April of 2001 and met on several occasions throughout 2002 to come to a final resolution on what should be proposed at the redevelopment site. At the urging of the neighborhood organization, the developer sought and identified partner Central Community Housing Trust (CCHT) to assist them in creating a mixed-use development at the proposed project area. SAENA urged the developer to seek another mixed-use developer to partner in developing the entire site in the hopes of providing a mixed-use, mixed-income development with affordable homeownership opportunities, and a small retail/commercial space. CCHT indicated its interest and ability to develop owner-occupied townhouse units, and a partnership agreement was entered into between Clare Housing and CCHT.

On November 25, 2002, exclusive development rights were granted to Clare Housing for a six-month period. In December 2002, the MCDA Board of Commissioners approved Multifamily Rental and Cooperative Program funding up to \$435,000 to assist in this development. Non-profit Housing Development Assistance Program funds were also provided to Clare Housing totaling \$30,000.

A retail market study was commissioned by Clare Housing to determine if commercial/retail was a viable option to incorporate within the development of Clare Apartments, as the St. Anthony East neighborhood requested. The findings of this market study indicated that the site is not conducive to support a commercial/retail business without a significant percentage of development cost of the space provided via public subsidy. Based on this finding, Clare Housing and CCHT are not proposing to include any commercial/retail space within the

development beyond the Clare Housing corporate offices. The development team will commission a residential market study or seek a professional assessment for the for-sale component of the project upon land sale approval of the site.

A copy of the proposed Site Plan for the Clare Apartments/Old Third Avenue Townhomes project is attached as Exhibit #8.

Development Proposal

The developers, Clare Housing and CCHT, propose to develop 32 units of rental housing, 8 townhomes and reconfigured shared parking and green space to serve the adjacent residents. The project is a mixed-use, mixed-income development, featuring affordable rental housing serving individuals living with HIV/AIDS, home ownership opportunities, office space for Clare Housing, a small community room, shared parking lot improvements and green space. The Old Third Avenue Townhomes/Clare Housing development will have two ownership structures as necessitated by the end use (rental vs. home ownership) and the financing and funding tools proposed for the development.

Clare Housing acquired the vacant King of Clubs property (located at 957 Central Avenue NE) in 2002. It was demolished on December 29, 2003. The balance of the site is owned by CPED/City of Minneapolis and MPHA. Negotiations with MPHA are underway to convey a portion of the Spring Manor property currently used as surface parking to the development in exchange for a reconfiguration of the existing eastern portion of the surface parking lot, as well as Clare Housing, MPHA, and the subsequent Old Third Avenue Townhomes Homeowners Association, who will enter into a shared parking agreement.

Clare Apartments is a 37,063 sq. ft., four-story mixed use building with 22,464 sq. ft. of residential space on three levels, 6,020 sq. ft. office space on the main level that will be paid for and owned separately by Clare Housing. Locating Clare Housing offices in the building will increase the level of supervision of the building and help establish linkages between Clare Housing and residents in the building.

The lower level will feature 1,983 sq. ft. of space to be used for social services and property management offices serving the tenants. The lower level will also feature approximately 2,000 sq. ft. of common space that can be used by the tenants. Clare Housing proposes to create 30 units of affordable rental housing for people with HIV/AIDS, and two market rate units, including a resident support unit.

Clare Housing is a private, non-profit organization, whose mission is to provide services, shelter, and compassionate care to persons living with HIV and AIDS. They are developing the Clare Apartments project in direct response to the ever changing dynamics of the HIV/AIDS epidemic and the associated demand for permanent, supportive housing to serve those in need.

The four-story building is proposed as one level of concrete, with the balance being stick-frame wood construction. Exterior finishes will be primarily masonry, with elements of cast concrete, stucco, and stone. The Clare Apartments will be rent subsidized with MPHA Project Based Section 8 certificates for 28 low-income units affordable at or below 30% of Metropolitan Median Income (MMI). Two units will be affordable at or below 50% of MMI, and the remaining two units will be market rate units, including the resident support unit.

The **Old Third Avenue Townhomes** are designed as eight units of owner-occupied townhome units, each with a 20 ft. x 32 ft. footprint. This component of the development will develop eight home ownership townhomes located at the western edge of the development site with common green space shared with Clare Apartments and the neighboring MPHA high-rise, Spring Manor. CCHT proposes to build the 8-unit townhomes on a portion of the 929-3rd Avenue NE parcel, currently occupied by MPHA Spring Manor resident parking. Units will be two-story, with a full basement ready for future finishing. Four detached 28 ft. x 20 ft. garages are to be constructed, with a demising wall separating each, allowing each unit adequate space to park a vehicle plus additional storage. The townhomes will be wood frame construction. Exterior finishes are proposed to be a mix of brick and potentially stucco or cement-board. Each townhome will have a front porch and a rear patio area.

The development borrows from existing neighborhood precedents to ensure that the buildings and site blends with the context and character of the surrounding residential environment. The existing utility easement in favor of the City of Minneapolis presents certain site design limitations. The Old Third Avenue Townhome development effectively designs around this barrier by using this space for surface parking and landscaping. Pedestrian scale street lighting, widened sidewalks and boulevards and significant landscaping will add to the residential character of the project area and adjacent community. Significant site landscaping and strategic decorative fencing, retaining walls and planters will provide buffers to designate the public area from the private section reserved for building residents.

The developers have applied to vacate the two streets (3rd Avenue NE and 10th Street NE) that bisect the redevelopment area. The redevelopment area consists of three irregularly shaped parcels with a total square footage estimated at approximately 17,491 square feet. The proposed vacated streets will add approximately 8,100 (10th Street NE) to 27,600 square feet (3rd Avenue NE) to the proposed redevelopment area.

Shared Green Space & Parking Lot Improvements - Just north of the redevelopment area is MPHA-owned and operated Spring Manor. For the past several years, Spring Manor's resident parking has been partially located on the 929-3rd Avenue NE parcel. The Clare Housing and CCHT developments will cause parking to be reconfigured. The MPHA, Clare Housing and CCHT have entered into a "Shared Parking Agreement" that includes the creation of 90 shared

parking spaces within the reconfigured parking lot, eight parallel parking spaces along new 3rd Avenue NE, and five handicap only parallel parking spaces in front of Spring Manor.

Unit Breakdown/Affordability

Clare Apartments will feature:

- 16 efficiencies, with approximately 392 - 645 sq. ft. of living space
- 16 one-bedroom apartments with approximately 574 - 727 sq. ft. of living space
- 28 units will have project-based Section 8 assistance affordable at or below 30% of Metropolitan Median Income (MMI)
- 2 units will be affordable at or below 50% of MMI
- 2 units will be market rate

Old Third Avenue Townhomes will feature:

- eight 2-story townhomes with unfinished full basements with opportunities for potential expansion living space
- four detached 28 ft. x 20 ft. garages with a demising wall separating each, allowing each unit adequate space to park a vehicle plus additional storage space.
- 3-bedroom units, which will start at approximately 1,340 sq. ft. of living space
- 8 market rate units affordable to families earning 100% to 115% of MMI

Since there will be 28 units at or below 30% of MMI, and two units at or below 50% of MMI, for a total of 30 affordable units, the project complies with the City's Affordable Housing Policy, which requires that at least 8 units are affordable to low or moderate income households (i.e. 20% of 40 units for both components).

Finding any type of decent, affordable housing, whether rented or owned, has become increasingly difficult to find for many people in the Twin Cities. Much of the problem stems from a shortage of lower-priced housing combined with the failure of incomes to keep pace with rising housing costs.¹

The Minneapolis housing market experienced dramatic fluctuations in recent years. Average rent levels rose 39% from 1998 to 2002 (updated information will not be ready at the time of this writing). Over the same period, vacancy rates increased from 1.1% to 6.1%. This indicates that it was less difficult in 2002 to find a vacant rental unit compared with 1998, but it cost considerably more to rent it. The cost of renting housing remains quite high compared with average rents of a few years ago. Rent increases averaged about 9% a year between 1998 and 2002.

¹ State of the City Report, 2002

More recent reports² indicate average rent for the Twin Cities as \$845 per month, with average vacancy rates for the Twin Cities at 7.6%. In Minneapolis, average rents for studio units were \$550, with the vacancy rate reported at 5.6%, 1-bedroom units at \$758 per month, with a 6.2% vacancy rate, 2-bedroom units average \$1,067 per month, at 8.3% vacancy rate. Three-bedroom units averaged \$1,261 per month with a 5.3% vacancy rate. Average rents did not include phone or electricity. Overall, apartment rent was unchanged at an average of \$845 in the last quarter of 2003, with an annual rate increase of 0.5%. The vacancy rate was 7.6%, up from 7 percent in the previous quarter.

The homeownership townhome units will be marketed to families earning 100% to 115% of the Metropolitan Median Income (MMI). Average sales prices for this neighborhood over the past year have been approximately \$225,651. Sales prices for the Old 3rd Avenue Townhomes will start at \$220,000 supporting sales histories in the area of the past year.

A. Boundary of Redevelopment Project

Under the authority of the Housing and Redevelopment Authorities Act, approval of this Redevelopment Plan establishes a new Redevelopment Project as defined in Minnesota Statutes Section 469.002, Subdivision 14. The Project Area Report and Documentation of Eligibility is attached as Exhibit # 6 to this Plan.

The new Clare Apartments/Old Third Avenue Townhomes Redevelopment Project is created as a free-standing overlay project. Portions of the property to be included in the new Clare Apartments/Old Third Avenue Townhomes Redevelopment Project Area were located in the St. Anthony West/I-335 Urban Renewal Project and Tax Increment District #18. A modification to that plan removes those parcels from the St. Anthony West/I-335 project area and TIF district. Portions of the new Clare Apartments/Old Third Avenue Townhomes Redevelopment Project are also located in the St. Anthony East Urban Renewal Area; however, because the St. Anthony East Urban Renewal Area is not a TIF District, the new Clare Apartments/Old Third Avenue Townhomes Redevelopment Project will overlay that project area.

The Clare Apartments/Old Third Avenue Townhomes Redevelopment Project Area can be described as follows:

The proposed Redevelopment Project Area consists of six existing tax parcels³ and a portion of a parcel (Property Identification Number 14-029-

² Source: Apartment Trends, a publication of GVA Marquette Advisors - Third Quarter Review through December 2003

³ A replat has been applied for and there is currently a division in process for the reconfiguration of the existing parcels.

24-44-0044) located at 828 Spring Street NE⁴, at the intersection of old 3rd Avenue and Central Avenue Northeast. The tax parcels to be included in the Redevelopment Project Area are:

Property Identification Number	Address
14-029-24-44-0051	1006 3 rd Avenue NE
14-029-24-44-0053	957 Central Avenue NE
14-029-24-44-0074	1004 3rd Avenue NE
14-029-24-44-0075	1000 3rd Avenue NE
14-029-24-44-0083	929 3 rd Avenue NE (Outlot B) ⁵
14-029-24-44-0101	200 – 10 th Street NE

The parcels that will be removed from the St. Anthony West/East Bank I-335 Urban Renewal Project, and subsequently decertified from the existing TIF District No. 18 are:

14-029-24-44-0074	1004 Third Avenue NE
14-029-24-44-0075	1000 Third Avenue NE
14-029-24-44-0101	200 – 10 th Street NE

B. Project Boundary Map

The Project Boundary Map is included in this Redevelopment Plan as Exhibit #1.

C. Objectives of the Redevelopment Plan

The City of Minneapolis seeks to achieve the following objectives through the Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan.

- 1) Eliminate blighting influences which impede potential development
- 2) Ensure that an array of housing choices exist to meet the needs of current residents and attract new residents
- 3) Provide affordable housing opportunities for homeownership and rental units.
- 4) Eliminate or correct physical deterrents to the development of the land.

⁴ A ministerial lot division to enable Hennepin County to assign 2 property identification numbers to allow the appropriate portion to be included within the TIF district is underway.

⁵ This parcel will be divided and a portion of this property will be swapped and deeded to MPHA (see Exhibit #9).

- 5) Achieve a high level of design and landscaping quality to enhance the physical environment.
- 6) Support strong and diverse neighborhoods where people choose to live.
- 7) Participate in partnerships to achieve common community development objectives.

Specific goals⁶ include:

- Provide affordable housing and/or housing to meet the needs of special populations
- Provide mixed income/mixed use housing that accommodates renters and homeowners
- Explore dwelling options to support the economic diversity of residents in the community
- Provide opportunities for natural surveillance through design
- Ensure appropriateness of scale with surrounding development patterns
- Ensure that signage, character of building design, and selection of building materials reflect that of residential and commercial properties found within the surrounding neighborhoods of Northeast Minneapolis and historic St. Anthony.
- Restrict parking areas to the rear of the development
- Placement of buildings shall reinforce the street wall, maximize natural surveillance and visibility, and facilitate pedestrian access and circulation. Areas between the buildings and the lot line shall include amenities such as landscaping
- Provide shared parking with adjacent uses for more efficient use of space and to maximize the provision of green space without compromising density.
- Maximize the creation of green space, gathering and lingering places through consideration of play areas, plazas, outdoor eating areas, and other public realm improvements for passive and/or active recreation.
- Increase density that offers more residents proximity to transit
- Energy efficient design that results in a sustainable community

D. Types of Redevelopment Activities

The objectives of the redevelopment plan will be accomplished through the following actions: site assembly and preparation, new construction of affordable and market rate homeownership and rental housing units, parking, project administration, public improvements and other related activities. Public purposes include the provision of homeownership and affordable rental housing units, removal of blight or the causes of blight,

⁶ Development Guidelines were created with input from members of the St. Anthony East Neighborhood Association and were contained within the Request For Proposals dated March 5, 2001

including vacant, underused land, and the provision of decent, safe, and sanitary dwellings for persons of low and moderate income and their families.

II. Land Use Plan

Multiple applications to submit the assembled subject parcels to be rezoned in order to allow an eight-unit for-sale townhome development have been submitted, and a Planned Unit Development (PUD) will be created to implement the proposed creative land use approach identified in the comprehensive plan for the area. Associated conditional use permits and variances on behalf of CCHT were also approved to allow for the for-sale townhome development. Application for a zoning petition to change the zoning classification from R5 to OR2 in order to allow a supportive housing facility was also submitted, as were associated conditional use permits, preliminary plat, street vacations, and variances on behalf of Clare Housing, Inc.

The development borrows from existing neighborhood precedents to ensure that the building and site blend with the context and character of the surrounding residential environment. The existing utility easement in favor of the City of Minneapolis presents certain site design limitations. The Old Third Avenue Townhome development effectively designs “around” this barrier by using this space for surface parking and landscaping. Pedestrian scale street lighting, widened sidewalks and boulevards and significant landscaping will add to the residential character of the community. Significant site landscaping and, strategic decorative fencing, retaining walls and planters will provide buffers to designate the public area from the private realm reserved for building residents. Finishes throughout will be superior.

A. Land Use Map

The Land Use Map is included in this Redevelopment Plan as Exhibit # 2. The recommended land use is residential, either rental, ownership or a combination.

The developers have applied to vacate the two streets (3rd Avenue NE and 10th Street NE) that bisect the redevelopment area. The development area consists of three irregularly shaped parcels with a total square footage estimated at approximately 17,491 square feet. The proposed vacated streets will add approximately 8,100 (10th Street NE) to 27,600 square feet (3rd Avenue NE) to the proposed redevelopment area.

The townhome development is being constructed on an “outlot” which is currently designated as “undevelopable” due to the outlot designation. The zoning and planning process that the combined site plan contemplates would allow the outlot to be rezoned/classified to allow residential

construction. The townhomes additionally require a variety of variances due to proposed site limitations and design elements. Additionally, the site is partially comprised of a surface parking lot utilized by MPHA.

The development of this site is consistent with the Comprehensive Plan as shown on the Land Use Map and in conformance with this Redevelopment Plan.

B. Land Use Provisions and Requirements

Future land use designation will be residential. Uses shall conform to the Minneapolis Zoning Ordinance. These land use provision and building requirements shall be applied in addition to official codes, ordinances, and other legal controls in the City of Minneapolis and the State of Minnesota. Where there is a conflict between any of the existing official codes ordinances and other legal controls in the City of Minneapolis and State of Minnesota with these land use provisions and building requirements, the stricter and more limiting requirement shall apply.

C. Period During Which Land Use Provisions and Requirements Will Be In Effect

The requirements and provisions of Section II. B. of this Redevelopment Plan shall apply to all of the properties located in the Project Area except where strict compliance thereto would in the judgment of the City either not be in the best interest of the project or the City, or would not contribute to the achievement of the objectives of this Redevelopment Plan. These requirements shall remain in effect for twenty years from the date of conveyance of the disposition parcels.

III. Project Proposals

A. Redevelopers' Obligations

The general requirements to be imposed upon the redevelopers, their successors or assigns, will be established in the development agreements. It is anticipated that developer agreements will be executed with Clare Apartments Limited Partnership, and Central Community Housing Trust of Minneapolis.

IV. Official Action to Carry Out the Redevelopment Plan

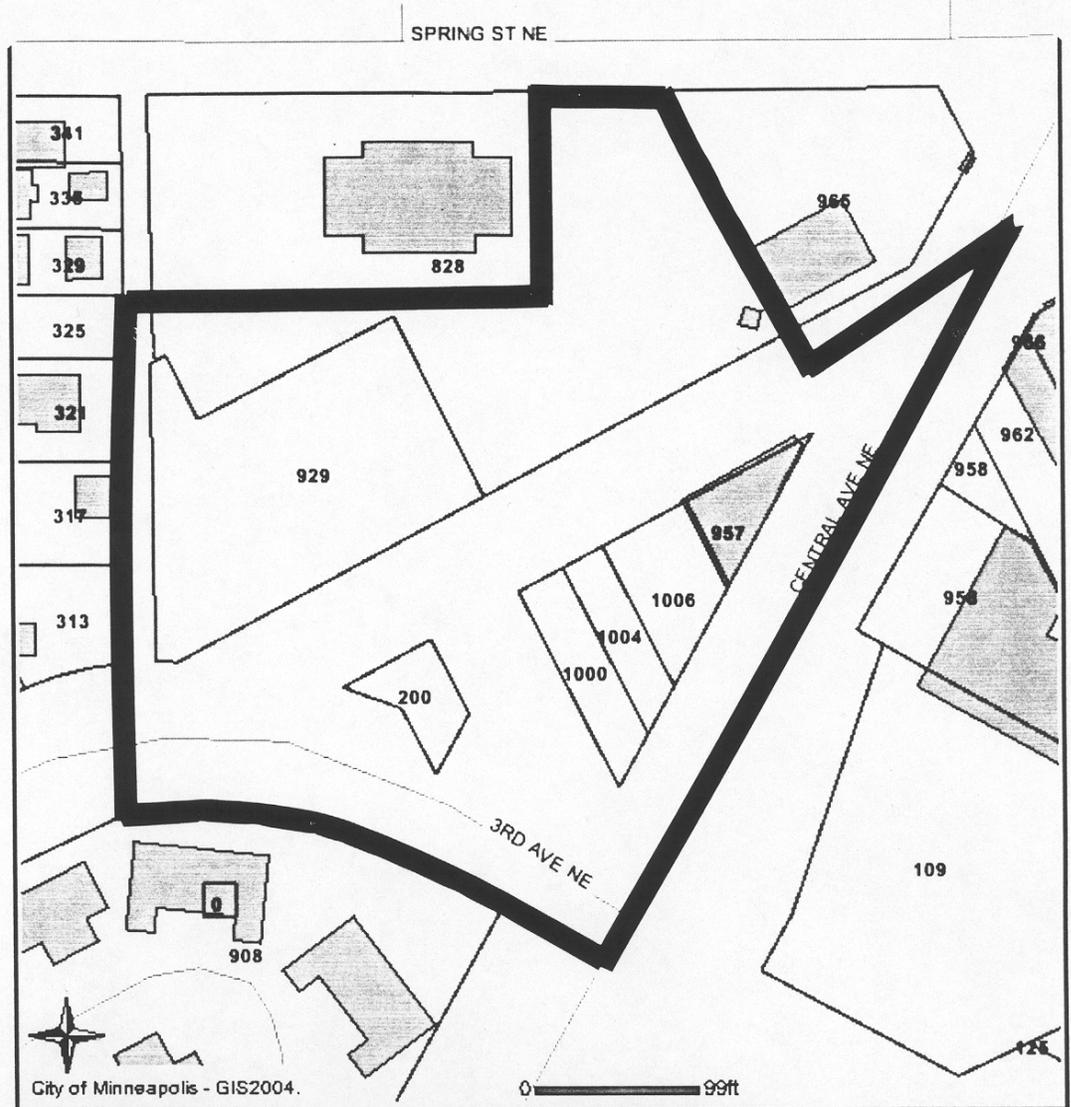
Minnesota law requires that the Minneapolis City Planning Commission review this Redevelopment Plan and that its written opinion, if any, accompany the Redevelopment Plan when it is officially submitted to the City Council for approval (Minnesota Statutes, Section 469.027).

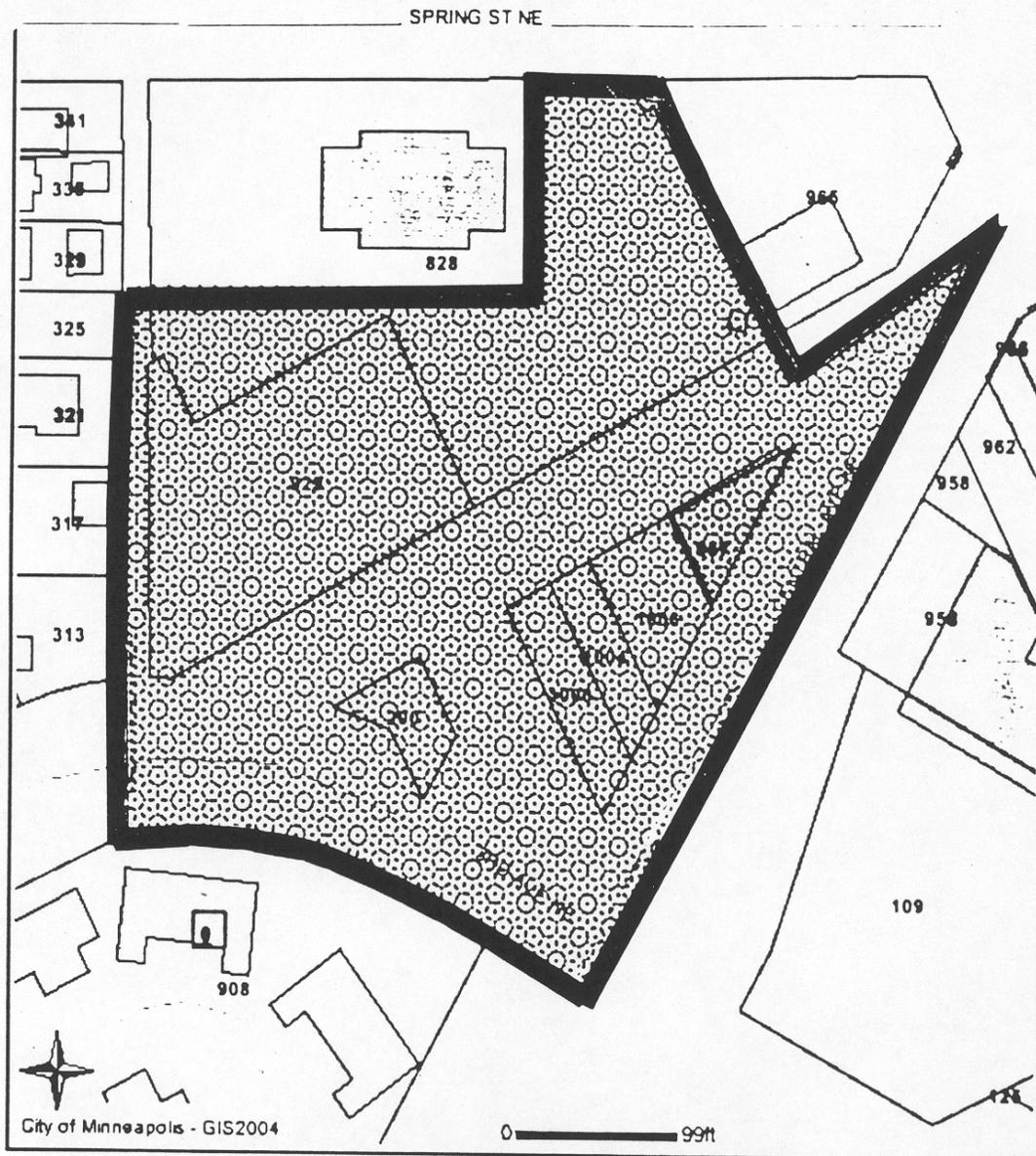
V. Procedure for Changes in Approved Redevelopment Plan

This Redevelopment Plan may be modified as provided in Minnesota Statutes, Section 469.029, Subdivision 6, as follows:

"A redevelopment plan may be modified at any time. The modification must be adopted by the authority and the governing body of the political subdivision in which the project is located, upon the notice and after the public hearing required for the original adoption of the redevelopment plan. If the authority determines the necessity of changes in an approved redevelopment plan or approved modification thereof, which changes do not alter or affect the exterior boundaries, and do not substantially alter or affect the general land uses established in the plan, the changes shall not constitute a modification of the redevelopment plan nor require approval by the governing body of the political subdivision in which the project is located."

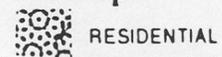
Exhibit # 1





**Clare Apartments/Old Third Avenue Townhomes
Redevelopment Project Land Use Map**

May 21, 2004



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

CITIZEN PARTICIPATION REPORT

**Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan
May 21, 2004**

The Clare Apartments/Old Third Avenue Townhomes Development will be a significant, positive impact along Central Avenue in Northeast Minneapolis. The project site has been blighted and devoid of investment for more than 25 years. There has been significant planning and energy around revitalizing the Central Avenue corridor.

The St. Anthony East Neighborhood Association (SAENA) solicited proposals for the site hopeful that a group would build a mixed-use project that would include affordable and market rate housing. SAENA was notified of the Clare Apartments proposal in April of 2001 and met on several occasions throughout 2002 to come to a final resolution on what should be proposed at the redevelopment site. At the urging of the neighborhood organization, the developer sought and identified partner Central Community Housing Trust (CCHT) to assist them in creating a mixed-use development at the project area.

The proposed Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan and related TIF Plan and Modification have been sent to the St. Anthony East Neighborhood Association for their review and comment.

This group will be given the opportunity to review and comment on the Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan and related Plans prior to consideration of the Plans by the City Council.

The City of Minneapolis will continue to work with this group throughout the implementation of the Redevelopment Plan.

**MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY
AFFIRMATIVE ACTION POLICY**

**Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan
May 21, 2004**

It is the policy of the City of Minneapolis to provide equal employment opportunities without regard to race, color, national origin, religion, sex, age, disability, affectional preference, or status with regard to public assistance to all applicants for employment and all employees. This pledge applies to all areas of employment including recruitment, employment, job assignment, training, promotion, transfers, rate of pay, and all other forms of compensation and benefits.

The employment policies and practices of the City of Minneapolis will ensure that all employees and applicants for employment are treated equally and that no distinction is made in its employment practices, except on the basis of merit, because of race, color, national origin, religion, sex, age, disability, affectional preference, or status with regard to public assistance.

Developers and construction contractors who participate in redevelopment activities will be required to practice affirmative action and fulfill the City's Affirmative Action checklist goals, and to develop and implement women and minority interest in business enterprise plans.

ENVIRONMENTAL REVIEW

**Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan
May 21, 2004**

The City of Minneapolis will comply with all applicable local, state and federal regulations and procedures regarding the assessment of potential environmental impacts resulting from project activities.

PROJECT AREA REPORT
AND ELIGIBILITY DOCUMENTATION

**Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan
and
Clare Apartments/Old Third Avenue Tax Increment Finance Plan
May 21, 2004**

A joint development by Clare Housing and Central Community Housing Trust (CCHT) has been proposed to construct a 32-unit apartment building and an 8-unit townhome development including shared open green space and off-street parking. Clare Housing proposes to create 30 units of affordable housing for persons living with HIV/AIDS, two market-rate units, including one resident support unit, and office space for Clare Housing's administration and Board. CCHT proposes to create 8 units of for-sale townhomes. Surface parking for residents and green space for the surrounding community will also be constructed by Clare.

This Project Area Report and Documentation of Eligibility describes the conditions that qualify the Clare Apartments/Old Third Avenue Townhomes site as a redevelopment project and a housing tax increment finance district.

The Clare Apartments/Old Third Avenue Townhomes Redevelopment Project (the "Redevelopment Project") will be a redevelopment project as defined in the Minnesota Housing and Redevelopment Authorities Act (Minnesota Statutes, Section 469.002, Subdivision 14 and 16). According to Subdivision 14, Paragraph 1, redevelopment projects are established "for the purpose of removing, preventing, or reducing blight, blighting factors, or the causes of blight." The redevelopment project area therefore must be found to be a blighted area, which is defined in Section 469.002, Subd. 11 of the Act as:

"... 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."

Area Characteristics

The Clare Apartments/Old Third Avenue Townhomes Redevelopment Project Area is located in northeast Minneapolis in the 1st ward of the St. Anthony East neighborhood. Two streets (3rd Avenue NE and 10th Street NE) bisect the redevelopment site, which the developers propose to vacate. The development area consists of three irregularly shaped parcels with a total square footage

estimated at approximately 17,491 square feet. The proposed vacated streets will add approximately 8,100 (10th Street NE) to 27,600 square feet (3rd Avenue NE) to the proposed development areas.

The project site has been blighted and devoid of investment for more than 25 years. There has been significant planning and energy around revitalizing the Central Avenue corridor. The near-downtown location presents a host of possibilities for both creative commercial and residential development. The project puts in place immediate and future directions for land use that build on the area's attributes: proximity to downtown Minneapolis and access to employment, linkages to the City's network of parks and proposed light rail transit opportunities.

Findings of Blight within the Proposed Redevelopment Project Area

The proposed project area includes six tax parcels, and a portion of another, including vacated streets and alleys. CPED Construction Management Specialist G. Meyer conducted visual inspections of the proposed redevelopment project area. With reasonable certainty, the site analysis found several unimproved vacant lots, irregular shaped parcels, and vacated streets and alleys. It was found:

The vacant lots are detrimental to safety, morals and welfare of the community. The physical characteristics, lot size and configuration of the properties preclude the new construction of new R 5 structures without reconfiguring the parcels. The existing condition of the property is mostly flat with a combination of concrete, asphalt, grass/weeds and bare dirt.

The deterioration of the vacant parcels undermines the value of adjacent property. Vacant parcels may constitute a repository for debris, 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.

Tax Increment Finance District Eligibility Findings

The Clare Housing/Old Third Avenue Townhomes TIF District is to be a housing TIF District as defined in the Minnesota Statutes, Section 469.174, Subdivision 11, which states:

"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts.

A district does not qualify as a housing district under this subdivision if the fair market value of the improvements which are constructed in the district

for commercial uses or for uses other than low and moderate income housing consists of more than 20 percent of the total fair market value of the planned improvements in the development plan or agreement. The fair market value of the improvements may be determined using the cost of construction, capitalized income, or other appropriate method of estimating market value. Housing project means a project, or a portion of a project, that meets all of the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.

There are two specific questions that must be answered in order to confirm the eligibility to establish a Housing TIF District to finance eligible public redevelopment costs of the Clare Housing/Old Third Avenue Townhomes Project.

- 1) Does the project comply with the income restrictions for rental housing projects identified in Minnesota Statutes, Section 469.1761, Subdivision 2 and 3?
- 2) Does the fair market value of the low and moderate income housing project constitute at least 80% of the total valuation of the improvements constructed in the district?

Income Restrictions^{7, 8}

Moderate-income housing is defined as housing affordable to families with incomes between 80 percent and 120 percent of the metropolitan median family income. Low-income housing is defined as housing affordable to families with incomes below 80 percent of the metropolitan median (MMI) family income.

Additionally, the proposed project must satisfy the income requirements for a Housing Tax Increment Finance District as stated in the Minnesota Tax Increment Act (Minnesota Statutes, Section 469.1761, Subdivision 2 and 3). Subdivision 2 states that for owner-occupied housing, 95% of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirement for qualified mortgage bond projects under Section 143 (f) of the Internal Revenue Code. Section 143 (f) states that the income requirement for 1-2 person households is 100% of the area median income, and for 3+ person households, is 115% of area median income. Subdivision 3 states that rental housing must meet one of the following tests in order to qualify as a Housing Tax Increment District:

1. At least 20 percent (6) of the units must be occupied by individuals whose income is 50 percent or less of the Metropolitan area median gross income (30 units of 32 are available at or below 50%); or

⁷ The FY2004 Median Family Income Metro Area, State of Minnesota is \$73,300 as estimated by HUD

⁸ The MMI for Tax Credit Income Limits for 2004 is \$76,400 effective date 1/28/04

2. At least 40 percent (13) of the units must be occupied by individuals whose income is 60 percent or less of the area median gross income (30 units are available at or below 60%);
or
3. At least 50 percent (16) of the units must be occupied by individuals whose income is 80 percent or less of the area median gross income (30 units are available at or below 80% of MMI).

The proposed project meets all of the income requirements for a Housing TIF District. Income guidelines will be monitored for the life of the district, as the requirements of this subdivision apply for the duration of the tax increment financing district.

Valuation Test

In addition to the rental apartment and townhome units, the project will include about 6,000 sq. ft. of office space on the main level, and 2,000 sq. ft. lower level expansion space suitable for a future community room (supportive and common spaces, including a multi-purpose room, and a “wellness room”, adequate for delivery of supportive services such as counseling, individual therapies, support groups, health services, sharing meals, and community building activities). According to Minnesota Statutes, Section 469.174, Subdivision 11, in order to establish a housing TIF district, the fair market value of the low and moderate income housing project must constitute at least 80% of the total valuation of the improvements constructed in the district.

It has been calculated that the Estimated Market Value (EMV) of the completed project will be about \$3,356,000. Approximately \$3,056,000 of the valuation is attributable to the apartments and townhomes, and \$300,000 is attributable to the office value. This means that about 8.9% of the assessed value of the complete development is attributable to the office value portion of the housing project.

Minneapolis Housing Policy

In 2002, modifications were made to the City’s Comprehensive Plan (“The Minneapolis Plan”) that strengthened its commitment to policies of housing growth and to increasing the supply of affordable housing. The principal goals of city housing policy are to improve choices, both for households with constrained choice and for households with many choices. The Zoning Code was also amended to allow developers of affordable housing to construct more housing units than would otherwise be allowed in instances where a proposed development includes affordable housing units.

“The Minneapolis Plan” includes the following policy statements:

- 4.9 Minneapolis will grow by increasing its supply of housing.
- 4.10 Minneapolis will increase its housing that is affordable to low and moderate income households.
- 4.11 Minneapolis will improve the availability of housing options for its residents.
- 4.12 Minneapolis will reasonably accommodate the housing needs of all of its citizens.
- 4.15 Minneapolis will carefully identify project sites where housing redevelopment and/or housing revitalization are the appropriate responses to neighborhood conditions and market demand.
- 4.16 Minneapolis will work closely with NRP planning and implementation to ensure that NRP plans are consistent with the City's Housing Policy.

Each of these policies is associated with a set of related implementation steps, which are accomplished through a variety of mechanisms that include regulatory requirements and enforcement, and the financial and staff resources of the City, NRP, and Empowerment Zone. These steps include:

The variety of housing types throughout the city, its communities and the metropolitan area shall be increased giving prospective buyers and renters greater choice in where they live.

- Develop/provide incentives for placing new housing on transportation corridors
- Up to 20 percent of the units in new multifamily housing developments should be affordable

Minneapolis will improve the range of housing options for those with few or constrained choices.

Another way to describe the city's policy objectives in influencing the housing market is to target the variety of residents' housing choices. The ability to provide residents from all walks of life with increased housing choices, in a variety of housing types, ages, (newly constructed and renovated older buildings) and affordability levels will hugely influence the pattern of future prosperity and vitality in the city. Tools have been developed to assist the city and its partners in implementing expanded choice in housing. These tools define terms such as affordability, medium and high density housing. They also relate the city's efforts at expanding housing choice to metropolitan initiatives, and include the Livable Communities Act guidelines, the Consolidated Plan for Housing and Community Development, tax credit programs for affordable housing developments and CPED-sponsored programs for housing redevelopment and new construction. Implementation steps include:

- Increase the variety of housing types (affordability, style, location) throughout the city, giving greater choice
- Encourage new housing production as a way to increase resident choices throughout the city.
- Promote mixed income housing development as a method of providing more choices to residents
- Promote mixed income housing as part of mixed use development so that the likelihood of affordable housing is increased

Minneapolis will both assume its appropriate responsibility for improving housing options among those with few or constrained choices, and collaborate with partners at the regional, state, federal and local level to assure that appropriate solutions are pursued throughout the region.

The “Zoning Code”

A modification to the Code provides an incentive to the development of affordable housing units, providing a 20% bonus in the number of units that can be built if at least 20% of the development’s units are affordable to low-income households.

Eligibility Findings

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

The proposed TIF district includes new construction of 8 market rate units affordable to families earning 100% to 115% of MMI. In addition, 28 of the 32 Clare Housing rental units will have project-based Section 8 assistance affordable at or below 30% of MII, 2 units will be affordable at or below 50% of MMI, and 2 units will be market rate units.

Since there will be 30 units at or below 50% of MMI, the project complies with the City Affordable Housing Policy, which would require at least 8 units (20% of the total) of 40 units for both components.

The proposed TIF District is located within the Clare Apartments/Old Third Avenue Townhomes Redevelopment Project, in accordance with the provisions of Minnesota Statutes Sections 469.001 through 469.047.

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

Method Proposed for Financing and Preliminary Budget

**Clare Apartments/Old Third Avenue Townhomes Redevelopment Plan
May 21, 2004**

Description of Development

A joint development by Clare Housing, Inc.(Clare Housing) and Central Community Housing Trust (CCHT) has been proposed to construct a 32-unit apartment building and an 8-unit townhome development including shared open green space and off-street parking. Surface parking for residents and green space for the surrounding community will also be provided.

Total development costs for the Clare Apartments/Old Third Avenue Townhomes project is currently estimated at approximately \$8.8 million. Tax increment financing assistance in an amount not to exceed \$460,000 may be provided for parking lot and green space improvements, as well as new housing construction. This TIF assistance will be provided to CCHT and/or Clare Housing through the issuance of a pay-as-you-go tax increment revenue note (the "TIF Note"). The TIF Note will be issued to CCHT by the City and will have a stated interest rate.

As tax increment is generated by the project in future years, a portion of the tax increment collected by the City will be paid to the noteholder (twice a year) as payment of principal and interest on the TIF Note. A portion of the tax increment collected by the City may also be used for administrative purposes or other affordable housing purposes as allowed by Minnesota State Statutes and stated in the tax increment budget. The tax increment budget for the TIF district is shown below:

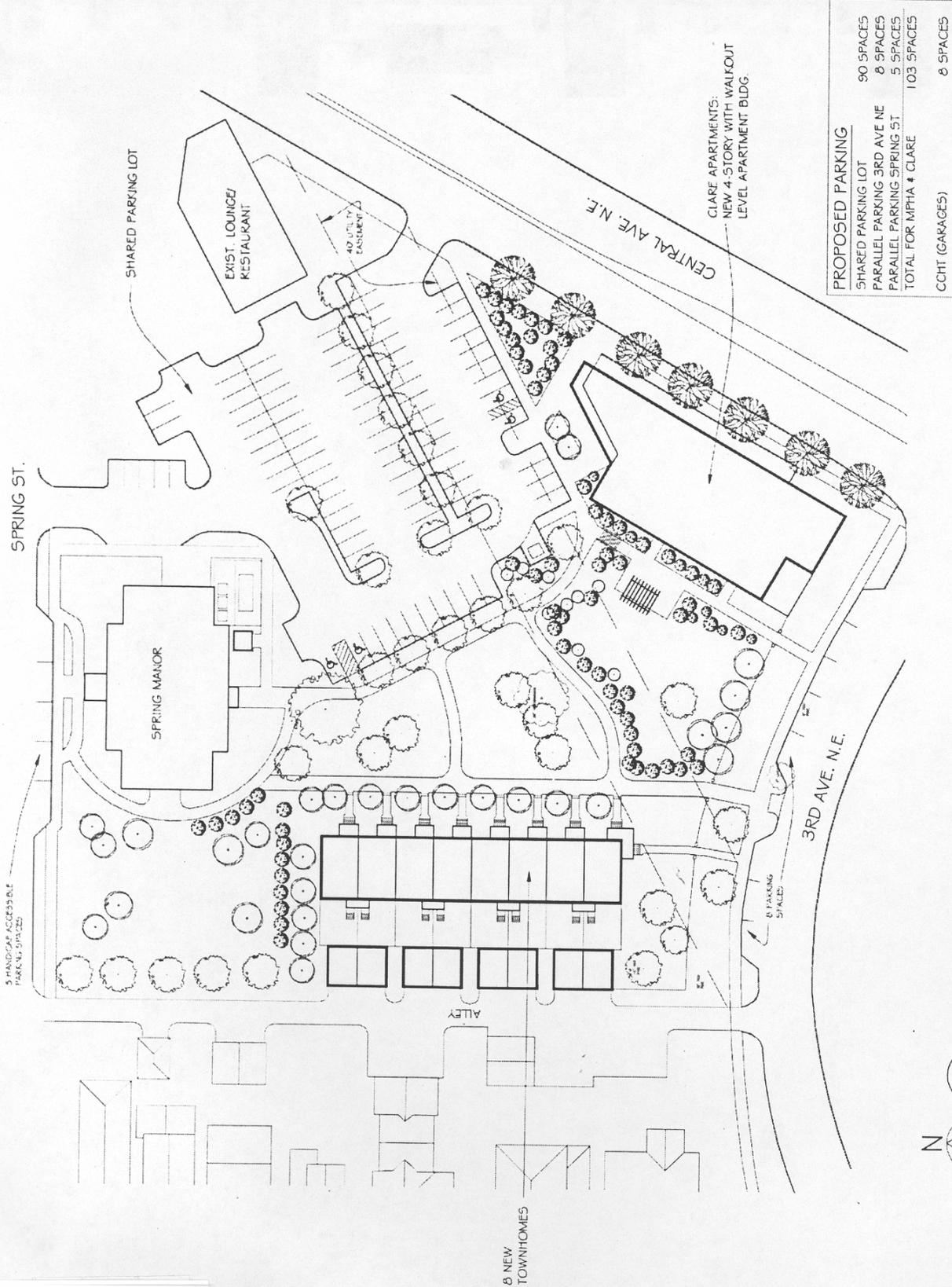
Clare Apartments/Old Third Avenue Townhomes TIF Budget

Sources	Up Front	Over Time
Developer Funds	\$ 460,000	---
Tax Increment	---	\$ 1,685,000
Other	---	0
Total Sources	\$ 460,000	\$ 1,685,000
Uses		
Housing/Parking Construction	\$ 460,000	---
Pay-As-You-Go Note Principal	---	\$ 460,000
Pay-As-You-Go Note Interest	---	551,000
Affordable Housing Outside TIF District (30%)	---	505,500
Administration (10%)	---	168,500
Total Uses	\$ 460,000	\$ 1,685,000

The figures, sources and methods of financing identified in this TIF 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 public redevelopment costs or indebtedness beyond the amounts listed herein, a modification to the TIF Plan will be necessary. Such a modification would require the same approval process as the original approval of this TIF Plan. The actual public commitment to pay public redevelopment costs to be incurred within this Project Area is established in each redevelopment agreement entered into by the City and each developer, not by the TIF Plan, which establishes a permissive rather than proscriptive ceiling on public expenditures.

Sources of Revenue

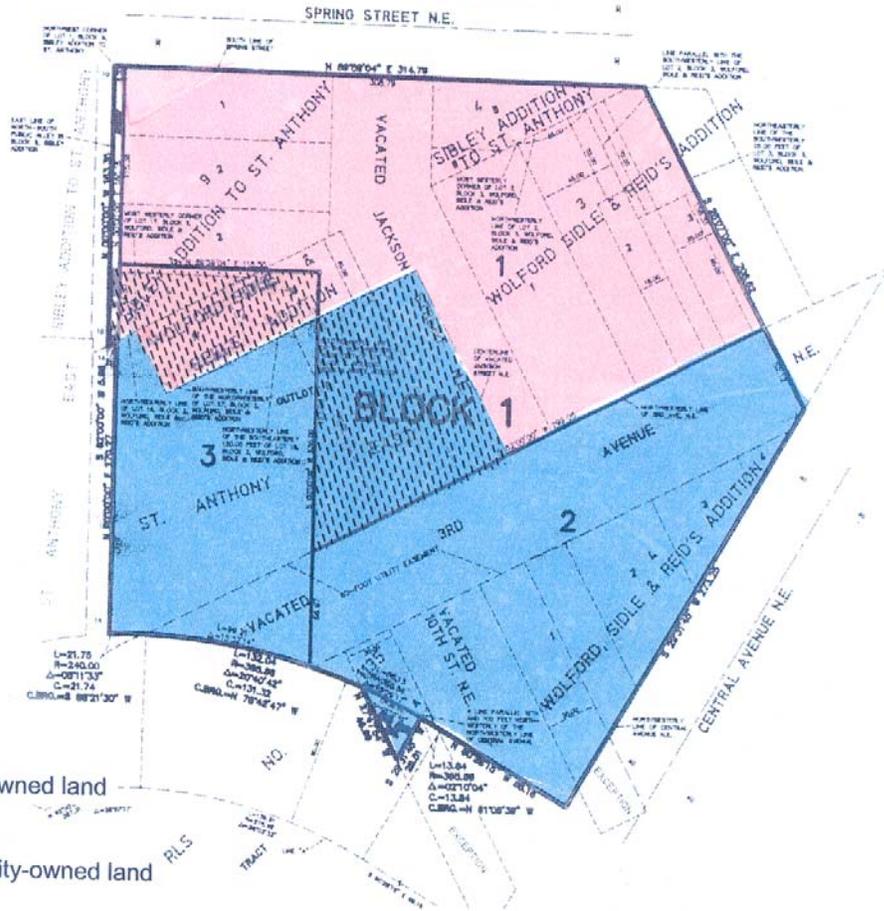
Tax increment generated within the TIF District will be one source of public funds used to pay a portion of the public redevelopment costs associated with the Clare Apartments/Old Third Avenue Townhomes Project. Other sources of funds to pay public redevelopment costs may include Low Income Housing Tax Credits (LIHTC) syndication proceeds, Minnesota Housing Finance Agency (MHFA)-Housing Opportunities for Persons With AIDS (HOPWA) funds, MHFA/Family Housing Funds (FHF)-deferred program funds, CPED Multi-family Rental & Cooperate Housing Program funds, Owner's Equity, Hennepin County-Affordable Housing Incentive Funds (AHIF), HUD-Supportive Housing Program (SHP) funds, Federal Home Loan Bank funds, HUD HOPWA funds, Empowerment Zone funds, and CPED Non-Profit Housing Development Assistance Program funds.



PROPOSED PARKING	
SHARED PARKING LOT	90 SPACES
PARALLEL PARKING 3RD AVE NE	8 SPACES
PARALLEL PARKING SPRING ST	5 SPACES
TOTAL FOR MPHIA # CLARE	103 SPACES
CCHT (GARAGES)	8 SPACES


PROPOSED SITE PLAN
 NOT TO SCALE

CLARE ADDITION



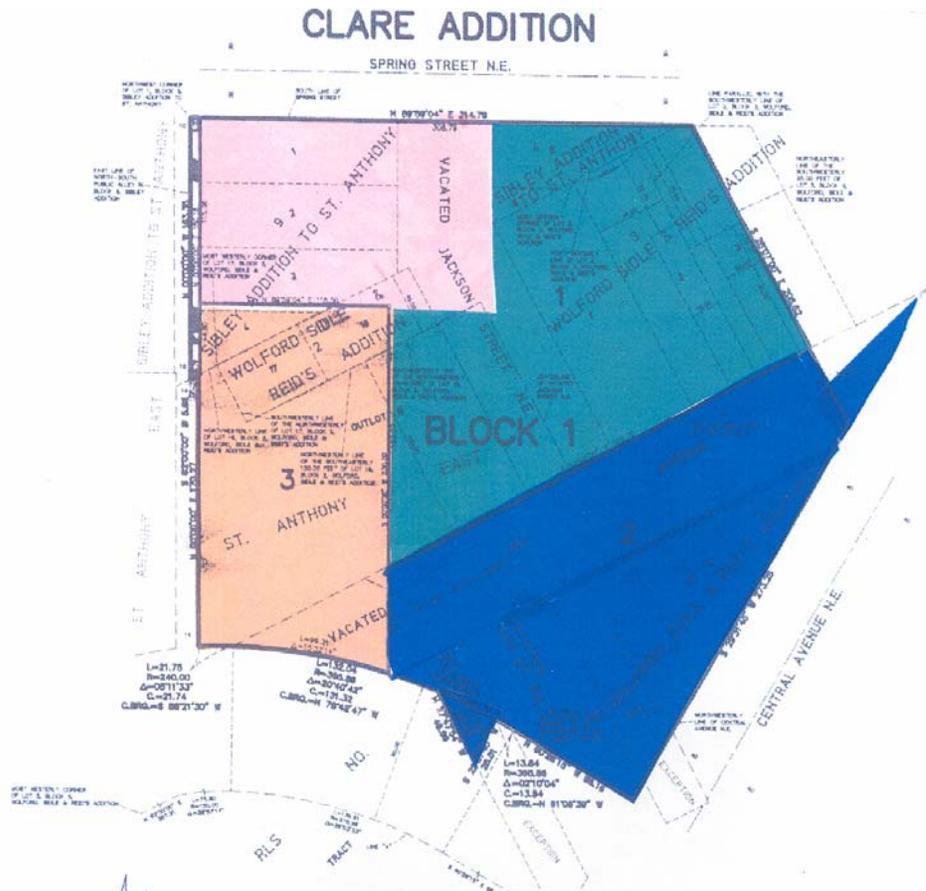
Legend

- MPHA-owned land
- CPED/City-owned land
- Split from MPHA, swap to CCHT
- CCHT land swap to MPHA

**Clare Apartments/Old Third Avenue Townhomes
Existing Ownership and Land Swap Map
May 21, 2004**

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





Clare Apartments/Old Third Avenue Townhomes
Final Development Ownership
 May 21, 2004

MPHA/Shared Parking & Green Space		Old Third Avenue Townhomes	
MPHA Spring Manor		Clare Apartments	

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